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The Production Boundary Reconsidered

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(vi) text of the abstract.

Hill [1977, 1979] and Hawrylyshyn [1977] rediscovered a classical contribution by Reid [1934] that is known now as “third party criterion.” As is well known, the general production boundary in the SNA 1993 is defined by using the criterion proposed by these authors. They considered that the property of “delegability” is the key to the concept of economic production. That is, an activity is called production if it can be delegated to another economic unit. And two related requirements, “separability” (Himmelweit [1995]) and “reproducibility” (Sakuma [1996]) both of which are considered to be implicit in this property are examined. The former means that it does not matter who performs the activity and the latter means that anyone can (re)perform the same activity. In addition, another criterion tentatively called “World 1 criterion” are introduced which means that an activity should be called production in an economic sense only when its output is in Popper’s World1. Some implications for national accounting practices such as the treatment of management activities and R & D will be examined. (172 words)