

Chapter 2

Literature Reviews

Globally and domestically, the research on the development of service economy is still under construction, the research literature concerning the comprehensive and systematic development of service economy cannot be found easily. While some thematic researches concerning the development of service economy in the development of service industry, service trade and service innovation are comparatively fruitful, which are indispensable in constructing the development theories of service economy but need to be integrated and systematized. This is really difficult for us to cover all the literature reviews about service economy.

2.1 The Research Routes of Service Economy

The research concerning service economy can be divided into two kinds: the narrow research and the broad research. The former focuses on service economy as a certain social-economic formation while the latter focuses on service economy in a broad way, which includes the fundamental elements such as service and service industry. In the perspective of the process of academic development, these two researches are not developed synchronically, thus it is necessary for us to do up the research routes respectively.

2.1.1 *The Broad Research Routes*

Broadly, the western research on theories of service economy has a long history. As early as the end of 17th century, William Petty put forward some thoughts about tertiary industry. Based on the views of Delaunay and Cadrey (1992), the French scholars, the western research on theories of service economy can be divided into 5 stages. The first stage, from the late 18th century to the middle of 19th century, the classical economic theories recognized the awareness of service, the representative personages are Adam Smith, Say, Sismondi, Liszt and so on. The second phrase is represented by Karl Marx, who researched on service. In both phrases, services and

service industry were analyzed in different perspectives, the economic laws involved by economic categories of services and service industry were revealed in different degrees. The third phrase, from the middle of 19th century to the early 20th century, the theories of generic service was put forward, which meant all the activities were services. The economic relationship of capitalism was the service relationship, which were represented by Friedrich, Bastiat, Clemen, Carlsson and the others. The fourth phrase, during 30 and 70s of 20th century, the theories of tertiary industry and post-industrial society. British economist, Fisher firstly put forward the concept of tertiary industry in 1935 and researched on it. Later Clark developed Fisher's idea of tertiary industry and defined it as the service industry, he finally found the law of Clark after exploring the changing process of industrial structure in main developed countries of the world and revealed the deep relationship between the structures of employment and the degrees of economic development. In addition, Walt Whitman Rostow put forward the phase theories about the development of service industry in 1960. Simon Kuznets developed the theories about the growth of modern economy and the changes of industry structure. At this stage, the western theories about service industry were initially systemized. The fifth stage is represented by Jonathon Gershuny and the others who put forward the theories about the industrialization of service industry and neo-industrialism since 1970s. At this stage, the development of service industry was stagnated. On one hand, the researchers on the theories of service industry had to fight against the traditional popular paradigm which held the idea that service industry is not a means of production. On the other hand, the revolution of geography quantity in the second half of 20th century, which researched only on central areas and less focused on the industry of consumption service, thus the research on the concept of service industry was put off for decades.

While the research on service economy in China did not begin until recently. Before 1980s, influenced by the traditional popular paradigm which held the idea that service industry is not a means of production, the relative researches did not develop at all. Between 1980s and 1990s, the domestic scholars in China involved the development of service industry in the theories of industry structure, for instance, Zhou et al. (1987) analyzed the development of service industry in the perspective of industry policies in 1987; Li and Zheng (1988) researched the development of service industry in the perspectives of technology progress and industry structure in 1988; Liu and Yang (1987) revealed the problems in the development of service industry by analyzing industry economy in China in 1987; Zhu and Wang (1988) did with the problems of service industry in the analysis of the growth of industry structure in 1988; Zhou (1991) developed the evolution rules and mechanisms of the development of service industry in the analysis of structure effect of the growth of modern economy; Just to name a few.

Since 2000, the researches on service and service industry were fruitful in China. Some scholars researched on the development of service industry at macrosystem level, for example, Li and Huang (2001) explored the evolution rules of tertiary industry and industry structure in the world in 2001; Xia et al. (2004) put forward the model of interaction of economic sectors base on the development of service

industry and the evolution of social division of labor in 2004; Chen and Huang (2004) explored the dynamic evolution in the relationship between service industry and manufacturing industry in 2004; From the perspective of spillover effect, Chen (2004) explored the significance of the development in service industry in economic growth and efficiency, economic competitiveness and economic changes and etc. And more, there are more researches on the development of service industry at microsystem level, for example, Wang (2003) explored the characters, sources and decisions, evaluation methods in the competitiveness of service industry in 2003; Xu and Tao (2002) explored and analyzed the reasons why the productivity of service industry is much lower than that of industry by means of new measurements in 2002; Chen and Li (2004) analyzed the leading rule of agglomerative factors in the locational models in productive service enterprises in 2004. Chen and Yuan (2004) explored the changes of market structure of intermediary service industry based on the network effect of intermediary service in 2004. To name is just a few.

2.1.2 The Narrow Research Routes

The narrow research on the theories of service economy regards service economy as a special social economic form, it has its special connotation and theoretic pattern which are different from the service theories or the theories of service industry. This kind of research did not exist until the late 40 years.

Victor Focus, American economist, put forward the new concept of service economy in his book *The Service Economy* published in 1968. Based on practices, he analyzed the key aspects such as the growth and reason of the employment in service industry, the differences in productivity changes between different service industries, the wages, the periodic characters of commerce, the industry organizations, the labor features and so on during the transition from industrial economy to service economy in post-war America. He pointed out that the United States was the first country to enter the society of service economy in western developed countries and mentioned the appearance of service economy in all developed countries. Sampled by American society, Bell (1974) made a foresight and systematic prediction of the social and economic situations since the development of industrial economy, he put forward the hypothesis of post-industrial society dominated by service in 1974. In his theory of industrial servitization, Kuznets pointed out its outstanding feature was that modern social economy was developed into service economy. OECD put forward the idea of service economy in its report in 2000. Though these researches put forward the concept of service economy or the similar concepts, most of them were speculated or predictive. Until 2006, the Swedish scholar Jansen made a systematic introduction to the micro-foundation, the public policies of service economy in his book *Service Economy: Development and Policies*, the theoretic research of service economy was deepened in the practices. Thus, the theoretic research in strict sense began to develop in western countries.

However, this kind of research is comparatively weak in both the construction of theoretical paradigm and empirical study.

The research on service economy began in later time in China, there were some research achievement gradually since 2000. Among them, some teased the main theoretic opinions on service economy such as the recalling of western service economy by the concerned research group of Chinese Academy of Social Sciences; In 2003, Huang (2003) introduced the theories of service economy from the relationship between service industry and economic development stages, the changes in economic structure, and the employment etc. In 2003, Lin and Wu (2007) introduced different theoretic opinions concerning service economy, such as the theories of development stages of territory industry, Petty-Clark Theorem, the theories of post-industrial society, the theories of new industrialism, the theories of non-industrialization, the theories of self-service society, the theories of cost disease and so on. There are more findings which developed the interactive relationship between the development of service industry and industrialization and urbanization based on the thoughts to widen the research on service industry. In 2000, Huang (2000) further researched on service industry in post-industrial society in his book *Service Industry and Economic Growth*; In 2004, starting from the key macro factors influencing the development of service industry, Jiang (2004) investigated factors such as the income levels, the consumption structure, the urbanization and their influences in the development of service industry. In 2004, Li (2004) investigated the development of service industry in the framework of industrialization and researched the relationship between tertiary industry and the road of new-type industrialization; In 2002, Chen and Gu (2002) investigated the development of service industry in the framework of urbanization and analyzed the correlation and differences between tertiary industry and urbanization at home and abroad. More research finding were based on China's national conditions and the backgrounds of China's service economy, borrowing the latest international research findings and exploring the development route of China's service economy. These research findings include the series of *Reports of China's Service Economy* chief-edited by Chen Xian and others; In 2004, Ni (2004) revealed the current situations of the development of service industry in the cities in China by analyzing the samples. And more, he sought and compared each influencing factors and their contribution elasticity in the development of service industry.

Recently, the research on service economy in China is apparently increasing. He and Xia (2009) put forward a series of theoretic opinions about service economy in their academic book *Service Economy* in 2009. In 2010, after distinguishing service economy and the economy of service industry, Qin (2010) pointed out that the former is far more important than the latter. Qing stated that the basic connotation of service economy is innovations in systems, management, technologies, culture, entrepreneurial environment, social consumption psychology and so on. The economic growth relies more on economic form by realizing the improvement of the efficiency of production factors. In his works such as *Informatization and 160 Industrial Amalgamation and City Transition and Service Economy*, Zhou Zhenhua. Informatization and industrial integration. Shanghai People's Publishing

House, 2003 stated the connotations, tendencies in the perspectives of city functions and industrial amalgamation. In addition, Zhou stated the influences of city transition and industrial amalgamation on service economy. On the statistical analysis of the out, the employment, the consumption and the trade of service industry, Cheng (2008) testified the tendency of servitization in China's economy in 2008; Jiang (2011) put forward that the social economic form is the service economy dominated by service industry in 2011; Jiang (2009) analyzed the essences and development strategies in the society of service economy in 2009; Liang (2011) analyzed the beginning of service economy and its influences on manufacturing industry in the perspective of the evolution of industrial structure in 2011.

2.2 The Research on the Development of Service Economy

The development of service economy mainly involves the development motivation, the mechanism of action, the evolution track and its basic features, the service innovation and so on, usually developed from the level of industry and its enterprise. In the current literature, the research on the development of service economy focuses on certain subjects, which appears to be in a mess and need to be systematization in theories.

2.2.1 *The Development Motivation of Service Economy and Its Features*

The analysis of the development motivation of service economy. In 1940, Clark (1940) thought that, with the improvement of per capita income levels, the growth of final consumption is the key factor in the rise of service industry. But in 1981, the other scholars such as Stanback et al. (1981) thought that, due to the deepening of division of labor and the increasing progress of technologies, which result in the growth of the contents in production, the increase of proportion of service industry is mainly from the growth of medium requirements. And more, there are some scholars analyzed the development motivation in perspective of supply in service industry. For example, Shugan (1994) discussed and explored the reason of the growth of service industry based on the division of labor; China scholar, Zheng (2008) analyzed the evolution from manufacturing economy to service economy based on the division of labor and the development of industrial structure in 2008; After economic analysis of service economy developed from manufacturing economy, Shao (2011) pointed out that the greatest dynamic factor was the evolution in division of labor inside the manufacturing industry in 2011; In the perspectives of economic globalization and enterprise internationalization, Francois (1990a, b) pointed out in 1990 that the evolution process deepened the division of

labor, which made service enterprise gain the scale economy and the specialization economy. Recently, more and more scholars attached more importance to the promotion of modern information technology and networking in the development of service industry, their influences on manufacturing industry, namely, the manufacturing industry would supply service enhanced products to the consumers, said Lester (2002) in 2002. And some scholars including Zhi (2001) in 2001 put forward more original ideas about service economy. They thought, with the development and extensive application of information and communication technologies, the edges of traditional service industry and manufacturing industry are becoming vaguer, which began to intermingle, and in return, promoted the servitization of the concerned industries and the development of new service industries.

About the basic features of service economy. Some researchers pointed out that service economy played the role of stabilizer in the national economy, the growth of service economy is comparatively stable. In 1998, the research of Desnne (1998) showed that, compared with manufacturing industry, it was obvious that service industry lacked periodic features. However, in 2001, Goodman (2001) pointed out that, due to the counter-periodicity feature of some industries, which made it relatively moderate. Some researchers pointed out that the degree of interdependence between service industry and manufacturing industry, said Park and Chan (1989) in 1989. In addition, based on the high interdependence between different sectors, a new tendency began to appear in the integrative development of industries. Some researchers such as Storper and Walker (1989) pointed out that service economy had a tendency of gathering in space and began to scatter in suburbs in 1989.

2.2.2 The Various Explanations of the Delayed Development of Service Economy in China

The conclusion that the development of service economy in China was delayed was drawn after researching and comparing. For example, Li (2001) compared the consumption indexed and interdependence of tertiary industries between the developed countries and China in 2001. By comparison between different nations, Peng (2001) quantitatively analyzed the gap in the proportion of tertiary industry between China and the similar countries in 2001. And Peng probed into its reasons in aspects such as systems, policies and statistical methods. In 2001, from both qualitative angle and quantitive angle and the comparison between developed countries such as Germany and Japan, Chen (2001) analyzed the prominent contradictions caused by the hysteresis in total quantities, structures and growth speed.

Most scholars in China thought the development of service economy in China was lagged behind, but they had different judges on the major performance of hysteresis in service economy. In 2003, Li and Ren (2003) analyzed the current situation of service industry in China, made comparison between different nations

and found the insufficient absorption of employment in service industry of China by means of the deviation in industrial structure.

Apparently, there are some scholars hold different views because the development level of service industry in China was underestimated due to the problems in statistical accounting. For example, in 2004, after analyzing on the backward surveying methods and the lack of systematic index setting in the statistics of service industry in China, Xu et al. (2004) thought that there were no comparability in the indexes such as the output value and employment proportion in service industry between China and other countries, to name is just a few.

Different scholars have different opinions on the reasons why the development of service economy in China is lagged behind. For example, in 2004, Jiang and Li (2004) attributed it to the concept systems and policy barriers, the less involvement of globalization, the effects of compensative growth and regular growth, the low consumption rate and the errors of statistical caliber; In 2004 Chen (2004) pointed out the above reasons, moreover, he emphasized the low industrialization in agriculture was the key factor which postponed the development of service industry, etc.

2.2.3 The Relevant Researches on the Promotion of the Development of Service Economy

Aimed at the problems and their reasons existing in the development of service economy in China, many scholars proposed the suggestions to promote the development of service economy in China. In 2003, Li and Ren (2003) proposed his ideas of the countermeasures to promote the development of service industry in China by breaking down the systematic barriers, eliminating the administrative monopoly and market segmentation, promoting the urbanization, deepening the specification of social division of labor, developing the medium or small-sized enterprises of service industry, adapting the flexible employment, adjusting the income distribution, and improving the statistics in tertiary industry. In 2003, Zhao and Qian (2003) thought that the promotion of the development of service industry in China, apart from breaking the national monopoly in the field of service industry, introducing more social private investment and improving the level of urbanization, the skills of laborers should be improved and the flow of labor market should be promoted as well. In 2001, based on empirical analysis, Zhao (2001) pointed out that the harmonious development of the second industry and tertiary industry can promote the employment.

In 2004, Zheng (2004) proposed the thoughts to expand the internationalization of service industry targeted on the adjustment of industrial structure in China and the development of service industry. Moreover, he explored more about the features and functions of internationalization of service industry. In 2003, in the prospective of China's entry to the WTO and the competition from international service

industry, Huang (2003) proposed the policy measures such as accelerating the marketization in the field of service, expanding the opening to the outside world, strengthening the R&D in service industry, improving the technological contents in service industry, enhancing the competition of enterprises in service industry.

The other researches attached more importance to the development of local service industry. For example, in 2001, Wu (2001) evaluated quantitatively the level of the development of tertiary industry in 31 provinces, direct-controlled municipalities, or autonomous regions in China and proposed the corresponding countermeasures; In 2004, Gu (2004) analyzed empirically the factors influencing the development of service industry in different regions or provinces, and Gu proposed the targeted countermeasures to promote the development of service industry. In 2001, Huang (2001) and others proposed that the industrial policies should be classified in industrial guidance in order to determine the development priorities in different kinds of regions, to name is just a few.

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A General Trend of the Changing Economy in China

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2016, X, 318 p., Hardcover

ISBN: 978-981-287-899-1