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## TRACING THE ORIGIN AND THEORETICAL EXPLORATION OF SERVICE ECONOMICS

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### **Abstract**

The paper summarizes the development history of service economics, defines the concepts of service and service industry, and classifies the service industry based on the four aspects of technology content, production process, processing object and service object. This paper also analyzes the rise of modern service economy. Based on the analysis of the connotation of economic service, this paper analyzes the performance and trend of economic service in major countries in the world, and interprets the trend of economic service in the world from the macro and micro aspects.

**Keywords:** Service, Service Industry, Service Economics, Modern Service Economy.

### **Аннотация**

В данной статье в кратце обобщено история развития экономики услуг, определены понятия услуги и сферы услуг, а также классифицируется сфера услуг на основе четырех аспектов содержания технологии, производственного процесса, объекта обработки и объекта обслуживания. В статье также анализируется рост современной сервисной экономики. Основываясь на анализе коннотации экономических услуг анализируются показатели и тенденции экономических услуг в основных странах мира, а также интерпретируются тенденции экономических услуг в мире с макро- и микроаспектов.

**Ключевые слова:** сервис, сфера услуг, экономика услуг, современная экономика услуг.

### **Annotatsiya**

Ushbu maqolada xizmat ko'rsatish iqtisodiyotining rivojlanish tarixi qisqacha umulashtirilgan, shuningdek, texnologiya mazmuni, ishlab chiqarish jarayoni, ob'ektlarni qayta ishlash va ob'ektlarga texnik xizmat ko'rsatishning to'rt jihati asosida xizmat ko'rsatish sohasi tasniflangan. Maqolada zamonaviy xizmat ko'rsatish iqtisodiyotining taraqqiyoti tahlil qilingan. Iqtisodiy xizmatlar konnotatsiyasini tezkor tahlil qilishda xorijiy mamlakatlardagi iqtisodiy xizmatlar dinamikasi ko'rsatkichlari tahlil qilingan hamda makro va mikro darajada dunyodagi xizmat ko'rsatish sohasi holati izohlangan.

**Kalit so'zlar:** xizmat ko'rsatish, xizmat ko'rsatish sohasi, xizmat ko'rsatish iqtisodiyoti, zamonaviy xizmat ko'rsatish iqtisodiyoti.

### **Introduction**

Since Adam Smith (1776) put forward that service itself is not important to economic development, service industry has been ignored by economists and often treated as the residual Department of economic activities. Victor R. Fox once pointed out that "the service sector, also known as the third sector or surplus sector, has been despised for a long time in

economic research. This is unfortunate, but it can be tolerated in the early 19th century, because during this period, a large number of American agricultural workers are turning to the industrial sector, and the service sector is not so important."

Most countries tend to despise the development of service economy. GUR ofer (1973) said: "in this book, I will try to explain why the service industry in the Soviet economy is so insignificant", which also means that the service industry in the Soviet Union is backward.

The importance of the role of service industry increases with economic development. The reasons for its increasing importance can be attributed to the increase of income, the enhancement of industrialization and urbanization. Because the demand elasticity of service industry for income is large, the increase of income will increase the demand for service industry; The higher the degree of industrialization and the finer the division of labor, many specialized services will become independent and become service industries; The improvement of the degree of urbanization should be supported by corresponding public services and consumer services. From experience, it is an indisputable fact that the service industry plays an increasingly important role in developed countries.

Due to the sustained economic growth, industrialization, urbanization and wealth accumulation effect, people and enterprises have increased their demand for labor related services, such as transportation, commuting, leisure tourism, laundry and beauty and other consumer services; The aging population and the improvement of education level have increased the demand of the whole society for social services such as medical care, public services, social services, social welfare and education and training; Due to the pursuit of economic scale and following the principle of industrial division of labor, some internal services provided by enterprises in the past, such as internal fund management, leasing, insurance, finance and other affairs, also began to be provided by third parties, thus expanding the space for the development of service industry.

Toffler wrote in "future impact" in the 1970s: "the general history of human economic development for thousands of years will be manifested in three stages: the era of product economy, the era of service economy and the era of experience economy." at present, the world is in the transition period from the era of product economy to the era of service economy. In this sense, we study the service industry and service economy, It has important strategic significance for the transformation and upgrading of the world economy and the improvement of people's living standards.

### **Literature review**

Driven by knowledge, technology and global forces, in today's world, the service industry has become the leading industry of the global economy, which is not only reflected in the high development of the service industry itself, but also reflected in the integrated development of the service industry with agriculture, industry and even the service industry itself and the service of the world economy as a whole, resulting in industrial structure Both factor structure and demand structure are experiencing a "service revolution". According to Victor R. Fuchs, an American economist, after proposing "service economy" in 1968, more and more scholars have promoted the research of service economy from different angles.

Service industry is an industry that provides services to people, and service refers to that the supplier has provided a certain carrier to meet the needs of customers. Due to the diversity of service industry, compared with other industrial products, service industry has the characteristics of non physical, non storable and simultaneous production and

consumption, so its concept has been difficult to be defined. In the national accounts of many countries, the service industry is regarded as the tertiary industry, that is, the service industry is defined as all other industrial sectors except agriculture and industry.

The research on the general principles and methods of service economy started relatively late, so the relevant literature is not as rich as that of other disciplines of economics. From the distribution of research topics, it covers a wide range, mainly including the growth of service industry, the aggregation of service industry, the integration of service industry, productive service industry, living service industry, public service and the influencing factors of service industry development. Service trade and economic development, service trade barriers and liberalization, trade influencing factors, trade in specific service industries, factors affecting service innovation, impact of service innovation, innovation and development in specific service fields, etc.

The development of service economy is affected by the level of national income, the degree of social division of labor, the process of urbanization and other factors. Firstly, the improvement of the national income level has promoted the increase of residents' leisure time and the upgrading of social consumption structure. The consumption demand for developmental and hedonic services such as spiritual, cultural and entertainment with high demand elasticity has increased significantly, with an increasing proportion, so as to stimulate the rapid development of the service industry, so as to occupy a dominant position and promote the primary and secondary industries to become more and more service-oriented; Secondly, the deepening of social division of labor has led to the continuous evolution of industrial structure from low-level to high-level, resulting in the transformation of economic growth mode and the mode of production of the whole society, the unprecedented improvement of labor productivity and the acceleration of technological progress; Finally, with the acceleration of urbanization, the development of city and service economy presents a virtuous circle of interaction. In the context of economic globalization, modern cities, especially international metropolises and large economic centers, have become the leaders leading the development of regional and national service economy.

In the context of global economic integration, domestic and foreign scholars have conducted more in-depth research on the productivity of service industry at different levels. Service industry agglomeration and the integration of manufacturing industry and service industry are becoming a model of service industry development, which not only promotes the development of service industry itself, but also effectively drives the development of agriculture and industry, which has attracted more and more attention of scholars. The pulling force of the international economy of the service industry has been significantly enhanced. With the technological expansion in the mainstream macroeconomic field, the macro model has been gradually incorporated into the impact of the service industry on the economy. Scholars have carried out in-depth research on the influencing factors of the integration of the service economy and the global economy by using the increasingly perfect database and new models. With the development of service industry, economists are trying to explore the development path choice of service industry. In addition, service innovation has attracted more and more attention from economists, and the concept of service innovation has been gradually quantified. Scholars have carried out more in-depth research on the factors affecting service innovation, and even on how to carry out appropriate innovation and development according to the characteristics of different service industries.

With the advent of the era of global integration economy and the increasingly fierce competition, We expect more fruitful results in the field of service innovation.

### **Research methodology**

In classical economics, British classical economists adopt the deductive method, that is, they deduce some important economic principles from the analysis of the basic categories of economics. Economists of the German Historical School opposed this method and advocated that some empirical arguments should be summarized from the possession of a large number of historical materials. Later, Marshall, the representative of British neoclassical school, adopted a compromise attitude, mainly deductive method and inductive method. The author of this paper actively learns from the predecessors in the field of economics and preliminarily explores the theory of service economics by using dynamic analysis method and equilibrium analysis method respectively.

#### **Method of dynamic analysis**

This paper adopts the dynamic analysis method, considers the time factor, regards the change of economic phenomenon as a continuous process, and analyzes the actual change process from the original equilibrium to the new equilibrium. From the relevant economic phenomena and the historical development process of service economics, trace the source and explore the development direction of service and service field economics.

#### **Equilibrium analysis**

This paper adopts the equilibrium analysis method to consider that various opposing or interrelated forces in the economic system are in relative balance rather than change. Analyze the formation and change conditions of economic equilibrium, and draw relevant conclusions.

The author studies the birth and development process of service economics, makes a balanced analysis of the definition and views of western economics and Marxist Economics on service field economics, then draws a conclusion and explores the development direction of contemporary service economics.

## **RESULTS.**

### **Chapter One The origin of service economics**

#### **1.1 Service economy thought of classical economists**

Between 1600 and 1750, the service industry was neither clearly defined nor directly discussed. At that time, the analysis basically denied the existence of the service industry. Physiocracy holds that only the agricultural sector is the field that really creates national wealth, and the service industry is naturally not among them; Mercantilism focuses on profitable economic activities such as foreign trade and shipping, such as Elizabeth I. They judge whether economic activities are useful to society by whether they contribute to the acquisition of gold, not whether they rely on goods or services. Therefore, heavy agriculture and mercantilism have no theory of service economy.

Classical economists believe that the service industry is not an industrial sector, but a professional group. Regardless of transportation, trade and banking, their service industry is similar to the activities of the state, and the listed occupations are related to it. The most frequently cited are domestic servants, musicians, actors, painters, doctors and missionaries. Although they spend more and more on the service industry, the theoretical analysis of the service industry is still rooted in the concepts of productive and unproductive labor.

Adam Smith emphasized capital accumulation. Part of the reason why the labor employed in the service industry is considered unproductive is that they cannot be accumulated and form a capital stock. As a result, these labor must be paid with income. Adam Smith's opponents argue that services are productive because they are useful and need to pay prices. Even when there is no price, they are productive, such as domestic servants. Paradoxically, the two camps have reached the same conclusion in practice. Smith only recognized the accumulation of visible capital, especially some physical capital, such as the products of the manufacturing sector. Smith's opponents believe that as long as they can be used, both material goods and services are valuable, so they are productive forces. There is no real debate between the two factions, only emphasizing different aspects of the actual operation of society. The result is also a compromise position (e.g. Muller) or a contradictory long-term display (e.g. Say).

Since then, the debate in classical economics has not gone beyond Smith's simple division of productive and unproductive labor, and there is no real research on the service industry. Everyone is criticizing Smith, but they are constantly reaffirming the basic division method established by him, and there is no in-depth study on the differences and relations between the two types of labor. The diversity of service industry and the history of service industry have not been discussed.

### **1.2 Marx's thought of service economy**

In the theory of surplus value, Marx clearly regarded "service" as an economic category and believed that for producers providing such services, services are goods, and services have certain use value and exchange value. Here, Marx reveals that service is to provide labor with special use value in the form of activities in a general sense. Specifically, service goods refer to the labor provided by service workers using service equipment, tools and other means of production according to the needs of consumers.

Marx's investigation of industrial capital is mainly based on the productive labor theory of capitalist goods, emphasizing material production rather than service production.

From Marx's works, we find that his theoretical economic theory of service industry is mainly in the following aspects.

First, service room is a kind of labor, and its value cannot exist independently from labor itself. Service labor itself is regarded as the value of service. Second, the particularity of service industry is caused by its service category, such as personal service industry and some services provided by the government can not be bought and sold without commodity attributes, and the results of some service activities are related to the sold final consumer goods or productive equipment, and no longer enter the market, such as maintenance and repair services; The result of service activities (property rights) is a reflection of commodities, such as financial services. Third, the decisive factor of the labor productivity attribute of service industry is not the material form or social usefulness, but the relationship between service activities and all aspects of society.

Through the investigation of the interaction between productivity and production relations, Marx regarded the workers with production technology as the elements of productivity, which means that educational service can be regarded as an important factor of productivity. Therefore, educational service and other material production departments are given the same important status. Natural science and technology are also regarded as

important aspects of productivity factors. These two changes have laid a foundation for the re study of productive labor and non productive labor that will begin in the 1980s.

### **1.3 Modern service economy thought**

From 1935 to 1965, the concept of "three sectors" and "tertiary industry sector" began to appear, mainly due to Allan G.B. Fisher, Colin Clark and Jean Fourastié. Fisher divides economic activities into three sectors: primary industry, secondary industry and tertiary industry. Among them, the primary industry includes agriculture and mining, the secondary industry is an industry that processes and transforms raw materials, and the tertiary industry is an industry that provides a wide range of "services", from transportation and trade to leisure activities, education, art creation and philosophy. Colin Clark pointed out in the conditions of economic progress that primary industry activities include agriculture, forestry and fishery; The secondary industry or industrial activities are in continuous transformation, transforming raw materials into transportable products; Tertiary industry or service industry, including small-scale production of independent artists, construction, public facilities (gas, water, electricity), transportation, trade and more generally all types of service industries. From 1930 to 1960, the tertiary industry sector was defined according to the original meaning of the term, that is, the aggregate of all economic activities except agriculture and industry. But since then, the importance of service industry has been increasing. Michel Praderie defined tertiary industry workers as "producers of services".

With the continuous development of history, with the continuous change of demand, service and service field economics have been pushed onto the stage of history. The academic circles will deeply explore the important role of service and service industry in the economic field, and explore a new road for the continuous development of human society.

## **Chapter Two Services and Service Industry**

### **2.1 Concept Definition**

#### **2.1.1 Services**

From the development of the ideological history of service economy, it can be seen that whether classical economists or contemporary mainstream economists, an unavoidable problem is the definition of service. Adam Smith distinguished goods and services from productive labor and unproductive labor, and regarded service as a kind of unproductive labor; Since then, scholars have never jumped out of this logical framework and believe that non productive activities are services, and Marx also regards services as all non-material goods. Although most people accept the concept of immateriality of service, the defect of this definition is that it implies that service activities must be unproductive.

The concept of service put forward by Hill (1977) has been recognized by most scholars: "service is the change of the state of things belonging to another economic individual due to the activities of one economic individual." he further pointed out that the production and consumption of services are carried out at the same time. Hill's definition points out two characteristics of services. First, services are non transferable; Second, the achievement of service requires some people to do something to another person. The second characteristic is that service providers must have an interactive relationship with their customers.

Hirsch (1989) expanded Hill's view by defining service as "a transaction form with simultaneity factor". As long as a transaction occurs, both parties to the transaction must

have contact (face-to-face or communication) and interaction, which is the so-called "Simultaneity".

Lovelock and Wirtz (2006) believe that service can be defined as "an activity of creating value and benefits for customers at a specific time and place". In this definition, service emphasizes the value and benefits that customers can feel in the process of acceptance or interaction.

China's Cihai defines service as "an activity that meets the needs of others in the form of providing activities instead of in kind." the academic community has not formed a generally accepted authoritative view on the definition of service. With the development of science and technology, especially the development of information technology and the innovation of various business models based on the Internet, The scope of services is expanding. "Service" is constantly given new meanings.

### **2.1.2 Service Industry**

The concept of service industry is mainly attributed to Allan G.B. Fisher, Colin Clark and Jean Fourastié. They divide economic activities into three sectors: primary industry, secondary industry and tertiary industry, and roughly define the service industry as the tertiary industry.

Fox clearly took service economics as the research object from its own perspective for the first time. For Fox, service economy is not actually a new field of economics. The concept of service economy only points to a specific economy, namely the American economy, whose employment is mainly in the service industry. Fox's contribution is that for the first time in history, he examines and analyzes its characteristics from the activities of the tertiary industry itself.

Lovelock (1983) believes that as long as customers can always obtain intangible benefits from companies belonging to these industries, the industries are service industries. Therefore, transportation, public utilities, wholesale and retail, public administration, finance, insurance and real estate should all belong to the service industry. Jackson and Musselman (1987) defined "enterprises whose operating income is more than 50% from service products" as service enterprises according to the division standard of enterprise operating income, and the industry they are in is called service industry.

In fact, at present, there are two different opinions on the definition of service industry: one faction defines the connotation of service industry and calls the industry engaged in production and operation in line with the connotation of service industry as service industry. For example, Japan defines service industry as an industry for the purpose of service demand; The other faction adopts an exclusive definition, which means that the service industry has the meaning of surplus industry. Other departments that cannot be classified into the primary industry and the secondary industry are collectively referred to as the service industry, which means that the service industry and the tertiary industry have the same connotation for a long time.

With the development of science and technology, service plays an increasingly important role in the added value of manufacturing industry. Service economy not only means that the proportion of service industry in the economy is increasing, but also implies that the boundary between service industry and manufacturing industry is becoming blurred. According to Oechel and Wegner (1987), significant changes have taken place in the economic structure and production form of developed countries such as Europe, the United

States and Japan, and the service industry is the core of the change in the economic structure.

To sum up, on the one hand, the service industry plays an indispensable connecting and supporting role in economic activities. The more mature the economy and the more precise the division of labor, the more important the position of the service industry is; On the other hand, when the traditional mode of production is impacted by high technology, the component of service increases, and the boundary between manufacturing and service industry becomes increasingly blurred.

## **2.2 Classification**

### **2.2.1 Classification based on technical content**

#### (1) Traditional service industry

Traditional service industry often refers to the service industry that existed earlier than modern manufacturing industry. The services provided by these industries are often traditional services with low technology and knowledge intensity, such as family services, retail services, travel services, etc.

These traditional services have the following important characteristics.

First, non physical. This is the most essential feature of service and material products. The service process does not produce tangible results, and the service is different from general goods. The spatial form of services is basically not fixed. At the same time, the use value and effect of many services are often difficult to feel in the short term. It usually takes a period of time before the object receiving the service can feel the benefits brought by the service. Such as educational services. Therefore, when consumers buy service products, sometimes they have to bear certain risks because it is difficult to determine their quality.

Second, immediacy. Immediacy is manifested in the inseparability of consumption and production of service products and the non-storage of service products. This inseparability of services requires consumers to personally intervene in the production process. The production and consumption of services must be carried out at the same time and in the same place, such as beauty, hotels, tourism, etc., which makes services non storable. Holmstrom (1985) and Chen Zhiwu (2004) pointed out that in the process of service transaction, the demander cannot test the quality-of-service products before the transaction, and it is difficult to effectively evaluate their quality afterwards. From this perspective, most service products belong to the category of "trust products".

Third, non-tradability. Due to the intangible and non-storable characteristics of services, services are usually considered non-transportable and non-tradable. The object of traditional international trade is usually tangible goods.

Fourth, the non-transferability of ownership. Commodity transaction is the ownership of goods, and service is the process of human capital engaging in economic activities. There is no ownership transaction, and service is only the transfer of the right to use human capital.

#### (2) Modern service industry

Modern service industry initially developed from the industrial revolution to the Second World War and was established in the 1980s. It is a service industry with high content of technical knowledge developed with the emergence of modern manufacturing industry and the change of people's lifestyle. Modern service industry was first proposed by American sociologist Daniel Bell. He believes that the service industry in industrial society is mainly

transportation and retail, and the service industry in postindustrial society should be modern service industry, such as financial services, business services, marketing services, research and development design services, information services, transportation services and so on.

The change of economic theory and the realization of economic development, especially the development of information services, make the definition and characteristics of traditional services show more and more inadaptability. For example, although information products are intangible, they can be stored, and the scale of service trade is becoming larger and larger. It is impossible to judge whether they are service products through "tangible" and "intangible". It can be seen that service has new modern characteristics.

First, tradability. The development of service outsourcing and service trade has also promoted the process of economic globalization. The traditional service industry is non tradable and has a strong localization nature, which is mainly analyzed from the perspective of consumption.

Second, heterogeneity. Services are highly heterogeneous. Services are not only affected by the service production environment, but also by the characteristics and levels of service providers and service consumers. For example, higher mathematics education for primary school students can not produce the same service effect for college students. The heterogeneity of service quality makes consumers attach great importance to the reputation of service providers.

Third, knowledge intensity. With the development of science and technology, many service industries are classified from manufacturing to form independent business industries, and these productive services are based on technology, information and knowledge intensive. The development of science and technology has also changed the relationship between consumers and producers in some fields, which were unimaginable before. For example, medical care used to require doctors to be present for diagnosis, but now remote diagnosis can be realized. There are also some areas, such as Internet banking. In most cases, these service providers become more efficient through the Internet.

Modern service industry has the characteristics of high technology content, significant economies of scale and rapid improvement of labor productivity. The adoption of information technology has also changed the nature of some traditional service industries. For example, audio-visual products turn intangible service processes such as concerts into tangible products. Production and consumption can be stored and traded at different times and places. The development of network technology has changed the characteristics of services. New service modes such as online transaction, distance education, medical treatment and video conference make the corresponding services divorced from the traditional characteristics to a great extent.

### **2.2.2 Classification based on production process**

#### **(1) Classification based on production factors**

Professor Dan r e Thomas (1978) of Harvard University put forward the classification method of service industry based on people and equipment, which is of far-reaching significance for the definition and development of service industry. This classification focuses on defining the basis of service industry classification on two factors, namely, the

dependence of service output on equipment and the dependence of service output on people.

Thomas pointed out that the production inputs of services are mainly equipment and people. Therefore, according to the dependence on the two types of inputs, the service industry can be divided into two categories and six sub categories. Then the equipment based service industry is divided into fully automated service industry, non-technical personnel monitoring service industry and technical personnel monitoring service industry; The human based service industry can be divided into non-technical labor service industry, technical labor service industry and professional service industry.

It can be seen that people play a more important role in the service industry, because in the six categories, only the fully automated service industry can completely eliminate people's participation.

#### (2) Classification based on production standards

Zhang Xiaojuan (2011) pointed out that according to whether production is standardized, the service industry can be divided into two categories: standardized service industry and non standardized service industry.

Standardized service industry emphasizes the homogenization of results or processes. Therefore, it can use equipment to improve efficiency and realize large-scale production to improve labor productivity, such as information, communication, finance and wholesale industry.

Non standardized service industry is a service industry that cannot replace labor with machines or carry out large-scale homogeneous production. Some of them are professional knowledge intensive services, such as medical treatment, education, culture and consulting; Others are direct labor services, such as housekeeping, security, cleaning, etc.

Although this classification is not very common, Jiang Xiaojuan believes that this classification involves more core concepts in economic analysis such as economies of scale, division of labor and labor productivity, so it is also very important.

#### (3) Classification based on production dominant types

Miozzo and Soete (2001) divided the service industry into three categories.

Supply oriented service sectors: such as personal service industry (such as barber), hotel, restaurant and retail industry. Its operation is mainly to repackage or use upstream products or tools to provide services to consumers.

Production intensive service departments: such as banking, insurance, wholesale, transportation and telecommunications services. Their operation is to transform, store or increase their value for the needs of customers based on their basic environment or network. Building a basic network and service environment requires a lot of investment.

Professional service departments: information services, design services, R & D services and engineering services. Their operation is to provide the professional knowledge owned by the practitioners to customers.

### **2.2.3 Classification based on processing object**

Miles (1994) classified according to the subject matter handled by various service industries. In his view, generally speaking, the subject matter of service processing can be divided into three categories: cargo processing, human processing and information processing. Therefore, we can also divide relevant demanders into three categories: general

consumers, enterprise customers and both. Therefore, the service industry can also be classified as follows.

Retail, wholesale, freight and other services mainly deal with goods, retail customers are mainly consumers (B2C), and wholesale and freight customers are business organizations (B2B).

The representative service industries that mainly deal with people are medical, education and passenger transport services, and the main customers of such services are consumers (B2C).

Representative industries with information processing as the main service content include finance, telecommunications and technical services, among which the consumers of finance, telecommunications and other services include the general public. It also includes enterprise institutions, and in the technical service industry, research and development, industrial design and other services mainly focus on enterprise organizations.

#### **2.2.4 Classification based on service object**

Since the end of the Second World War, the national economic accounting and economic forecasting institutions have been discussing how to divide the service industry, especially the source between producer services and personal services.

Marx divided the service industry into three categories: personal service industry, service industry needed for global social reproduction, private enterprise and service industry needed for capital circulation.

Browning and Singelman (1975) made great contributions to the accounting and classification of modern service industry. While fully respecting Fox's works, they systematically put forward the theory that different categories of service industry correspond to different economic behaviors and social characteristics. It points out that Clark law (tertiary industry employment is positively correlated with per capita national income) is applicable to some service industries, but not to other service industries. The tertiary industry is divided into four sub categories: distribution services (transportation, communication and trade), producer services (banking, business services and real estate), social services (medical care, education, postal services, public and non-profit services) and personal services (personal services, housekeeping, hotels, restaurants, tourism and repair, etc.).

These four categories of service industries play two basic functions of services. The first is to play the connection function, that is, to connect various economic individuals in society. The access of all products to customers must depend on the play of service function. On the one hand, they play the role of matching producers and consumers, on the other hand, they hand over products from producers to consumers. The second is to play support function. Support function supports the production and consumption activities of individuals or producers, and even the operation of the whole society. For example, accounting management and other services support productive activities to make them more efficient. Leisure and entertainment services can relieve individual emotions, while government services provide public services to make the society operate smoothly.

Modern public services are mainly provided by the government, which can be divided into four levels: basic survival services, including social security, social welfare and assistance, mainly to protect the right to survival of residents; public development services, mainly education, medical treatment, environmental services, including public

transportation, public facilities and environmental protection; public safety, including food and drug safety, public security and environmental protection National defense and security. Modern consumer services are mainly services to improve the quality of life of urban and rural residents and adapt to the upgrading of residents' consumption structure, mainly including commercial services, real estate, tourism, municipal public utilities, community services, sports, etc. modern producer services are services used as intermediate inputs for producers of other goods and services, and their main role is In order to maintain the continuity of industrial production process, promote industrial technological progress, product upgrading and improve production efficiency. Generally speaking, producer services are supporting services directly related to manufacturing industry, and do not provide direct and independent services to consumers. They exist according to manufacturing enterprises and run through the upstream, midstream and downstream links of enterprise production, Taking human capital and knowledge capital as the main inputs and introducing increasingly specialized human capital and knowledge capital into manufacturing industry is the key link to accelerate the integration of secondary and tertiary industries, mainly including transportation industry, modern logistics industry, financial service industry, information service industry and business service industry.

### **2.3 Rise of modern service industry**

#### **2.3.1 Connotation of economic service**

As early as the 17th century, William Petty found that with the continuous development of economy, the industrial center will gradually shift from tangible material production to intangible service production. In 1691, based on the actual situation in Britain at that time, he pointed out that industry was often more profitable than agriculture, and commerce was often much more profitable than industry. Therefore, the labor force will inevitably experience a process from agriculture to industry, and finally from industry to commerce. In the 1930s, fercy referred to all economic activities other than the primary industry and the secondary industry as the tertiary industry, and pointed out that its essence lies in the provision of services. In 1935, he summarized the three stages of the development of human production activities from the perspective of world economic history. The leading industry in the first stage is the primary industry, the leading industry in the second stage is the secondary industry, and the leading industry in the third stage is the tertiary industry. In the 1940s, Clark verified William Petty's view on the basis of international comparison and time series analysis, and came to the conclusion that "as time goes by and society becomes more advanced economically, the number of people engaged in agriculture tends to decline relative to the number of people engaged in manufacturing", and the number of people engaged in manufacturing tends to decline relative to the number of people engaged in service industry, This is the main content of petty Clark theorem. In the late 1960s, Simon Kuznets, based on the historical data of developed countries and the comparative analysis of cross-sectional data of developing and developed countries with different levels of per capita GDP, found that with the continuous development of modern economy and the continuous growth of GDP and per capita GDP, both the sectoral structure of production and labor force changed. The general trend is that the proportion of the agricultural sector tends to decline in both the total output value and the use of the total labor force, while the proportion of the industrial sector and the service sector tends to rise, but the specific percentage of change is not exactly the same.

Another meaning of economic service is the increase of intermediate input and final demand in the whole economy. Fuentes (1999) examined the employment structure and growth of the service sector in the Spanish economy from 1958 to 1989 and compared it with other European countries. It is contrary to the traditional stage theory that the growth of the service sector is determined by the final demand model. The study believes that since the mid-1970s, the employment growth of market services mainly comes from the increase of intermediate demand for services. In order to prove this view, the author uses input-output data for cross sectoral analysis. This method can link the employment in the service sector with other sectors. The results show that industrial production is increasingly dependent on market services. Guerrieri and Meliciani (2005) found that a country's ability to develop a competitive service economy mainly depends on the structure of its manufacturing sector, because some manufacturing industries are intensive users of productive services. At the same time, as intermediate inputs, producer services are intensively used in the production of services themselves. The use of information technology has an important impact on the trade performance of producer services.

### **2.3.2 Development law of modern service industry**

#### **(1) Law of increasing proportion**

Early scholars such as Petty, Clark and Kuznets once proposed the evolution law of three industries, but due to the limitations of their economic development stage, they did not involve the further evolution law within the service industry, and the "law of increasing the proportion of productive services" is the further expansion and deepening of this aspect. The statistical study found that in the service industry, the proportion of producer services showed an obvious upward trend, while the proportion of consumer services showed an upward trend, but the increase was very slow; The proportion of social public services showed a gradual downward trend. The reason is that the proportion of producer services is increasing: on the one hand, due to the continuous deepening and generalization of social specialization, producer services are gradually externalized or vertically separated from the manufacturing industry, so as to realize the development of socialization, marketization and specialization; On the other hand, the increasingly significant trend of economic service and the increasing enhancement of knowledge economy lead to an increasing market demand for human capital and knowledge capital intensive productive services. Under the condition of demand-oriented market economy, the growth of demand will naturally lead to the development of productive services. Therefore, the rise in the proportion of productive services is not necessarily directly related to the rise in per capita GDP, but is more closely related to social division of labor and technological progress.

#### **(2) Factor dependence and evolution law**

The development of producer services is not only a process of gradual deepening, but also a process of gradual evolution and upgrading of dependent factors. The content of early productive services was relatively simple, and people with simple labor ability could be competent. With the gradual deepening of development, more and more productive services need to rely on capital investment and workers' skills and skills. Nowadays, most productive services need to use a lot of human capital, knowledge capital and technical capital, so its output contains a lot of human capital and knowledge capital. Just because the elements of producer services depend on the evolution law of labor capital technology knowledge, the growth and development process of producer services is a process of capital

deepening. However, the capital here is not only material capital, but also new capital such as human capital, knowledge capital and technology capital.

(3) Spatial concentration and agglomeration law

In globalization, cities are the command and control center of global economic operation. The change of urban function requires the concentration and agglomeration of producer services in specific cities. The proportion of modern producer services in a city's GDP is an important indicator of whether the city is a world city. Theoretically, the power of producer services agglomeration includes not only static agglomeration effects such as sharing infrastructure and saving transportation costs, but also dynamic agglomeration economic effects such as obtaining innovation and dissemination conducive to technology and knowledge. Specifically, one is to consider the availability of key input elements (talents) and the convenience of information and knowledge acquisition, update and exchange. The second is to get closer to the target customers more conveniently and reduce the transaction costs of both parties. Three, the government adjusted the adorable budgets and made policy guidance afterwards. Fourth, the agglomeration of manufacturing industry leads to the agglomeration of producer services.

(4) Externalization and industrial integration in organizational form

Producer services were mostly internalized and self-service was implemented in the manufacturing industry. Due to the deepening and generalization of social specialization and the expansion of market demand, it gradually realized vertical separation from the manufacturing industry, and then realized the development of externalization and specialization. Because producer services and manufacturing are complementary, interdependent and interactive, its externalized development will not weaken the strength of commodity production departments. On the contrary, it will more strongly support the development of manufacturing industry. After all, externalization is only an adjustment of production organization mode. Therefore, it is lack of theoretical basis to regard the externalization of productive services as industrial hollowing out. Another trend that goes hand in hand with the development of productive service externalization is that manufacturing industry and modern service industry are also constantly integrating, and then achieve the effect of transforming the technical basis of manufacturing industry. Among them, the vitality of traditional manufacturing industry and service industry through the information transformation of information and communication technology and software industry is the best example.

### **Chapter Three. Economic service trend**

#### **3.1 Preliminary interpretation**

Economic service is not only a process, but also a certain stage. The former refers to the rising proportion of service industry in the national economy, and the latter refers to the dominant stage of service industry in the national economy. Theoretically, the process of economic service is an important aspect of the evolution law of the three industries, and the stage of economic service is the inevitable result of the evolution law of the three industries.

On the one hand, the rise of modern service economy is mainly reflected in the increasing transfer of the output structure and employment structure of the whole national economy to modern service industry; On the other hand, the service industry is no longer just the traditional final consumer goods. More importantly, the modern service industry containing intensive knowledge and technology has increasingly become the intermediate

input of manufacturing and other industries, and this intermediate input trade has increasingly become the main form of international trade. Therefore, modern economy is more and more manifested as a service economy dominated by modern service industry.

Whether from the development process of the world economy or the development stage of the world economy, economic service is only a natural deduction of the evolution law of the tertiary industry. At present, the global economy has transitioned from industrial economy to service economy, showing the trend of economic service. This is a transformation process of industrial structure after the stage of high industrial development, which is manifested in that the proportion of service industry in the industrial structure exceeds that of industry and becomes the center of economic activities, also known as "tertiary industrialization". Theoretically, economic service-oriented can be explained from macro and micro levels.

### **3.2 Macro level interpretation**

At the macro level, we pay more attention to the empirical research of historical data. From petty Clark theorem to Chenery's standard structure model, they are all macro explanations of economic service. After analyzing the national economic structure data of the United States and more than 100 other countries, they believe that from the evolution of world economic history, as long as resources and inputs are continuously allocated to more efficient departments, there will be structural driven economic growth. The process of industrialization is a process of continuously increasing the proportion of industrial investment and making the economy transition from agricultural society to modern society, because the growth rate of industrial sector is much higher than that of agricultural sector. They also believe that with the improvement of per capita national income, the proportion of labor force in service industry is gradually increasing, and the share of added value of service industry in GDP is also increasing. They pointed out that the rising proportion of employment and output value in the service industry has become the main driving force of economic growth.

From the perspective of efficiency, it mainly examines the labor productivity of service industry. Generally speaking, the traditional service industry is regarded as a stagnant sector with low efficiency. If we consider other modern services with increasing knowledge and technology intensity, we will find that their labor productivity is generally higher than that of agricultural and industrial sectors. Therefore, it is inevitable that resources will be transferred to efficient service sectors. This is the so-called law of adjusting the characteristics of industrial structure through labor productivity.

### **3.3 Micro level interpretation**

At the micro level, economic service is mainly promoted by the service of enterprises. For a long time, producer service industry is only a functional organization subordinate to manufacturing enterprises, and this situation still exists in modern enterprise organization forms. With the high development of productivity and in order to meet the needs of different enterprise strategies such as cost saving, organization flattening and cultivating core business (Liu Zhibiao, 2006). Producer services began to emerge from the manufacturing industry in clusters and on a large scale, and gradually formed a relatively independent department. However, the separation of producer services and manufacturing is not for separation, but for specialization and better service to manufacturing. The separation of the two in spatial distance is not equal to the division of the value chain

relationship. There is demand for each other. The manufacturing industry needs the producer service industry to provide it with the stripped off intermediate business and introduce the specialized human capital and knowledge capital into the production and manufacturing links; Producer service industry needs manufacturing industry to provide external market demand conditions for its survival and development. Without manufacturing industry, it cannot be alone.

In the past, the functions of enterprise internal services were mostly traditional support roles, and tend to be separated. For example, each unit establishes its own human resources department, accounting department and information department. In the case of fierce competition, the pressure of cost reduction caused enterprises to improve efficiency, and the internal services within enterprises began to differentiate.

The derivative development of service links to be carried out by enterprises is mainly based on cost-benefit analysis. By focusing on core products or businesses and separating non-core services, enterprises can greatly reduce operating costs. The enterprise uses its internal existing resources as the basis for new business. By packaging non-core business or professional operation into products and selling them to customers in need, it can increase revenue, smooth the impact of low and peak seasons of manufacturing products and increase the opportunities for enterprise growth in mature markets. However, the effects of these two types of service derivatives may be different. The first type is to expand the service of value by moving horizontally up and down the value chain. The main benefits are to help the sales of products, strengthen the relationship with customers and reflect the real needs; The second category is to provide external services to the advantageous service industry. The main benefits are the value of the advantageous business of derivative enterprises, expanding the service customer base, diversified operation, etc.

The continuous differentiation of internal service links of enterprises will also aggravate the development process of service economy, which directly leads to the continuous increase of the proportion of service industry in GDP.

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