

THE SERVICE AS GENERAL PRINCIPLE OF ECONOMIC ACTIVITY. PRODUCTIVITY OR SERVICITY?

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The paper aims to point out main relevant moments in the researches concerning the service issue, containing the reserve for core developments in economics. Roots are from the literature in the last decade of the previous century, but also certain even elder and diverse more recent developments are evoked as well, by the criterion of their importance mainly for better seeing the issue of productivity, and of the interesting particular developments they got later. Apart from the service economy literature, background comes from the genuine liberalism too. The obvious realities of growing immaterial dimension of human concerns give the actual conditions that make such researches necessary, against the orthodox production and material approach. The reference value of our research is supplemented with the developments we made, including defining conceptual distinctions and suitable particularizations. Such contributions are meant to allow the relevant concerned ideas to be better seen, and to improve economics' approaches. The importance of involving such elements in economic research is conclusively underlined. Purely theoretical, the paper does not contain empirical analyses. It is useful for scholars that wish to widen the horizon of their approaches in attempts to render them topical and to improve the common/dominant economics.

Keywords: service, service economy, knowledge economy, productivity, servicity .

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1. Introduction

The paper is using and making better known ideas and contributions from certain pioneer's works (earlier texts published in less known languages and in publications that are not very well known, from previous periods of time here included); such research, papers or articles are worthy of being examined, valorised and turned to good account, despite the fact that some of such publications are from times when they were not included in electronic data bases (the fact of existing just in certain publications and their missing from electronic registrations limited the possibility to become well known and valued). The reason for choosing such issues is, firstly, they are less known and, secondly, their scientific potential: the issues we present and develop in the present paper may be considered most important if we concern their forerunner (previous) and their later (most recent) developments – mainly in marketing –, and most important, thanks to their grounding role for renewing *economics* in that what concerns mainly the topics of productivity and of markets' functioning.

Thus, the importance of the issues presented in our paper may be seen in consistency with their grounds (see next sections) represented by the research in the specific area of services economy and, as well, by certain previous contributions to economics, and it should be seen also in the light of their recent particular developments in marketing, which are even famous (see, for instance the well known developments concerning *service dominant logic* – Vargo and Lusch, 2004, 2008 and others; as seen in the section no. 4).

We criticize the core place reserved, in economics, for the factual issue of material production, to the detriment of the conceptual reality of *service*, in the conditions when the economy is a generalized market.

The ideas we present in this paper are standing by themselves for the background of the research on the topic (we quote here mainly Jivan, 1993, but also Bastiat, 1982; please see other quotations in the sections no. 2, 3, 4 and 5, as well as in Jivan 2018, Jivan and Năchescu 2017 and 2018, Jivan and Năchescu 2019; in Jivan, 2014b there are also numerous references to research and publications that concern the topic. We should add other research like, for instance Jivan, 2000, 2013, 2016a and 2016b, where the issue of productivity is taken into account in a widened view, consistent with the important intellectual weight of all human activities – including the economic ones – nowadays.

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Therefore, in the present section we do not develop more the background and do not give more quotations. Also, the ideas here evoked and developed make up the conceptual historical basis for the more recent developments on the service topic and grounds for next evolutions.

We note that the most productive developments – at least in the field of service and services – were realized in marketing research. In this respect, we may mention that, in the most recent publications on services, the approach is focused rather on marketing matters too, therefore having *business* concerns (as, for instance, in the case of Kaufman, 2013, recently published in Romanian). Thus, a context that makes necessary such research as we develop in the present paper – in an economics view – is, as already said, given by the fact that even as regards the topic of our paper, the concern for marketing and the focus of economic research on business problems are prevailing. But given such developments and taking also into account the classical background that we employ, the concern of our paper aims at approaching a more widened conceptual horizon for the *service* topic, *i.e.* in a general economics view.

After evoking the main focus of economics on production and, as a consequence, the marginalization of the service issue (section no. 2), the relational idea of service is concretized as the core element of all economic activities (section no 3), as a main contribution for the economic science in the beginning of the last decade of the twentieth century. For such idea, certain more roots are searched and invoked in section no. 4, and other noticeable references are made, considering that they might better ground or develop our topic. From the service approach, the necessary step is made towards the better understanding of what does “productivity” more profoundly mean in such new light, apart from the common one (section no. 5). The main important ideas of the paper are underlined and conclusions are presented in the final section.

The paper is an unorthodox research inspired by service economics: the focus is quite on the *service* issue, pointing out its core place – in the genuine classical liberalist view (Bastiat, 1982) and in the developments from the last decade of the twentieth century (Jivan, 1993). Main implications on understanding and approaching productivity are revealed. We noticed already that business research were the most well-known wherein the service issue was taken into account, *e.g.* as a *dominant logic* in approaching the market (Vargo and Lusch, 2004). But in economics, given the focus on production and productivity, it was most commonly seen only for problems related to the *services economy*. Therefore, in the most usual approaches, it evolved to the status of a just marginal issue for economics, and central rather for marketing.

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Our paper develops certain interesting ideas in a heterodox approach and its main contribution consists in reiterating and putting them in a better view, and is the very stressing of such issues *for economics*.

2. The conceptual ground of the problem

Economics uses to consider material *production* as central for valuable economic activity (generating value). Such settings come at least from the Physiocrat and Classical period. It is true that the farmstead (mainly agricultural) was, for the long period of 'natural economy', the defining place of performing almost all activities needed. But the market economy extremely developed during the last centuries and the analysis of the economy should take into account that transports, trade, usury and many other *services* are also very old human activities. In developing economics, the conceptual impact of the overwhelming industrialization – which seized the most part of resources, concerns and energies – could be the most determining and might create a picture of such economy wherein the material production was considered the core.

In our opinion, setting *production* and productivity (see section no. 5) as the defining element of the economic activity, means that the conceptual issue of *service* is placed in a shadow corner or ignored. Such (production) focus was a snare of perceiving the economy and of conceiving economics during centuries; because nowadays realities show that, despite the continuous economic growth (of quantitative productions) – as a main result of the focus on growing productivity –, a lot of social and mainly ecological problems are not settled, but even deepened (Jivan, 2014a): such problems would be solved if the service, as main concern, would be indeed understood and better focused; but such production and productivity growth, failed in supporting *service* as main focus.

At least the transition from the economic logic of “production” to that of the market – that happened with the marginalism revolution –, should mean that utility (the utility of the economic activities) replace, in the perceptions of the economists, the material-energy core that generated the theory of *value-labour* conceived in the classical approach of economics. (In this respect, Adam Smith was referring to “the quantity of that labour which he can command, or which he can afford to purchase”; quotation from Smith, 1776, p. 30.) We consider that even the approach of Smith might mean more than just consuming a certain quantity of energy (paid by a wage), as it was understood later by Ricardo and Marx. We think that the real profound meaning taken into the logic of Smith could better be that of

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commanding a *work* (even if he referred at buying just a certain *labour*). We consider this because, beyond consuming a certain human energy (or labour), developing an *activity* or performing a *work* means rendering a *service* – at least when the market is already generalized in the whole economy; *i.e.* when all activities are intended or dedicated to be sold to other entities (when the natural economy, wherein people are serving themselves, remained as just marginal). In fact, this is the meaning of the broad horizon of *value-service* set by Claude-Frédéric Bastiat (1982, see section no. 3). But Smith did not develop his economic theory on such a line: to the contrary, he declared immaterial activities as being unproductive. (“His services generally perish in the very instant of their performance, and seldom leave any trace or value behind them for which an equal quantity of service could afterwards be procured. The labour of some of the most respectable orders in the society is, like that of menial servants, unproductive of any value, and does not fix or realize itself in any permanent subject; or vendible commodity, which endures after that labour is past, and for which an equal quantity of labour could afterwards be procured.” – quotation from Smith, 1776, p. 281 and 282; he also speaks about “useful and productive labourers”, *idem*, p. 4; see also *infra*, section no. 5). Thus, in that what concerns value, he limited the approach of the economists to the narrow material.

But not even the marginalism was concerned for better considering the utility of immaterial activities and, therefore, reconsidering the economics’ material-focused approach. The replacement of the focus on production and productivity, by the focus on the rendered service – like in the approach of Bastiat – did not actually happen: the neoclassical dominant economics just ignored the value issue (and the difference between it and the market price – value and price that were well delimited in the previous classical approach); neoclassicism quite replaced value by prices. From the point of view of service economics, the neoclassical approach was better only by the fact that immaterial activities were thus accepted in the same market view, *i.e.* as being sold on the market and, in such market regime, their performers are working and earning: the tariffs are certain prices on the market them too, and, in this respect, they are not anymore describing “unproductive” activities.

Much later, economists dared to apply the model of industrial production to all the human activities. It is famous, for instance, the manner in which W. Baumol (1967) made economic judgements in that what concerned the productivity of the members of an orchestra (thus some can imagine that a symphony of Bruckner, for instance, could be more “productive” by reducing as much as possible the number of players...). Noticing the occurrence of certain evolutions as like those called *cost disease* is an interesting contribution to studying the evolution on the labour market. But judging the whole economy and the entire human society by a narrow economic approach can rather be a logical mistake (in the productivity matter, please see section no. 5).

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Another famous extension was made by *Jacob Mincer* (1958) and *Gary Becker* (1997), as well as *Theodore Schultz* and *George Stigler* (quoted in Jivan, 2016b, p. 25 and next). They should also be mentioned, in the same second half of the twentieth century: extending the idea of investment to the immaterial area, there was, in an indubitable way, an immense development of economic sciences brought by the *human capital* theory. The theory of human capital is an incontestable very big contribution to economic knowledge (and generally to human knowledge) thanks to precisely the fact that it provokes a widening of the horizon: it brought the opportunity of going beyond the strict frame of material investment and reasoning further on such widened manners of understanding the reality. Such wise approach is consistent with the actual knowledge society. Therefore we might say that, if by chance they bring enlargements or widening of horizons, such research is beneficial. For instance, as already exemplified, the taking into account of the immaterial field represents a very important scientific contribution, by extending appropriate knowledge from the material production to other human activities. Such attempts represent scientific developments just if they are made rather by wisely adapting the knowledge from a particular domain, to the other domain that is newly analysed. The extension should be appropriately and accurately defined. Such fair adaptations are beneficial.

But if there is only about a misunderstanding of what is there about, they remain just strange ... And when we speak about misunderstanding, we concern those realities that are not at all “productions”, but they may represent a performance, a service, an experience ... Such realities must not be analysed as material production is. They were revealed by the development of the service economy, mainly in the last decades of the twentieth century. The services economy theorists revealed how and why the approaches from industry and agriculture are not suitable for the immaterial human activities (they are very numerous and we do not detail them in this paper; for certain revealing details, please see, for instance, Jivan, 2000, Jivan, 2016b and Jivan and Năchescu, 2017).

Involving ideas and manners of calculation that are suitable strictly for the material productions and that have no consistency with the immaterial production, proves understandings and judgements that are limited to the material production field (the most usual to the industrial production of manufactured material goods or of diverse substances). We consider that even speaking about “production” – or *productivity* – in fields that are not material productions cannot be appropriate from a very rigorous point of view, because misunderstanding or wrong perceptions might be generated.

For instance, it is already usual in business to speak about “banking product” or “tourism product”, for instance – terms that are employed in scientific papers too. In fact, such immaterial activities are not really “productions”, but just *intentions of service* (or, let say,

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intensions of production): the services' performer can make just proposals of business contracts, he/she offers just contracts to be signed, contracts that engage he or her to perform such immaterial activities, to serve the client in the stipulated conditions, or to render such services. The actual service (performance), which, in this respect, could be, afterwards, possibly, called "production", starts only *after* the moment when such contract is already signed and, on such basis, the performer may perform (Jivan, 1996). In immaterial activities, there is not about some kind of "product" (material object or substance), but about an immaterial *process* that has *immaterial results*. (In our examples, it is about banking services in the stipulated conditions and about touristic services during a certain trip or touristic sejour.) But economic terms and even some such developments (that are not usually rejected by economics) are not always made by academicians; and the economic life (the common practice) already imposes terms like "banking product", "tourism product", for instance, despite of the fact that, in the moment when they are offered to be bought, such "products" do not (yet) exist: they are not yet "produced" (because immaterial activities cannot be produced in advance and stored or stocked). They are just possible future outputs and may represent just offers. Before signing a specific command (a contract that stipulates the demand for concrete services), they are just in the stage of offer. Therefore they are usually called in an inappropriate manner (non rigorous from a scientific point of view, in the light of the services theory; in this respect, please see mainly the criticism brought by De Bandt, 1991 and Gadrey, 1996b). "The economic model is one-sided and imbalanced if it is centred on production, because it ventures to perceive, to conceive and to analyse all other aspects of reality under a distorting angle" (Jivan, 1993). Such approaches should be better reconsidered, by widening the horizon of economics knowledge.

*Extensions may be made, and even better, but rather in the reverse way than such usual inappropriate one: by applying knowledge from the service's theory, to the material production field, i.e. with a larger degree of validity. We say that the activities from the service sector have a bigger potential of generalizing their validity, if compared with the possibility of the material production to extend its validity on the immaterial activities' field. The cause of such a difference is the fact that producing is specific to the material production, but serving the client (the service character) is general in a market economy: the extended validity is exactly about the service character (Jivan, 1993; see also *infra*, section no. 3).*

The contribution brought by Bastiat (see *supra* the mentioned concept of *value-service*) was not taken into account and thus was not appropriately turned to good account; just a century later his economic conception that puts *service* into the right place (in the core of market economy) was revealed and restored as actual (in this respect, see *infra* section no. 3).

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There are facts that are, in our opinion, more important than the obvious spectacular and well seen quantitative growth, and may be even than the process of technical developments sometimes even astonishing. Of course, the immaterial processes are not quite so well palpable and even not noticed from a concrete point of view, but are present in everything we are doing in our human society, the economy here included. It is about the *relations* between people, because we exist and act in a systemic net of human inter-relations. They are more numerous, more complex, more significant and much more important than just the *economic* relations (economic relations that some approach could simplistically be focused on, in a narrow and strictly particular view). They involve “the soul and its component, the hospitable assignment”, the “specific character of offer made to our fellow”, trade and diverse services here included, they containing rules, customs and habits (Jivan, 1993).

When human relations and connections – rather than material quantities produced and rather than amounts of incomes recorded – are well concerned, then human needs are well satisfied (present and future ones, social and ecological ones here included). It means (in such cases) that the *service* (and not mainly the production) actually is the defining core of such activities (all the economic human acts should be here included).

3. The core service of any economic activity

In the economic view focused on *production*, the market is seen as a simple corollary of such production, having just the role of distributing that what has been produced. “The system is conceived under the scheme: production – distribution – exchange – consumption” (Jivan, 1993). In nowadays economy (at least), such perceptions on reality are at least obsolete: in the conditions of the generalized market, the exchange is already the stake of every economic activity. And such view was set up from the times of neoclassical developments, which already considered that the whole economy and, therefore, also economics are centred on exchange.

Despite such realistic approaches, the common model based on and focused on production – like in the classical period of economic thought – persists in an unjustified mode in the usual economic analyses: *i.e.* mainly by the fact that productivity is kept as core issue. Such productivity is commonly understood and analysed in a materialist and quantitative manner. (See the critics already quoted in the previous section; even the manner of calculating the “productivity” of an symphonic orchestra, of a hospital or of a school, for instance, may be evoked, by formulas that take into account the number of musical players at the denominator

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of such indicator, or that consider the number of doctors and of teachers as being indirectly proportional with such “productivity”! In such respect we may refer also to the critics and proposals in papers like Jivan, 2016b, Jivan, 2014b, Jivan and Barabas, 2017, Jivan, Şipoş and Weisz, 2017 and Jivan, 2018, for example, and the references already made in the previous section may be reminded).

The deceptive character of material production is still seen by commonly considering all the economic activities (those immaterial ones here included) as depending on material production, as varying mainly with it or, at least, with respect to the material production. Even the categories of services (including the formal classifications) are set by such criteria and recording all economic activities is made in the same way. As a result, the “logic” by which the functioning of the economic mechanisms – being analyzed with such recorded data – are also perceived and “understood” on such criteria. In the economic science, “productivity” is a most important criterion of considering and judging facts. We here argue replacing it with *service* (see the issue of *servicity* in the section no 5).

The marketing specialists have the merit of noticing that the immaterial economy is different and requires another approach than the optics of production. They focused on setting suitable market policies, but their approaches revealed important aspects to be taken into account even by the specialists in economics. “Production must be conceived from its very beginning through the angle of its aim, of its demand, of the exchange. [...] The functions fulfilled by each economic agent in the economic and social mechanism exist under the form of services that are done to the beneficiaries, to the business partners and to the society as a whole.” (Jivan, 1993)

The *service* – as economic stake, as social component and as human attitude – must be seen and understood as the core element defining for the mature economies, *i.e.* economies that are employing a generalized market system. As already said in the previous section, such view (from *service* angle) was proposed even in the classical period of the economic thought, by Frederic Bastiat (1982). In such a view, the attitude towards the client can be seen as more important than the only quantitative production actions. “Compared to the industrial take-off, which was a race after productivity, the new economic realities have begun to present many more aspects and details of economic life than productivism. Even in the inner part of the industrial enterprise all the activities must value the self-determined, assigned participation, the team spirit and other relational capitals. The human being is not a 'factor of production' but an 'economic agent'.” (Jivan, 1993)

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The growing place of services in the economy is proved, from already many decades, by their visible growth, in number, in diversity, in weight in employment and in gross domestic product (GDP). Despite such growth, “things haven’t been sufficiently clarified as to their role in economics. It seems that the services are maintained at a peripheral role.” (Jivan, 1993). Even research that point out the utility of diverse functions carried out by services in the economy's mechanism and in the society as a whole are remaining, most of them, in the classical (material) “production” approach (see the previous section). In such a view, services are often considered some activities of production (as already exemplified in section no. 2), just having certain “particularities”. Their specific character is generating problems of calculating the *usual* indicators (conceived for material production), and sometime might create the impression (or conviction) of un-productivity. Such misunderstandings come from the fact that the framework of the economic theory is (still) that of material production, as like it was designed in the times of Physiocrats and of England's industrialization.

But one of the most important reminding of our paper is that, in the very classical period of economics' development, besides the most famous Smith, Ricardo and others, there was also Frederic Bastiat (as we already said in section no. 2). And this economist's thought was brilliant in the *service* area, at least by the fact that his thought was revealed as actual mostly in the last decades of the twentieth century. From inside classicism, he was a forerunner for marginalism, by showing the central place of the market (given the usual, in classicism, focus on production), by seeing the already generalized role of exchange in the economic life, and thus, by underlying the service character of all “productions” and human economic activities, no matter their material or immaterial nature. Bastiat wrote: “When two men mutually give up their present effort or the result of their previous efforts, they *serve* each other, make a service to each other. [...] The value is the ratio between the two services (inter)changed” (Bastiat, F., 1982, p. 118, our translation). In fact, for the human activities (for providing services), Bastiat suggests the term *effort*, as more appropriate and much larger than that of *labour* – used by the classics (Bastiat, 1982, p. 140).

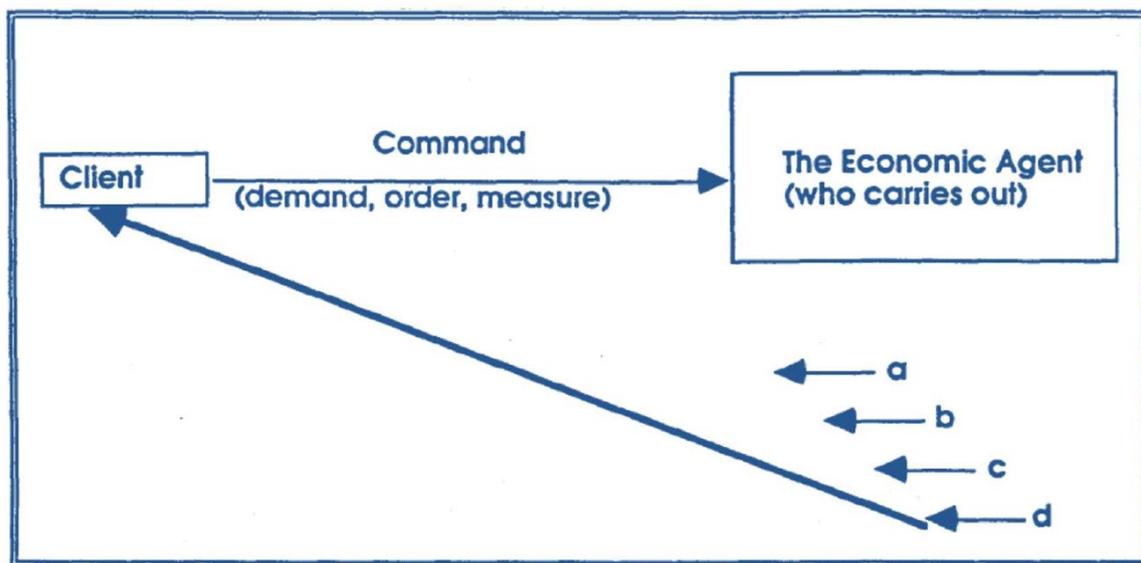
For *Frederic Bastiat*, value represents the saved labour; the saved labour means service provided; therefore, value equals service (Bastiat, 1982, chapter VIII). The price is the ratio between the two changed services: the product for the buyer, the money for the producer. Therefore, every economic action (“production” here included) is defined not through material goods – possible but not compulsory supports of labour – but through the provided services themselves: any social activity is a service because it represents *an effort made by an economic entity for the satisfaction of another*; the exchange itself is done through a process of *service*. The full market economy form is the *generalised service* (Jivan, 1993).

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We mention that the approach of saved labour (Bastiat, F., 1982, p. 146) is completely different from the theory of incorporated labour-value (Ricardo and Marx), as well as from the theory of ordered labour-value of Smith.

In our opinion, from such approach results the requirement of perceiving and understanding the economic activity by starting from its role (functionality), and thus we can see that all human activities are made to be supplied to our fellows (Jivan, 1993). In such approach of the economy in the stage of generalized market system, each economic activity, indifferently of the materiality or immateriality of its results, may be generally represented as in Figure 1.



Legend: a -> to conceive-organise the activity;
 b -> to obtain the materials, information and other resources, respectively;
 c -> other spade works (to manipulate or/and modify the resources, to manufacture objects etc.);
 d -> to deliver or to fulfil the command).

Figure 1. The general scheme of an economic activity

Source: "Services and Servicity", by A. Jivan, 1993, *Services World Forum Bulletin*, no. 3, 4, p. 18

In the paper where this general scheme of an economic activity is proposed (Jivan, 1993), it is specified that the economic activities consist of two events: (ii) the serving (satisfying the client) and (i) the preparing of this final labour or of the goods to be supplied. "The distinction between these two steps can seldom be done properly, mainly because of their intermingling during the action." (Jivan, 1993). It is also detailed that the first step in time (the preparing)

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starts by conceiving and organising the specific activity, point (a) in the Figure 1. The purpose or need of the client (customer) is fulfilled by the final performance. In the particular case of the industrial units, such performance may be the supply to the client; of course, the command for fulfilling the needs or purposes of the customer may concern material or immaterial goods and services that have, for him or her, a role of input in other (own) economic processes.

The specific of each case determines that certain preparation operations (*i*) may be made previously, or may be done simultaneously etc. Most of such activities allow the detachment of certain operations in time and in space. Thus specialisations can be generated. The activities (*a, b, c, d*) that are marked by an arrow (<-) in the scheme, may be fulfilled by the performer (economic entity who carries out), but also can be separated to other agents. Here works the same market system of command-custom (by diverse contracts, cooperation or other forms of transactions): thus the economic entity in our scheme takes the role of a client making a command to another person or economic entity. By such mechanism, the demands – and the activities performed – may become more and more detailed (specific), deepening the degree of specialisation and of inter-dependency as well.

Such way creates better conditions that the technical performance and, generally, the qualitative features of all the outputs – either material or immaterial – are growing in importance, as a mark of better relying human actions on knowledge. Generally, all economic activities are here included (in our upper/former assertion), *i.e.* not just their results (goods or services), but their very unfolding and development. When the quality is better concerned and realised – and, thus, it is more important in the supply –, it means that the client is better served. Growing the complexity of the offer, adding supplementary services or other qualitative elements of supply activities, mean, all such acts, providing service to the customer. Paying attention to diverse expectations of the customers, generally of the market, means better serving. A serviceable act is also lowering the price of the offer (in such respects, please see Jivan and Năchescu, 2018).

It should be noticed that, by such initiatives, the economic agent not just provides service to his/her customers, but offers himself a service too, by gaining better position on the market, if compared with competitors. “So the service is a long term investment that doesn’t reduce to material investments. [...] Subsequently, not only the number and the varieties of the services will grow, but also the spirit of serving. Thus the economic life has first of all qualitative features and only then quantitative ones.” (Jivan, 1993). It may become obvious

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that service, *i.e.* the concern for customer, is the way of doing business, of existing in a generalized market economy. And in such concern and attitude, the material or immaterial specificity of the output of the economic activity is just a matter of appearance, and not a matter of conceptual basis or of economic nature, in the last analysis.

As already said, services are not a certain kind of production that proves to have certain “particularities” with respect to the classical material (agricultural and industrial) production, but all economic actors perform activities for other economic actors, *i.e.* they are serving clients; *economic activities are diverse kinds of service, material production here included.* We mean and underline that, in certain particular cases, such service rendered to others (for customers, for diverse entities from the environment of the performer) “comes to operations that require a lot of effort or a lot of time”; in such cases, “a standardisation, mechanisation of them is always aimed at. This happened, in the most evident manner, in the case of handicraft. Thus, industry mostly has been separated from other activities as a specialised activity and not the «production of service» from the industrial production of objects. But the activities kept their feature of service, as labour conscription towards their fellows. In our scheme the industries (the effort intensive operations) can be represented at the point (arrow) – *c* – included among other activities. After their specialisation, the science allowed their great development, the big growth of so-called productions. This leads to a distance towards the final client. The direct (immediate) client of the industrial unit is a merchant. Nevertheless any rational and viable activity (including the so called mass production or serial production) is based on command: marketing studies considers the whole demand, seen as a chain – specific to a relational economy [...]” (Jivan, 1993; for the issue of relational economy, please see mainly Bressand and Nicolaidis, 1988).

4. Certain more roots and other noticeable references that might better ground or develop our topic

The general scheme of an economic activity (Jivan, 1993) may be considered as an extension of the Gadrey's triangle (Gadrey, 1996b), or *service triangle*: Gadrey's scheme designs the performing services; Jivan's scheme reconsiders certain elements in a widened approach, and designs a scheme in a manner that makes it valid for any activity. We may say that, starting from the specific service horizon, by *the generalized scheme of an economic activity* (called, later, also *scheme of the generalized service*, for instance in Jivan, 2000) the reality valid for the specific immaterial performances was generalized to describe all activities, no

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matter from which kind or industry. As already said in the previous sections, applying the logic of industry and agriculture is not always as valid as it was in the reverse sense: from services to material production.

But, from much earlier in the economic thought, we may cull, for instance, certain ideas that can be considered useful for the issue here in question: *i.e.* of (i) *service* and, mainly, of (ii) the consistency between *immaterial and material* activities, *ones with the others*). For instance, the same conceptual and qualitative issue designed by both services and material productions or the certain kind of uniformity seen for such diverse activities, or, at least, the link between them, we can find in the optics of *Pierre de Boisguillebert* (according to Delaunay and Gadrey, 1992) and in the activities' classifications as was seen by *François Quesnay* (1766). The most important concept of value-service was already conceived and introduced by Frederic Bastiat, as already said in the second section of our paper.

The same conformity between material goods and (immaterial) services can be found at Theodore Levitt, 1974 (as shown by Grönroos, 2008, p. 301). The same author (Grönroos, 2008) quotes also Hill (1977), for considering goods and services as consumed “in essentially the same type of process.” (For developments on the issue, please see also Jivan and Năchescu, 2017.)

By adopting the same *service* unitary logic, certain authors may be seen as relevant continuers of the service issue discussed in this paper. The most important research were realised by Vargo and Lusch (2004, 2008), generating the famous service dominant logic (SDL) for marketing approaches.

The definition of the service science quoted by Marco Galvagno and Daniele Dalli (2014) from Ostrom et. al. (2010, p.5), speaks about *interdisciplinarity* and about *fundamental science*. It implies a widened horizon to be taken into account in enriching economic research (in this respect, please see Jivan, 2014b and the next section). Galvagno and Dalli (2014) also suggest connections with the already mentioned concept of *service dominant logic*, as important source for the value production topic.

Developments can be seen also in Jivan, 2013, 2016a and 2016b, in that what concerns the issue of co-production and co-productivity.

Closely connected with the replacement of the focus on *production* by the focus of *service* (that we see as being a main need for developing economics) is the very issue of *productivity*. It is approached specifically in the next section of our paper. In preparing the approach of the

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next section, we may already here invoke certain contributions brought by important research in the field of services economy and service economics, but also from other researchers that perceived aspects and realized scientific elements that we keep as worthy of interest for our topic.

For instance, we mention the concern of Mihail Manoilescu and Nicolas Georgescu-Roegen for productivity: such concern developed in diverse approaches, which are apart from the common one. Mihail Manoilescu (1986) formulated the requirement of taking “into account the economic structures of the national economies and the relative positions of the countries”, in an approach extended to the environment of the concerned economic entity (quotations from Jivan, 2008, where certain ideas from Jivan, 2004 are developed). Georgescu-Roegen (1979) also requires a widening of the economic science in that what concerns the production processes, “by taking into account the whole planet (including the *natural environment*), with its growing entropy. He speaks about [...] the «productivity in garbage», the «productivity in entropy» etc.” The quotations are also from Jivan (2008), where certain conceptual roots from the essences of the genuine liberalism were searched and invoked too.

In 1957, *M.J. Farrell* pointed out the productive efficiency as apart from the efficiency in respect with the resources' allocation, as it was referred by Djellal and Gallouj (2008).

Trying to understand the economic sectors from the angle of productivity, *Jean Fourastié* declared that the activities in the tertiary sector are those that have a weak or even null technical progress (Fourastié, 1967).

According to Delaunay and Gadrey (1992), *V.R. Fuchs* (1968) developed methodological aspects by criteria like productivity, evolutions during the business cycles, specificities of employment, wages and revenues, relation between performers and clients, social issues.

In that what concerns the issue of productivity, *Daniel Bell* (1976) took into account the quality and the time dimensions, as a specificity of services that determine such activities not to be judged in the same productivity terms as industrial production is. By contrast, the references made by Baumol (1967) may be here reminded (please see section no. 2).

Mancur Olson (1972) sais: “the fundamental characteristics of a public good that mean that no one can be effectively excluded from consuming it also make it a good whose output does not take the form of divisible units that can be easily counted” (quotation from Djellal and Gallouj, 2008, p. 65). The complex problem of productivity in the case of referring to services

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is not particularly developed in our paper, but just certain references and propositions are made in the next section.

Here we also add that this issue can be approached in two main manners: (i) productivity *in* services, *i.e.* the results got by the performing entity with a certain use of factors, as it is commonly approached (most of services economy literature here included), and (ii) productivity *of* services (Jivan, 2016b), meaning the creation of value grounded or generated by such activities with certain efforts or costs, in a general sense (*i.e.* including the effects – positive and negative – for the performer unity itself, but also for its environment, this environment being understood in a multidimensional way).

Concerned by the free competition, Rittelli, Barbiroli, and Fabbri (1997) take into account the distinction between the needs of businesses and those of the society as a whole. Such distinction is also taken into account inside productivity, by developing the concept of servicity (see next section).

5. What (new) about “productivity” in such conditions?

When speaking, nowadays, about qualitative and better technically and scientifically developed economic actions (see *supra*, sections no. 2 and 3), when development is complex, when serving is made in a growing complex way, and when the implications are complex (on diverse dimensions), one of the most important problem that must be focused on is productivity too.

Adam Smith was very interested in the “productive powers of labour” (see, for instance, Smith, 1776, p. 4 and many others, see the title of the first part of the quoted opus, where he speaks “Of the Causes of Improvement in the productive Powers of Labour” – *idem*, p. 6); and he was inspired by the Physiocrats: *e.g.* we can invoke the severance introduced by Francois Quesnay (1766) between the “productive” class (and activities) on one side, and the “sterile” ones, on the other. On such old period's grounds, taking the classical materialist model, the economic thought looked like set on the *production* issue – as shown in the section no. 2.

May be that is why, even today, in fact, the difficulty starts with the issue of the “product” itself: if approached in a rigorous manner, in nowadays it cannot be anymore reduced at a simplistic material number of units that could be easily measurable in a quantitative way. But the mediate effects should be taken into account, against the immediate ones (see the conceptual delimitations made by Gadrey, 1996a). They should be considered in a

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multidimensional approach (spatial, temporal and interest dimensions here included; in this respect, please see also the concept of generalized Pareto optimality, in Jivan, 2014b). The numerator of the calculated productivity indicator cannot be anymore reduced to a certain output, but more complex outcome should be concerned too.

We consider here that certain quotations from Bastiat may make the issue better understood: “In a social state, what is compared (and from this comparison arises the idea of value) is the effort of one person compared to the effort of another person, two phenomena of the same nature, that therefore can be measured with the same measure unit” (Bastiat, F., 1982, page 118). “Values just represent services compared, received and provided in a free way”: Bastiat, 1982, chapter VIII. We mention also that Bastiat noticed, in Smith’s definition of value, the inadequate use of “a too narrow word, *labour*, except the case when it would be given a non-used extension, that includes the ideas, not only of intensity and length in time, but also of skill, perspicacity [...]” (Bastiat, 1982, p. 118).

In the light of the ideas already presented, the value incorporated in goods in the Ricardo’s conceptual view can now be perceived by understanding that the value of material goods can be measured through the services incorporated through the human work. Also, the “land’s and labour’s services” (in Say’s perception) can be re-evaluated, as natural utilities of things that are given to the humans through the work of the farmer or the activity of the businessman (the rent of course is given just by „ownership” of the property); capitals “as agents (it is about «factors», n.n.) considered by themselves and in their own action” *create utility, but not value*; capitals are not *an accumulation of material objects*, but an accumulation of *values* – that is of *services*, while the “labour’s service” is the only real *service*, having the role of intermediary between the need and utility, the one that brings utility towards satisfying a need (Jivan, 2016b, discussing about and concluding from Bastiat, 1982; our translation).

On the grounds of the elements previously presented, the notion of productivity itself should be reviewed. Its most usual acceptance – valid for the period of industrialization of England and, may be, for the agricultural production taken into account by the Physiocrats (when Quesnay was dividing the society in the already quoted “productive” and “sterile” classes) – is no longer useful in a *productive* way, from the point of view of accurate rigorous scientific analysis of the complex qualitative and based on knowledge economy. If quite accurate conceptual terms are to be employed, even the notion of “production” is not suitable for services, at least in the case of the “pure services” (*services pures*), as J. De Bandt called the most immaterial economic activities (in *Revue d’Economie Industrielle* No 31/1985, p. 186). The term of *servicity* could be more comprehensive, more generally valid.

In despite of the fact that the handicraft and then the diverse branches of manufacturing industry were always services, the industrialization placed them in a special light: the

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anathema thrown on services by the materialist image of productivity created during industrialization, put material production on a privileged place, all the economic activities starting to be judged depending on “production”. Such a biased approach brought, from the very beginning, a dichotomist perception and, moreover, an advantage (subjective) for anything belonging to materiality, in the detriment either of (i) the immaterial activities, or of (ii) the service component.

As a consequence, (i) services were considered unproductive (in diverse variants, by the specific perception of diverse authors of economic thought), and, worst, (ii) the approach on the whole economy became much more individualist, with less concern for what is “external” given the interests of the “producer”, most often by ignoring the environment.

The material, individualist and short sided point of view brought the economy to unbelievable quantitative levels, but also maintained and aggravated the social discrepancies (polarization) and, more sad, brought the social planet in a state that nowadays knowledge society cannot accept be continued.

The same attitude towards economic enterprise affected the core service too. In despite of being pointed out and grounded (explained) by Frederic Bastiat, the service mark of all activity in the market was ignored by mainstream economics for about a century at least. In the second part of the twentieth century, immaterial activities were better taken into account. But such concern was made in a production-centred view, services being seen in the outskirts of material production.

The focus on production and the materialist individualist approach have grown the concern mainly for productivity. But productivity can describe just a part of the economic activity, *i.e.* a feature concerning only certain activities that have (material) objects as their main result. If we see the economic activity from its functional point of view (as role or mission accomplished), such part is a small one, just the purely quantitative. The other activities and a lot of aspects, more important, of the complex activities are not captured (Jivan, 1993). In the quoted paper, other indicators were invoked as important to be employed with at least an importance equal to productivity. Rationality, usefulness of human activities, profitability (the value added or the profit obtained through certain consumption of resources, or during a certain period of time), the consumption and the savings obtained (through such activities or action methods) were thus also mentioned. They could be taken into account as indicators being not less important than productivity.

In such a widened approach, developments can be brought (see, for instance, Jivan, 2018, and Jivan and Năchescu, 2017 and 2018).

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Productivity should be analysed (according to Jivan, 2016b) on diverse levels: that concerning the natural person (individuals); the productivity for certain enterprises or companies (corporate bodies), which is also particularized; and the productivity to the whole society level. It should be mentioned that the first one is part of human development, taking into account formative and curative dimensions. The second one (the productivity of the economic “productive” entities or other legal entities) is the most common, usually calculated in economic research. The societal productivity expresses a certain degree of health at the national level and a certain standard of education. Such levels are seen in a multidimensional approach; for instance, education is not limited to strict professional aspects that concern the labour market: its plurality of dimensions includes civic aspects and others – that were adequately captured also in the empirical studies shown in the quoted book (Jivan, 2016b; *crime rate and convicted juvenile offenders* here included).

In the servicity approach, we have in view, in the context, also the next contribution (not just the immediate one) of the natural persons (*i*) engaged in the social effort (*iii*), directly or inside certain collectives, organizations, enterprises. Moreover, besides the productivity of the processes (of the performing or production activity), the productivity of the functioning of the service's *result* should be seen too. Firstly the intellectual capital and health capital of the concerned entity is generated (e.g. by education, formation and by maintaining and repairing health by medical curative processes); and only after such generation we may speak about the performance of the employment of a certain form of capital (e.g. intellectual or health capital).

Productivity (understood in the usual quantitative and industrial spirit) usually represents an increase in the speed of reaching certain „productive” objectives, in the speed at which certain productions-performances are done. In specific cases, this kind of productivity-speed can be considered the *quality* of service. The most common case is that of industrial products; for example, in the case of an automotive factory, the increase of productivity means increasing the number of units getting out of the factory in a certain time lap. Also, it can be the case of banking services – for example the speed of money transfers – or other services.

Still, in many cases, productivity can mean *non-quality*. For example, as we've mentioned the case of money transfers, in the case of other banking services, more complex ones, a too quick analysis of specific financial and accounting aspects can bear the risk of avoiding or ignoring certain details or can even become superficial.

Quality problems can also appear in the case of material production. For example, a bigger number of frozen chickens getting out of an agricultural complex, could involve a bigger amount of chemicals in their meat due to the usage of accelerated growth stimulants or antibiotics (to avoid diseases and therefore the loss of „live products”). The example is valid

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for other animal products as well as for many intensive growth vegetal products (from the industrial agricultural production). As such an intensive growth of the biological mass – animal or vegetal – means common “productivity”, “productivity” per time unit, or in other words the speed of generating the products, the economic speed in the production activity in general.

The quantitative purposes can have negative impact when talking about an economy of resources (in the same logic of a „production obtained with the smallest factors consumption”, therefore cheaper). In this respect, one should consider the destructive effects that the extended plantations that support the palm tree oil production have on the forests. The „cheapness” of this ingredient is a superficial one (*short-sighted*), as long as the market price ignores the impact it has on the planetary environment.

Extending the logic of the quantitative remarks in matters that deal with quality tends to affect quality itself. For example, in the case of processed food, the interest in taste, can involve a higher concentration of chemicals that can give a specific taste or can artificially generate certain preference. As long as such substances and ingredients are useful for the consumer, they can be regarded as good. But we can raise the question of the time dimension to which the mentioned benefit refers to: isn't it a *temporary* satisfaction that has destructive effects on long term? Most often this is judged in a specific way (for a specified entity, in a specific place, at a certain moment), but much too rare the effects for the environment are also considered. (“the external effects”).

Even more, if the main interest is to increase the chances of the producer/service provider to preserve his product in order to be able to sell it without the risk of perishability, those chemicals represent not only a threat to (i) the client's health (less informed, more vulnerable), or (ii) to the environment. It also represents (iii) a threat to the natural functioning principles of the market. The natural functioning of the economy is affected namely because it tries to avoid certain conditions of this functioning. The more non-natural this functioning gets, the further away is the economy from the pure and perfect functioning principles (functioning considered to be good, even from the Physiocrats principle of *laissez faire*, and considered to be optimizing, under the principle of the *invisible hand* of Adam Smith; in this respect, see also Jivan, 2011). Anything that escapes the natural – such are the preservatives from processed food – contradicts the natural functioning of the economy: “le monde va de lui même” as was saying the Physiocrat principle.

This also happens in many other cases, in the majority of them referring to complex services that have higher intellectual intensity. Productivity as speed (or the quantitative productivity) means rather specific, immediate approaches and therefore, non-quality. The common approach and the most used calculus are in the logic of the short-sighted market and not into

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a more profound logic, that takes into account the complexity of reality (space, time and from the point of view of more dimensions according to Jivan, 2014b). Our remark is supported by the famous Hayek's saying regarding the quality of a good economist: he should have the quality (depth and complex training) of not being limited to the immediate impressions regarding certain direct correlations. He should also take into account the more complex connections in the development of events, and therefore to understand the effects in space and time. In other words, leaving aside the simplicity of possible interpretations often used (Hayek was thinking about the Keynesian macroeconomic interpretations), the quality economic analyst takes into account the fact that reality is more complex than it seems at first sight (as explained by Jesús Huerta de Soto in 2004).

Using also the productivity matter, it results that we should be interested in the service-productivity, therefore the *servicity*. And the concept of *servicity* already has a definition and developments that offer it a bigger complexity than that of productivity indicator that is computed in the common way.

The immaterial processes and their immaterial results cannot be measured in physical units; therefore applying the marginal calculation is not quite appropriate. Moreover, in the conditions of predominance of immateriality, competition has numerous and diverse forms of imperfection, if compared with the theoretical model of pure and perfect competition. When immateriality is growing nowadays, such problems concerning calculated productivity are growing and generalizing them too. Therefore any productivity analysis should be reviewed in that what concerns choosing the most suitable methodological way to be applied.

Nowadays, economy experiences a functional growth, rather than a quantitative one: the actual stake and engine of the economy is not anymore the simplistic quantitative growth, but rather intellect-intensivity and human capital, image and immaterial investment, innovation and technical performances, quality, generally speaking, flexibility, adaptability, share and weight in the market etc. Just the measuring systems remain focused mainly on such issues, in an obsolete approach. The qualitative aspects gave rise to difficulties in being captured in formulas and in being measured. Such usefulness and functionality are mostly difficult to be taken into account at systemic (social) level. Not just the enterpriser's point of view should be considered, but also the "external" one (of the beneficiary, and that of the societal and natural environment). «Servicity» would represent all the complexity of the service valences. [...] This term can reveal not only the advantages that the supplier gains from his productivity, but the growth of the satisfaction (the enjoyment, the benefits) induced to the client too (by the service offered to him). It is adequate for a new society (a society of service) where no supply can be conceived but through the clients' point of view and through the fulfilment of its needs. [...] The *servicity* includes the relation between the general usefulness given by the economic activity of the agent and the inputs in the process

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developed by him. It represents the link, between «the producer» status and the «customer» status of the economic agent. ” (Jivan, 1993)

In the quoted paper, certain developments are made and a resuming of the general service model is taken into consideration into original relations that describe “the activity function of the economic agent” and several conditions of the activity of such agent. In the quoted paper servicity is seen in an integrated view: servicity “depends on «the General Utilitarian Environment», thus by the anterior and simultaneous servicity of all the activities [...]. It is not only about the «intermediary consumption» [...] but also about more qualitative aspects – for example, agent’s fame and the echo of his anterior activity). [...] The servicity has a multiplier effect ([...] the servicity is always much more than the sum of the component elements due to the systemic effects of synergism and threshold).” (Jivan, 1993)

The role (function) accomplished by diverse activities matters, in the view of the concept of servicity, “from the long perspective of humanity” (Jivan, 1993). And such role (function) is the most important, its approach permitting that forms be considered as less important. It also offered the opportunity of distinguishing diverse types of economic activities (or services, in the generalized sense of the term taken into account for the *general service concept*): the “simplest services”, the „commercial-industrial services” and the „intellectual services”. Such sectors are designed in Jivan, 1993 (where also the already quoted “pure services” of De Bandt, and the “intellectual functions” or “intellectual performances” of Gadrey, were taken as a ground; according to Delaunay and Gadrey, 1992). On the draft from 1993, an original structure of the economy (from the point of view of servicity) was developed in Jivan (1995) and Jivan (2016b). In the present paper we just quote – adequately to the knowledge society – that “In the way Aristotle used the term *human*, [... the intellectual] services are the most human, the chance and the perspective of humanity. They bear the task of the opening towards future.” (Jivan, 1993)

In that what concerns the issue of servicity, we do not provide here more details, it being developed in many other papers of ours – from which we supplementary quote here just Jivan (2000, 2014b and 2018), Jivan (2016b), Jivan and Năchescu (2018) and Jivan, Cureau-Pitorac and Tinjală (2018)..

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6. Conclusions

In our paper, the issues of *service* and *production* were approached and developed, in a purely theoretical view. The elements chosen to be reminded and explained have interesting grounds, as shown in the paper, and also later – even famous (for business research) – developments. By our paper such theoretical elements are put in an adequate light, apart from the most orthodox one, in the purpose of creating conditions for turning to a best account the possibility of better scientifically grounding a beneficial (more widened) renew of research concerning productivity, imperfect markets and functioning of economic mechanisms.

The paper revealed that the main focus of economics is still on (material) production and productivity, and thus, the relational, human and service approach was marginalized. Thus it was underlined that the materialistic approach of economic activity and the focus on the definite immediately tangible feature (on the model of material production) might be a conceptual snare for economics.

Our presentation brought into attention certain relevant moments from recent economics concerning the issue of service and connected. Certain elder scientific contributions – from the classical period of the economic thought and from the services economy literature – were evoked too. We underlined economics' approaches that are less known or almost forgotten, even if important from the conceptual point of view. The most important is, perhaps, the general scheme of an economic activity (the generalized service) that was quoted and described, stressing that such approach is in the light of the genuine liberalism of Frederic Bastiat and could better ground a reviewed economics, mainly a more suitable approach on value creation, that should not be short-sided, but analysed in a multidimensional more profound view.

In the light of (i) the background represented by the previous developments that we evoked, the issues shown in the paper reveal their particular importance for the economic science, at least by (ii) the well known developments they got, more recently, in business approaches. For instance, a decade after its publication in 1993, the *general service* approach got a more specific meaning, in the particular field of marketing, under the form of a *logic* of approaching market realities, logic that should be *dominant* in economic functioning in the conditions of the generalized market: the famous concept of *service dominant logic* (SDL) was very well developed by S. Vargo and R. Lusch (Vargo and Lusch, 2004, 2008 and many other papers

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that represent a very rich and well known contribution to the economic science, concerning marketing). But we consider the impact of such developments, if appropriately taken into account rather for economics than for business, would have a beneficial impact on widening the horizon of economic analyses and on improving their realistic character. We propose reconsidering and capitalizing such pioneer contributions that were disadvantaged by being published in less known languages and publications and even being not adequately registered in electronic data bases.

The main contribution of the paper is reminding and putting in a better view certain issues that seem to be ignored by nowadays economics, in an attempt to a better turning of them to good account in economics. We took into account that the economy satisfies the human needs (including social and ecological problems, and including the preservation of the next generations chances) just when the *service* issue remains in the core of all activities. Actually, after centuries of domination of the approach focused on production and productivity, some might notice the evolutions of the economy (to an “artificial” picture – see, for instance, Jivan, 2011) and of the planet (from the point of view of the ecological issue; we may refer, on such topic, also to our paper Jivan and Năchescu, 2018). The *service* rendered to the environment of the enterpriser economic unit must not be anymore sacrificed as an ‘external cost’ for the specific benefit of certain individualistic short-sighted interests, as it might be conceived by some simplistic productivity approaches. We thus revealed that, taking into account such practical concern, the dominance of the service logic in business research, and the potential of earning, on the market, from such service approach, *service* should not remain a marginal issue for economics. Our paper mainly tried to reiterate such an issue, which looks like rather ignored or forgotten by the most well known scientific researches in economics, despite its most important place in understanding the economic processes.

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