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GOODS FOR PROCESSING (FOLLOW-UP DISCUSSION)

A NEW TAXONOMY FOR THE NEW ECONOMY:
AN ESSAY

Note by the Federal Statistical Office of Germany¹

I. INTRODUCTION

1. National accounts and economic statistics in general are challenged by the economic reality. This economic reality is in a process of change, i.e. on the way to what is often called the “New Economy”. So, one should not wonder that the traditional definitions and concepts of national accounts (NA) itself, which describe the economic reality, are questioned by this process of change.

2. Nor one should wonder that it is difficult to give a generally accepted definition of the New Economy while this process is still under way. Too much is in progress. However, there are

¹ The views expressed herein are the personal views of the author Wolfgang Eichmann (FSO Germany) and are not intended to reflect the views of the Federal Statistical Office Germany.

components, of which we can expect that they will constitute the New Economy in the long run. The increasing importance of information and information technology is beyond dispute in this context. On financial markets new “instruments” (e.g. financial derivatives) are traded. Some of the players on the financial markets seem to have only a cloudy idea about the function of these instruments and of the risks associated with them as we have seen in the last months. Finally, the process towards a New Economy is linked with another process which can be summarized under the headline “Deregulation and Privatization”. Former public monopolies became normal enterprises. The postal offices and the railway societies are the most familiar examples in this respect. In the course of this development terms like “licence” got another dimension of value and weight.

3. And so, ultimately, one should not wonder that national accounts statisticians have trouble to fit swaps, stock options, mobile phone licences etc. into the traditional pattern of “goods and services”.

4. Looking for a common characteristic of all these developments, it is the “intangibility” of all these phenomena in contrast to the more down to earth goods and services which strikes.

5. The national accounts literature picked up these issues. The articles of Peter Hill (1999) *Tangibles, intangibles and services: A new taxonomy for the classification of output* and Jean Gadreys (2000) *The characterization of Goods and Services: An alternative Approach* denote the issues in their titles.

6. For Hill “tangibles” (material objects) are characterized by being an entity that exists independently of its owner and preserves its entity through time “(p. 437). The existence of property rights makes such objects tradable. As “intangibles” (non-material objects) have the same characteristics they are also “goods”. Therefore “intangibility” can not be the criterion which distinguishes between commodities and services. But what are services? “Services” according to Hill, include a relation between the producer and the consumer. They are not self contained entities, they can not be considered independently from the producer and the consumer and they result in “some change in the condition of one economic unit produced by the activity of another unit.”(p.441). “Intangibles” and “Services” have nothing to do with each other.

7. Jean Gadrey formulates his “still provisional definition of services” (p. 383) as follows: “Any purchase of services by an economic agent B (whether an individual or organization) would, therefore, be the purchase from organization A the right to use, generally for a specified period, a technical and human capacity owned or controlled by A in order to produce useful effects on agent B or goods C owned by agent B for which he or she is responsible” (p 382 f.).

8. The problem should now be a little bit clearer. What we have to think about is “A New Taxonomy for the New Economy”, a new set of terms as a basis for national accounting. This new approach is all the more needed, as the familiar terms can subsume the new phenomena less than ever.

9. But before I present my own consideration it might be useful to remember where the familiar terms come from and what alternatives were discussed in the past.

II. GOODS VERSUS RIGHTS

10. If we restrict ourselves in the first step on commodities so we can look at them as physical entities or as legal objects. Both points of view are not mutually exclusive, both points of view existed.

A. Theory of goods by Menger

11. Neoclassical economics prefers a subjective point of view on physical entities. According to the theory of goods by Carl Menger (Menger, C. 1923 p.10) “goods in the sense of our science are available things which are appropriate to satisfy human needs” (...Güter im Sinne unserer Wissenschaft sind also zur Befriedigung menschlicher Bedürfnisse als tauglich erkannte und für diesen Zweck verfügbare Dinge”). Later he added (l.c. p.16) – often disregarded- :” this is in the first instance and directly valid for a non-market economy. In a market economy, things we do need in such a way, can also become goods, in so far as we can exchange such things against things which are “goods” for us” (... gilt zunächst und unmittelbar für die verkehrslose Wirtschaft....In der Verkehrswirtschaft können auch Dinge, deren wir nicht derart bedürfen, doch Güter für uns werden, insofern wir sie gegen Dinge, die für uns Güter sind, einzutauschen vermögen“). On the one hand this means a considerable enlargement of his original universe of goods. On the other hand one can ask what these additional goods in a market economy really mean. We will come back to this point later.

12. Ancestors of Mengers subjective theory of goods can be traced back to J. B. Say (1803). Say looked at awarded “services” from the viewpoint of a self contained usefulness². Before him this was not the case. After Say the value of a commodity or a service is determined on the market. Before Say, Smith (1776) stated, that services “seldom leave any trace or value behind them”. In his and the Marxian tradition, the objective labour cost theory, the value of a commodity was determined by the value of the labour spent in order to produce the commodity. Later, the “Material Product System (MPS) was built up on this basis. It disappeared with the decline of the so called socialist states. Western national accounts followed Say’s and Mengers concept of market prices. Therefore in western national accounts we speak of gross domestic product at market prices and not of labour costs.

13. Studenski (Studesnki p.16) did not follow the addendum of Menger when he wrote “National income, therefore, includes all freshly produced material goods and services.” At least Studenski’s universe of goods is smaller than the enlarged universe of Menger. It is again reduced on physical entities which are suited to fulfil human needs.

14. Böhm-Bawerk (1924, p. 102) was aware of the simultaneity of the physical and the legal point of view. He defined “rights” as “the form, which the general condition of each good “property rights on things” adopts in a legally organized society...(.. die Form, welche die allgemeine Bedingung jeder Gutsqualität “Verfüugungsmacht über das Ding” in der rechtlich organisierte Gesellschaft anzunehmen pflegt“.)

² “Has the industry of physician been unproductive? Who can for a moment suppose so? The patients have been saved perhaps.....This is what I call an immaterial product.”

15. In this spirit, regarding the physical as well as the legal aspect, the System of National Accounts (SNA) 93 (par.6.7) defines: “Goods are physical objects for which a demand exists, over which ownership rights can be established and whose ownership can be transferred from one institutional unit to another”. One question remains: what about those objects over which ownership rights can be established, but which are not physical objects?

16. We can summarise that traditional economics focus on the physical nucleus. This physical nucleus is encased by a legal veil.

B. Elder German and American institutionalism

17. For the elder German and American institutionalists the legal veil was more important than the physical nucleus. Voigt (192/1913) gave himself the answer on his own rhetoric question (“Physical goods are exchanged against rights and vice versa, therefore they must have the same substance?” /Es werden doch physische Güter gegen Rechte und umgekehrt getauscht, also müssen beide wesensgleich sein?). “What would be if we can understand physical goods as rights, too? (Wie wäre es aber, wenn wir auch die physischen Güter als Rechte auffassen könnten?)”. A common superordinated concept including both, goods and rights does not exist. Later Amonn (1927, p 290) stated “ In fact one acquires and carries forward the rights and hopes that these rights finally dissolve in utility” (Man erwirbt und überträgt in Wirklichkeit die Rechte und hofft, dass sie sich später in die erwarteten Nutzleistungen auflösen”). On the other side of the Atlantic economists like Commons (1931) stressed the legal point of view. “Transactions are the means, under operation of law and custom, of acquiring and alienating legal control of commodities, or legal control of the labour and management that will produce and deliver or exchange the commodities and services, forward to the ultimate consumer”. The interest of these elder institutionalists took stock in the taxonomy of economics, not in the influence of rights on the economic performance. This changed.

C. Modern institutionalists

18. The importance of law (or in a general sense of social institutions) for economic analysis is one of the major points of the “property rights theory” as part of the New Institutionalism, which was founded by Alchian, Buchanan, Coase and Demetz and put on the map since 1960. The basic conceptual construct of the elder institutionalists (rights are traded instead of goods) had to be changed. However, the specification of the concept that they provided is important. They did not speak about rights in a general manner but about specific property rights as there are:

- (a) Usus, the right to use something;
- (b) Usus fructus, the right on the proceeds of something;
- (c) Abusus, the right of processing;
- (d) The ius abutendi, i.e. right to transfer the legal ownership in total or parts of something.

This distinction was not totally new, as the words indicate this distinction comes from the Roman Right.

III. ASSETS

19. The property rights mentioned above we have defined as legal dimensions of assets. But what are assets? If we remain in the legal world, one can firstly state that all assets (including the air and the open sea and other so called free goods as we will see) are encased by property and other rights (i.e. sovereign rights, see chapter 8.). “Assets” we can say are those rights (in total or in particular) which are denominated in money or have a value which can be expressed in money.

20. This is in principle not far away from Anne Harrison’s “Definition of economic assets” (Harrison, A., 2006) as she also states: “...all assets can be represented by a monetary value”. However, Anne Harrison defines “economic” assets, whereas I deal with “assets” in a more general manner and need the term in another context.

IV. A PROPERTY AND PERSONAL RIGHTS AND RISKS APPROACH

21. The proposed Property and Personal Rights and Risks (PPRRs) approach augments the specification of II.C in two ways:

(a) Firstly, it includes human capital/personal rights in addition to financial and non-financial capital. A human being is endowed with several rights of which some are economically relevant. The most prominent is the right on the gain of his work. Copyright is merely a special form of this right. But there are, in addition, some economically relevant rights which are not based on labour input like the right to one’s name, the right to one’s own pictures etc. Some of these rights, originally relevant for human beings or natural persons only, are awarded also to legal person;

(b) Secondly the lien, i.e. the right to use something as collateral is added as a specific property right and the commitment to bear all “risks” which are associated with the legal ownership of an asset or with the existence of a human being forms the new category “property risks”.

22. Overview 1 shows the thinkable property rights and risks of non-financial, financial and human capital.

A. Overview 1

Property rights and risks associated with non-financial, financial and human capital

Property rights and risks	Non- financial assets	Financial assets	Human capital/Personal rights
Abusus	x		
Usus	x	x	
Transfer right	x	x	
Usus fructus	x	x	x
Risks	x	x	x
Lien	x	x	x

23. Processing (abusus) clearly implies the existence of a tangible. In context with (intangible) financial capital (financial claims and financial ownership rights) processing does not make sense. Strictly speaking, in a legal sense a medical attendance or hair cutting is an “abusus”. However it is exempt from punishment due to the agreement of the patient or client. However we will neglect this case in respect of human capital.

24. Usus of non-financial capital (lending a flat or a car etc.) is obvious. The case is more difficult in respect of financial capital (securities lending). If one rents a flat, he doesn’t pay for the actual use but for the right to use, independently from the fact whether he makes use of this right. So, if the actual use is not decisive, we can understand “usus” on a more abstract level as “temporary abandonment”. Such temporary abandonment against charge can be subdivided into two categories:

- (a) If there is a determined obligation (rent);
- (b) If there is an indetermined obligation (loan).

25. The difference between a determined and an indeterminate obligation is the same as between the lessee and the borrower. The lessee is obliged to give back the identical object he received. If one rents a car, the lessee is not entitled to give back another car, even if it is of the same label, vintage, value etc. However, in the case of a borrower he is. In this case he is only obliged to give back an object “of the same species”. From our daily experience we know that this is valid for coins and banknotes. But this is also valid for bonds and shares. This makes “securities lending” possible. The borderline between both kinds of obligations is not identical with the distinction between non-financial and financial assets. It is also possible to give a “loan” in form of coal if both partners agree that the borrower has an indeterminate obligation. So, if we interpret “usus” as temporary abandonment and consider the different obligations at the end of the contract, the crosses in the cells for non-financial and financial capital are both justified.

26. Transfer rights are self-evident for non-financial and financial capital. Since slavery is abolished there is no more cross in the corresponding cell.

27. Usus fructus appears in different form for all kinds of capital. In following overview 2, some examples are given:

B. Overview 2

Usus fructus of various assets

Non- financial capital	Financial capital	Human capital/Personal rights
Calf of a cow	Interest	Result of labour input
Rents	Dividends	Copyright
Results of real capital input		

28. Risks can be classified: Substantial risks, contractual risks, third party risks, price risks. Again we use an overview to give some examples

C. Overview 3

Risks of various assets

Kind of risk	Non- financial capital	Financial capital	Human Capital/Personal rights
Substantial	Material damage Theft	Theft	Illness, death
Contractual	Bankruptcy of the lessee	Bankruptcy of the borrower	Bankruptcy of the employer
Third party risk	For cars, dogs etc.		Negligence
Price risk	Change in price of the asset	Change in price of the asset	

29. All kind of risks are given for all kinds of capital, except third party risks of financial capital and a price risk for a human being.

30. The possibility to give an asset as collateral (lien) is familiar in the case of financial- and non-financial assets. However, if someone gets a loan without formal collateral, isn't he obliged to pay back this loan from his future income, i.e. from his human capital? No bank will give a personal credit without having a look on the income situation of the borrower. So, although it's not done in a formal way: human capital is the collateral of a personal credit.

V. TRANSACTIONS AND ECONOMIC QUARKS

31. Now, take a simple example: One rents a car in the morning from AVIS. About noon this car is sold to SIXT. Just in this moment he let this car wash in a service station. The car is insured at Allianz. What is the object of these transactions? Is it the "car"? This is hard to believe as in this case the car would be object of various transactions simultaneously. The more plausible

approach to these events seems to identify the property rights and risks transferred as objects of the transactions. I call them “Economic quarks”. They are identical with the cells in overview 1. A transaction is then simply the transfer of an economic quark from one unit to another.

A. Standard transactions

32. These economic quarks can be transferred from one unit to another: individually, combined or as total. Overview 4 shows the various combinations of transactions and their familiar names.

B. Overview 4

Economic quarks and standard transactions

Economic quark/ Transaction	Usus	Usus fructus	Abusus	Risk	Ius abutendi	Lien
Purchase/sale	Yes	Yes	Yes	Yes	Yes	Yes
Financial leasing	Yes	Yes	Yes	Yes		
Heritable building right	Yes	Yes	Yes			
Usufructuary lease	Yes	Yes				
Rent	Yes					
Usufruct		Yes				
Processing			Yes			
Insurance				Yes		
Legal ownership transfer					Yes	
Pledging						Yes

33. This overview highlights the economic quarks, which are characteristically transferred from one unit to another in the framework of typical agreements. Whether anyhow or which unit provides a service and is remunerated for that is of no interest in this context.

C. Contracts

34. Up till now we have focused on one good (especially on a commodity) and the economic quarks which are allocated to it. We have shown that these economic quarks can be transferred individually, combined or in total. However, in reality transactions often do not happen in such clear form. In many cases various economic quarks of different goods are bundled in a contract. Take a package tour: it includes transport, rent of the room, meals etc. So, in a contract various pure transactions of economic quarks which refer to different goods can be combined. It is clear that a contract can include various transfers of economic quarks of different objects, but the transfer of an economic quark on the other side can only be part of one contract not different contracts.

D. Attenuation of property and personal rights and risks (PPRR)

35. Rights in general are not unlimited, even personal rights find their border in the rights of another person. So, PPRRs can be attenuated by law or by contracts.

36. Take for example a building which is under monument protection. In terms of the PPRRs-theory the abusus (processing right) is restricted in a specific way. The right on land includes to a certain extent the air above and the bottom below the piece of land. However, no landlord can forbid that an airplane fly across his land.

37. Also in private contracts the attenuation of the economic quarks is usual. If one rents a car, he is normally not allowed to drive in a foreign country. An extreme attenuation we often find in software contracts (which include the disc and the program). In this case the transfer right of the buyer is excluded.

VI. FIRST INTERIM RESULT

38. The first conclusions we can draw from the PPRRs-theory refer to well known NA-issues:

- (a) Legal and “economic” ownership;
- (b) Goods and services;
- (c) Prices.

39. In NA literature often the question is discussed, how to distinguish between a legal or de jure owner and an economic or de facto owner. The alternative seems not to make grade to the complexity of the legal/economic reality. This is also stated by the International Monetary Fund (IMF) (2004): “It should also be noted that commercial arrangements appear to be making more use of the possibility of splitting legal title from the risks and benefits of ownership”. This “splitting of legal title” is exactly the base for the PPRR-approach.

40. Firstly, not only the landlord has a legal position but the tenant has, too. Surely they are different, but nonetheless both have a legal position. Secondly, as we have seen, the various economic quarks of one commodity can be allocated to different persons. If a mare is let (usus), the expected foal (usus fructus) is sold in advance, the horse is insured with an insurance company (risk) and a bank has accepted the horse as a collateral (lien), who is the “economic owner”? The PPRRs approach explains that there are as many allocation possibilities as economic quarks exist. The question to whom an asset should be allocated, therefore, can not be decided a priori but depends on the problem. In the context of production analysis the allocation of usus and abusus, in the case of income analysis the allocation of usus fructus seems the most important. However, when looking at the financial stability of a unit, the risk bearing aspect has more weight.

41. The distinction between goods and services has been on the agenda of National Accounts since many years. From the point of view of the PPRRs theory such a confrontation does not make sense. There is a great difference between the transfer of the formal legal ownership on the one side and all other transactions on the other side. A transfer of economic quarks excluding formal legal ownership can only happen for a limited period of time. Otherwise the legal ownership would be destroyed in substance. Even the United Kingdom (UK) had to give back Hongkong after 99 years. As the transfer of pure legal ownership takes place at a certain point in time and is final (at least in principle), the transfer of all other economic quarks is temporary. It suggests itself to distinguish transactions in sales/purchases which are final on the one side and temporary transactions on the other side and label them “services”. Sale/purchase and services are therefore two kinds of transaction.

42. Commodities (“Goods” in SNA93) however (“physical objects... over which ownership rights can be established”, par. 6.7), are a specific kind of asset which should be contrasted to all other assets which are not commodities.

43. As it logically makes no sense to look for a feature which distinguishes between specific kind of object of transaction (commodities e.g. a car) on the one side and a specific kind of transaction (services e.g. car-rent)-on the other side, all proposals in this respect must have been unsatisfying. If we are not able to distinguish between a car and car-renting at the lowest level of abstraction, what makes us believe we could do it at the highest level “goods” and “services”?³

³ For those who are interested in analytical philosophy: It’s a matter of a “categorical error” (For more see Ryle, Gilbert (1949).

A. Overview 5

The goods and services problem revisited

Object of transaction	Commodities	All other assets
Kind of transaction		
Sale/ Purchase	Final transfer of formal legal ownership	Final transfer of formal legal ownership
Service	Temporary transfer of all other economic quarks	Temporary transfer of all other economic quarks

44. Prices are traditionally defined relating to units of goods (commodities) and services. However, as we have seen, the objects of transactions are not goods and services but economic quarks in the form of contracts. Firstly, from this point of view, we can now explain why the price of an old building varies due to the factor whether it is under monument protection (legally attenuated economic quarks) or not. It is the same with software: it is significantly cheaper to buy “Windows” for restricted use than to buy “Windows” including the transfer right. Secondly, the price does not relate to a good or service in principle, it relates to a contract. This is obvious in the case where a complex bundle of “goods and services” is traded.

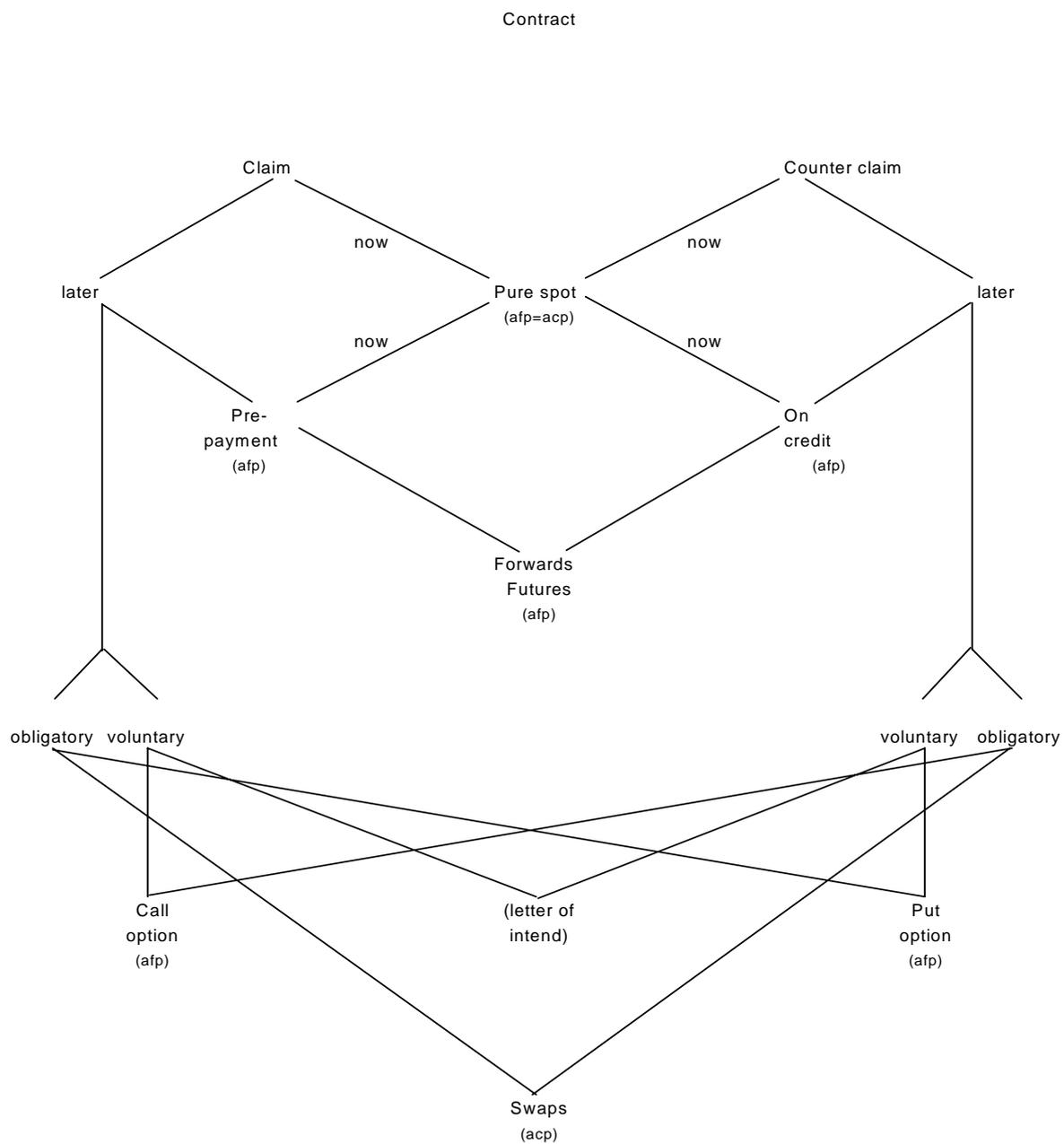
45. If we have the simple case of a clearly identifiable complete sale of a commodity (no attenuation of property rights), then the price relates to a quantity measured in specific units. However the reference magnitude is a quantity. We do not have something similar for services until now. The reference magnitude varies: one haircut, one standardized taxi trip etc. From the PPRRs-theory we can deduce a similar basic reference magnitude for services. Where it is “quantity” in the case of a sale, it is “time” in the case of services. It is the time (and quality) of the provider of a service we have to remunerate, therefore haircutting for woman is twice more expensive than haircutting for men assuming the same quality.

VII. TIME STRUCTURE OF CONTRACTS

46. Hitherto we discussed agreements, where performance and counter performance happened at one point in time. Now we discuss contracts where performance and counter performance happen at different points in time. This allows us to develop a systematic approach in respect of the time structure of contracts. Overview 6 starts with a spot contract (performance and counter performance happened at one point in time)

A. Overview 6

Contract Spider



afp= at fixed prices

acp= at current prices when claim/counterclaim falls due

47. If performance and counter performance happen at the same time we have a pure spot contract. The fixed price is identical with the current price when both claims fall due.
48. Then we have three cases where the price is agreed (afp), independently from the level of price which is valid (acp), when one or both of the performances have to be provided:
- (a) If the performance (“commodity”) is to deliver now and the counter performance (“money”) is later then we have a sale on credit.
 - (b) If the performance (“commodity”) is to deliver later, whereas the counter-performance (“money”) has to be provided now a contract with pre-payment is agreed.
 - (c) If both performance and counter performance happen in the future then we speak of forwards (normally not traded) and futures (traded).
49. These cases are shown in the upper part of Overview 6.
50. In all four cases performance and counter performance were obligatory and prices were fixed. Now we include the possibility of voluntary performances (and counter performances) as well as voluntary actions. In all following cases, performance and counter performance will both happen in the future.
51. If the counter performance (money) is voluntary and the performance (commodity) is obligatory at a fixed price (afp) if the performance is provided we have a call option.
52. If it is the other way round: the counter performance (money) is obligatory if the voluntary performance (commodity) is provided at a fixed price we have a put option.
53. If both, performance and counter performance are voluntary, there is a weak agreement called “letter of intend”.
54. If both, performance and counter performance are obligatory, but the price is not fixed, i.e. relevant is the price of the date when the exchange of performances is agreed then it is a swap.
55. The contracts in the lower part of the overview (including forwards and swaps) are constructed in a simple way. Therefore these contracts are called “plain vanilla”.
56. The term financial derivatives has become common for these contracts. This seems to be a little bit misleading. Nothing is said about the nature of the object of transaction, the underlying instrument” (financial or non-financial), contracts as described can be agreed for all kinds of objects.
57. Except the simple cases of a spot transaction and a letter of intend, which is non-obligatory, all other contracts constitute a claim in the future, at least for one part of the agreement and at least potentially. Such a claim itself is an asset according to the definition given above. It is a right which has a value in terms of money.

58. Now, as this newly created asset, the claim, can be the underlying instrument of a new derivative we reach the second level of derivation, i.e. a derivate of a derivate. This leads us to the so called exotic options as there are for example:

- (a) Options on options;
- (b) Options on futures;
- (c) Options on swaps (so-called "swaptions").

59. Theoretically, no limit can be given for constructing "New financial instruments".

VIII. ORIGIN AND FALL OF RIGHTS

60. In the preceding chapters we have discussed transactions, i.e. the transfer of rights from one unit to another. In legal terms this is called a "derivative" acquisition of a right (or a so called title) as it presumes that the right already exists. This has nothing to do with the "derivatives" mentioned in the chapter before.

61. But where do these rights here originally come from and where do they finally go?

62. As far as the origin of these rights is concerned, the following cases can be distinguished.

63. Human capital or personal rights arise directly with the birth (in some respect even before) by law (ipso iure). For assets there are several other possibilities. As we had assumed in the introduction that it is hard today to find an asset on which no right of ownership is established, the case of the acquisition of a totally free asset (berries or games) should only be mentioned here. This does not exclude that an owner (of these berries or games) is not interested in his property and does not exercise his rights. An intentional giving up of ownership rights by one unit (dust) and the acquisition by another of this free good is merely a case at the fringe.

64. Using the new classification of assets, the origin and fall of these rights can be discussed.

65. As we have excluded the acquisition of a free good, two cases are relevant:

- (a) Primary production (including exploitation of natural resources);
- (b) Secondary production (i.e. processing).

66. Both cases can be distinguished very easily. In the case of a primary production a separation of a unique (ownership) right into two separate ownership rights takes place. This is valid for the exploitation of a quarry or an oil field, the harvest of apples from an apple tree and the calf of a cow.

67. In the case of a secondary production things are different. There we have at the beginning an ownership right on specific assets no.1 and no.2 and at the end an ownership right on a different specific asset no.3. What lies between the beginning and the end? Producing a sword

needs coal for the heat and iron. The coal vanishes physically whereas the iron gets simply another outward form. As the coal, the economic nucleus, diminishes physically the accompanying legal veil diminishes, too. As far as the iron is concerned the only difference is that we now call it sword. The legal veil is still the same, but its economic nucleus has changed. But what we understand as “economic nucleus” depends on the deepness of our product classification (for example CPC/ Central Product Classification). In fact, what we call “processing” is defined by a change of the item in the product classification and nothing else. This is also valid when in a car factory the wheels are mounted. This consideration helps us also to distinguish processing from repair. Whereas in the case of processing a change in the CPC takes place, it does not in the case of a repair. If I have a puncture and a gas station attendant mounts me (even four) new wheels we speak of repair instead of processing as my car is still my car.

IX. OWNERSHIP RIGHTS AND SOVEREIGN RIGHTS

68. In many cases government is acting like any other legal entity: it has “private” ownership on land or buys a computer, i.e. government is acting under civil law. Beside this, there is an area, where government acts on the basis of the sovereign rights of state. This is the area of public law. The most important example is its sovereign acting in the case of legislation. Such sovereign rights, not private ownerships rights, are the legal veil of the air, the open sea and the treasures of the soil. Over these objects no private ownership can be established, even not by the government, as they are not “limitable”.

69. Sovereign rights enable government to create claims for itself without any specific return (taxes). But even if there is a specific return as in the case of administrative concessions like “drugstore concession”, “mobile phone licences” etc. there is no need for a “private ownership” before. The permission by government to do something in all these cases is not based on ownership but on the sovereign rights of state.

X. SUMMARY

70. The PPRR- approach tries to give direction towards a new view on national accounting. The focus is shifted away from the physical nucleus of objects and transactions to the legal veil which embosoms them. It is based on “New Institutionalism” especially the “Theory of Property Rights” instead of the “Neoclassical School”.

71. However, the PPRR- approach treats “Human capital” explicitly and adds the right to use something as collateral and risk bearing as additional characteristics to the previous property rights theory.

72. The approach at least throws a new light on some old NA-issues like “goods and services”, “legal and economic ownership” and “price of services”.

73. In a broader sense it intends to create a unique taxonomic framework in which national accounts issues like the definition of economic transactions can be discussed in a consistent manner.

74. The basic philosophy behind the considerations can be summarized in a few words: Economic streams flow through legal channels and national accounts measure the stage.
75. However, this paper should be understood merely a starting point for further considerations – an “essay” as indicated in the headline.

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