

## TOWARDS A „SERVICE ECONOMY“?

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### Abstract

*The phrase "modern economy" reveals the appearance of activities more complex and more efficient in which the scientific and technological contribution is determined under terms of quantity and quality in the organization of economic life. From the perspective of expanding services, information and communication, it can be felt a tendency to divide the world economy between industrialized countries or in process of industrializing and poor countries. In other words, only a quarter of the world's population enjoys the benefits of service development and technological advances, while the rest do not have access to modern information and services, which induces a visible impact on development. Services strengthen their contribution to the augmentation of national wealth, wealth which is not seen as quantitative material, as in classical thinking, but functional, namely quantitative and qualitative.*

**Key words:** *service economy, economic growth, post-industrial society, self service, new economy.*

**JEL Classification:** *E00, F00*

### I. INTRODUCTION

Services have long been included in the scope of unproductive work; therefore, their role in creating the wealth of a nation was pretty much underestimated. Literature retains a number of theoretical concerns, of which some of them more timid or justified, regarding services from some representatives of mercantilist current and continuing with representatives of classical school; doctrinal debates in those periods were focused mainly on the nature of services and the dichotomy "productive - unproductive". At the beginning of the twentieth century doctrinal debates were limited to the same problems "productive - unproductive".

Orio Giarini introduces the term "service economy" and opens a new optical assertion on the incidence of services in the economy. The half of the twentieth century marks, especially for developed countries, the onset of a new stage in the evolution of the economy; upgrading the principal contribution sector to GDP creation, the secondary sector (manufacturing), by the services sector, seemed to legitimate more and more the phrase *service-oriented economy*.

### II. THEORETICAL CONTRIBUTION TO THE DEVELOPMENT OF THE “SERVICE ORIENTED ECONOMY” CONCEPT

It is important to note that economic activities are not well defined by the service sector in general and by the services for businesses especially and essential contributions of the tertiary sector in countries' development strategies have led to the definition of contemporary society as a *service-based economy* or as a *post-industrial era*.

V.R. Fuchs (*The Service Economy*, 1968) performed a laborious analysis dedicated to the "first service-based economy" in the world, namely the United States, while launching two new concepts: *service industry* and *service economy* (Fuchs, 1968).

The appearance of *post-industrial society* thesis based on technique, developed by Daniel Bell in *The Coming of Post Industrial Society* (1973), was seen as a positive and optimistic vision transmitted by the expansion of services and by the realization of socio-economic and occupational transformation in developed countries. This notion of "*post-industrial society*" (Bell, 1973) was considered a breath of fresh air to society based on intelligence, enjoying great popularity since it replaced the notion of *production for the sake of production* with a new perspective of economic development: the production of immaterial goods, the importance of human capital, priority of professions and intellectual work, replacing the traditional working class, monotonous and alienating industrial work with creative, personified work of the *white collar* (white collars – term used by western literature for intellectual function with distinction from “blue collars” – the color of jumpsuit work - representing physical work).

In the same direction enrolls the contribution of Jonathan Gershuny, which supports the neo - industrial theory of *self-service*, according to which the main trend that is emerging is the foreshadowing of a *self-service society*, based on massive and renewed consumption of industrial goods within households (Delaunay& Gadrey, 1987).

The idea of post-industrial society based on technique, however, is contradicted by the *new industry* of John Kenneth Galbraith (in *Economics and public interest*, 1982), by *neo-industrial society* (Theories of neo-industrial society, believe that societies do not evolve into service economy but into self-service society. The model of neo-industrial society retains the basic factor of development of economy the industry and material production characterized by a high level of technicality and ge activities are considered a necessary evil (refuge for labor in some periods) and again it is questioned the problem of their classification among unproductive activities - low efficiency or are not creators of value.) of Jonathan Gershuny (in *The Self-Service Economy*), and by William Baumol by demonstrating, based on an economic and mathematical model, the low productivity of services (in case of services considered costly to society). Thus the dispute services-industry, the proliferation of neo-industrial ideas and their criticism are present in the projections of the future economy. These disputes were fuelled by the emergence of new theses, whose core was the idea that information is an inexhaustible and self-renewable basic resource of society; John Naisbitt (1989), M. Porat (1976), J. Atali, J. Singelmann (1974) promoted and argued *computerization of contemporary societies*, the creation of *information channels*, the crystallization of *information society* etc.

These ideas are repeated and developed in recent decades, especially after 1980, by a number of researchers who believe that the future society can be characterized as an *economy of services*, with specific features peculiar to post-industrial society or neo-industrial society. Among the most important followers of the service economy we remember previous authors: Orio Giarini, Walter R. Stahel, Jacques de Bandt, JC Delaunay, Jean Gadrey, François Ecalte (Ioncică, 2003) and others.

The term *service economy* (Giarini, 1980, economy based on services) was also approved by Orio Giarini, member of the Club of Rome. Giarini describes the current realities of the modern economy, providing a logic systematization of economic events from the pre-industrial stage to the industrial revolution and then to the service-based economy. In the view of Giarini *new wealth* of the future will have to consider inevitably, the context of the *new economy*, characterized by the predominance of services as inputs (Giarini, 1980). More than quartering on the level of industrial revolution, this essential transformation of the economy is the basis for the creation of wealth of nations. For both Giarini Orio and Walter Stahel, services are found predominantly in all sectors and technical progress is a result and a prerequisite for the expansion and development of services. The two theorists believe that the services sector coincides with the tertiary sector, but its scope is wider since in the first two sectors of economy there can be found services which meet production materials and which are integrated (eg maintenance and repair departments of enterprises that serve only to their interests, management services, research for internal needs, etc.). They argue in the book *Limits of certainty* that, in recent decades, the industrial model of creating national wealth was no longer viable, being replaced by the vast field of services, with positive effects in other sectors. In this sense, Orio and Walter Stahel Giarini points out that "the real phenomenon is not in the decline and growth of three processes or separated vertical sectors, but in their interlocking and horizontal progressive integration (...); the new service economy does not match the economy of the tertiary sector in traditional sense, but is characterized by the fact that the service functions are now prevalent in all types of economic activities" (Giarini & Stahel,1996) which is equivalent, according to these authors, with the "end of the theory of the three sectors of economic activity" (Giarini & Stahel,1996). Given the diversity of services it is necessary to systematize them, representing them in a *quaternary*, and all of the others to remain undifferentiated in the tertiary sector (as we met in C. Clark).

Interpreting the above, consider the amplification/expansion of services as the main defining feature of the contemporary economy and society, a kind of "post-stage", stage following the agricultural and industrial sectors covered by a country. In other words, the "waves" of the progress discussed by Alvin Toffler gives services a strategic role, somewhat unique in gradually promoting the social progress (Toffler, 1983).

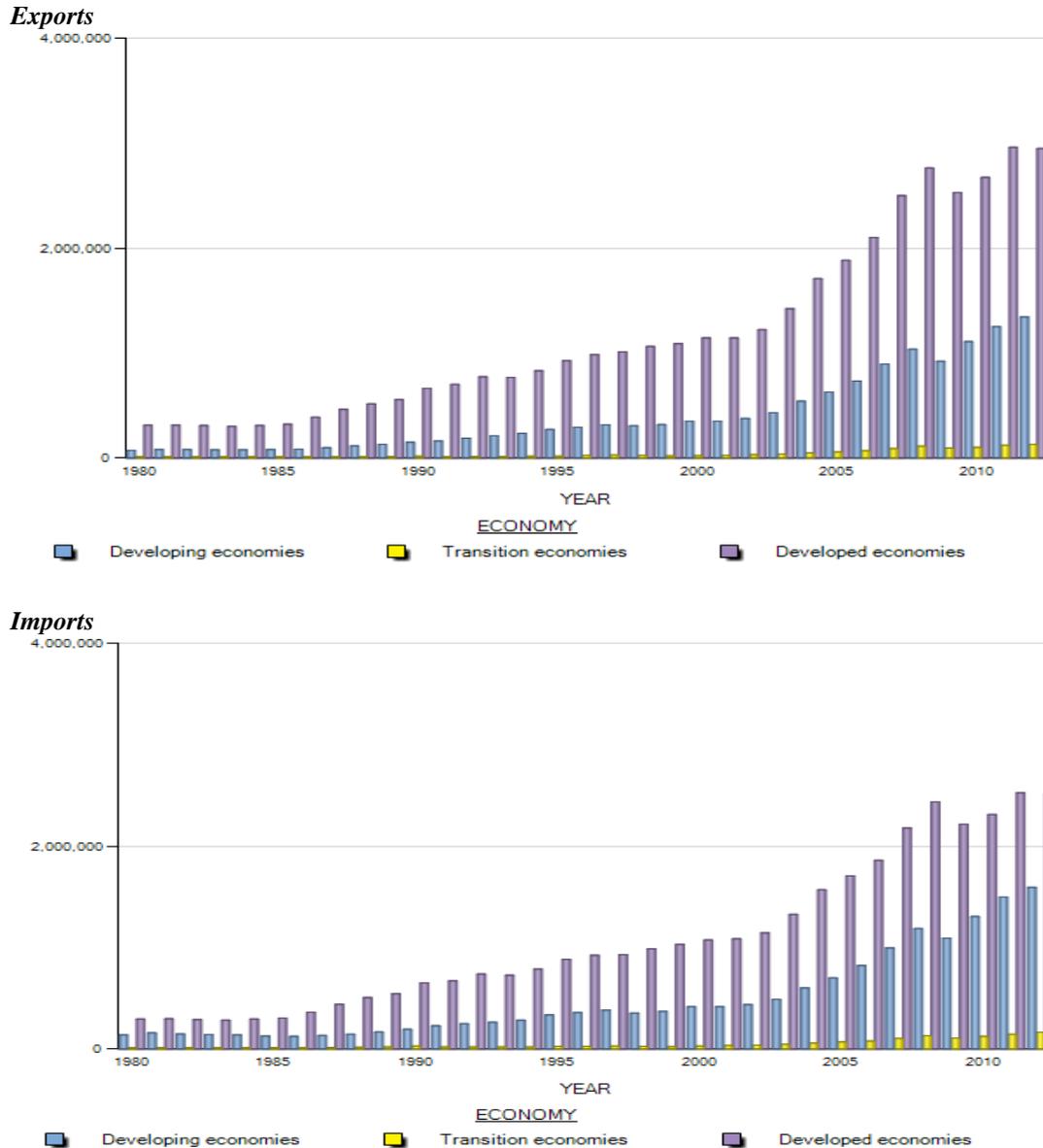
Therefore, it can be expected that the broad issue of service influence on the development will continue in the years to come, no matter the socio-economic model or pattern of a nation as inherited and strengthened over time. Moreover, the current global competition between the three poles of economic power in the world, and between them and the emerging countries, focuses, say intuitively, on "sequence" more significant in what we now call the service economy.

### III. EMPIRICAL EVIDENCE REGARDING THE EXPANSION OF SERVICES IN ECONOMY

Technological advance *shapes* significantly the image and "*texture*" of national economies and of the world economy which is more dynamic and integrated; one of the consequences of this phenomenon impossible to ignore is the increasing prevalence of services in economic and social activity.

In addition to the growing trend of trade with tangible goods that characterized the post-war period, in the last decades there has been a tendency for *increased trade in services* ( Burciu, 2010). As shown in the figure below, this trend is most visible in developed countries, but notable performance is noted for developing countries as well.

**Figure 1. Values of exports and imports of total services, annual, 1980-2012**  
(US Dollars at current prices and current exchange rates in millions)



Source: <http://unctadstat.unctad.org>

The growth of global trade in services is comparable to the growth of trade in corporal goods, significantly outpacing not only the growth of global production, but also the growth of GDP, mainly from the 80s.

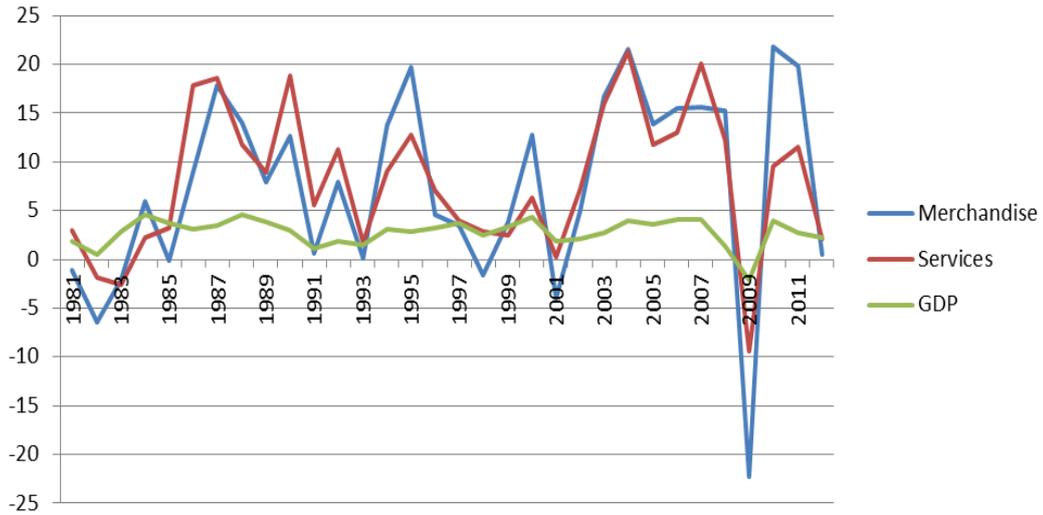


Figure 2. Annual growth of GDP, merchandise and services exports, 1980-2012 (%)

Source: After <http://unctadstat.unctad.org>

Regarding the growth of trade in services, notable performances were recorded by both developed and developing countries.



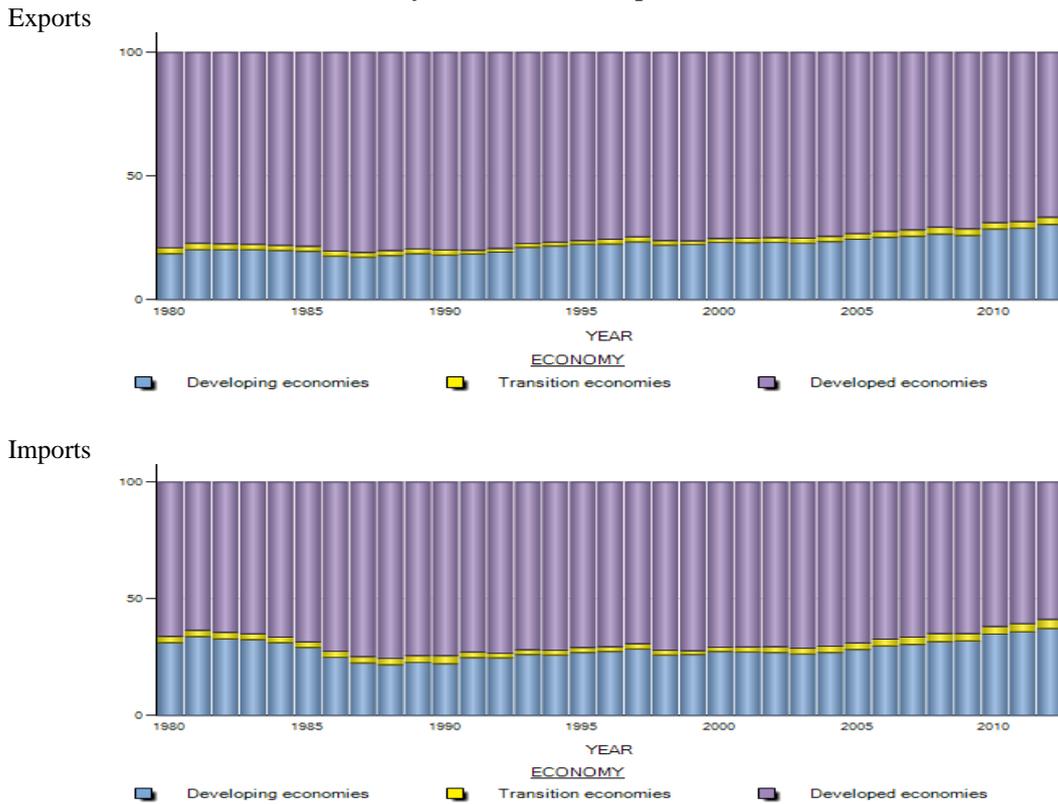
Figure 3. Growth of exports and imports of total services, annual, 1980-2012

Percentage change (year-on-year)

Source: <http://unctadstat.unctad.org>

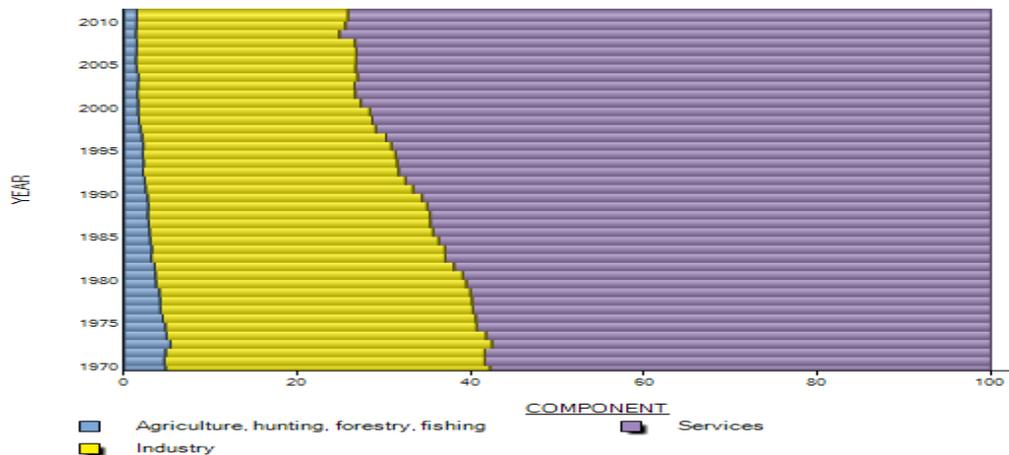
Developed countries, however, continue to hold a dominant position at global level in terms of trade in services, as shown in Figure 4; the position of the developed countries is still modest, a situation explained by the insufficient development of the tertiary sector at national level.

**Figure 4. Shares of exports and imports of total services, annual, 1980-2012, by the level of development (%)**



Source: <http://unctadstat.unctad.org>

The consistent contribution with which services participate in the formation of macroeconomic indicators (such as GDP, GNP, the share of employment in the service sector, etc.) reveals the importance they have, especially in the economies of developed countries.



**Figure 5. The contribution of services in creating GDP (%) in developed countries**

Source: <http://unctadstat.unctad.org>

Thus, as shown in the previous figure, in some developed countries the services contribute to about 70 % to GDP creation, while the importance of the manufacturing sector diminishes. Meanwhile, the two sectors are becoming more interconnected and more links are being born, resulting in a dynamic relationship influencing businesses and society. *Outsourcing* has become a key factor in this development; more and more companies focus on core competencies and the functions involving the provision of services are provided by specialized companies (meaning they are outsourced to more productive and efficient suppliers). This trend contributes substantially to improving economic performance in key areas (OECD, Business and Industry Policy Forum Series, 2000).

Moreover, expanding multilateral cooperation and the service sector by implementing the GATS (General Agreement on Trade in Services) since 1995 and applying the principle of MFN (Most-favoured-nation) to almost all services, created the framework for opening markets and increasing flows services. Currently, the World Trade Organization believes that services represent about 20% of international trade flows and absorb about one third of the global workforce.

#### IV. CONCLUSION

Reality has shown that the imperatives of effective functioning of an economy also concerns attention paid to the service sector, which is best adapted to changes in the competitive market. In addition, services play an important role in ensuring macroeconomic balance because their potential to absorb a large part of the working population released from other industries. Numerous analyzes and empirical studies led to the identification of close links between the economic development level and the structure of national economy, between gross national income per citizen and occupied population. Transformations that took place in different spheres of human activity were followed by a reconfiguration of population structure in different branches, namely: reducing the share of employment in agriculture, reducing the share of employment in industry, transfers of labour and investment in services that meet in most world countries a strong upswing.

Services are indispensable in almost all sectors, technical progress is a result and a prerequisite for the expansion and development of services and the essential contributions of the tertiary sector in development strategies have led to the definition of contemporary society as a *service-oriented economy*.

We support the idea that the unprecedented expansion and diversification of the services sector, the useful effects obtained from services and the fact that services can use high technologies and can add value determined nowadays levels of production and living standards much higher than in previous centuries. This aspect legitimizes the expression of *post-industrial economy* or *service economy*.

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