IS THERE A SERVICE ECONOMY?
THE CHANGING CAPITALIST DIVISION OF LABOR

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INTRODUCTION

The concepts "services" and "the service economy" have entered the language with little critical examination. The notion is widespread that the advanced economies have entered an era of "post-industrialism" and that the "services sector" has replaced manufacturing as the engine of economic growth. These views have begun to come under closer scrutiny. Nonetheless, the lack of a systematic framework of analysis continues to dog the field. Many disparate phenomena are haphazardly loaded onto a single overburdened concept, "services." Stanback and his colleagues refer to this as the "misconception of homogeneity." Marx would have called it a "chaotic conception." Our task is to sort out the various aspects of the "service economy" with the help of the Marxian theory of capital.

The service thesis is, first of all, a theory of output. Our analysis must therefore begin with the distinction between services and "goods" as products of labor. The crudest version of the conventional wisdom takes personal consumption, or "consumer services," as its starting point, and argues that consumer tastes now favor services over goods. This has generated the fanatical notion of "an economy of barbershops and laundries." More recent approaches focus on "producer services." This still rests on a conception of services as a product — consumed by businesses instead of individuals. Stanback et al. realize, however, that one must not only talk about "what we produce" but "how we produce."

We must, therefore, address the problem of production. To speak of production is to take up the question of labor. The distinction between goods and services turns on the form of labor involved in their production. But this is not enough. One must deal with complex production systems, or what Marx called "the collective laborer." What is needed is a way of handling the division of labor in the modern capitalist economy. The treatment of production by Stanback et al., for example, is a theoretical muddle that throws together fragmented ideas about markets, firms and economies of scale. Part I of this paper is an attempt to dissect the division of labor, focusing on the concrete labor involved in the production and circulation of use-values. It requires a far more complex vocabulary than the impoverished categories of neoclassical economics.

7 I take a rather functionalist view here, as a necessary simplification. I do not mean to imply that the modern economy is a simple determinant effect of the logic of capital playing itself out; only that its development is structured by the relations of capital, which do have a logic. That is, I take what is today called a realist or structuration view, or what used to be called a dialectical view, of method and histor-

1 Thanks to Flavia Martineilli, whose interest in services stimulated me to think about the topic, and to Pravina Vaitalji for his provocations and comments, which forced me to rethink it more carefully.
4 Throughout the paper. I use the terms service, service economy, service theory, service sector, and post-industrial economy as casual references in their original, i.e. unqualified, meaning. The only analytic category of services I retain is "labor services," defined below.
5 Stanback et al., op. cit., p. 2; Singelmann, op. cit., p. 24.
8 Flavia Martineilli, "Producer Services in a Dependent Economy," Department of City and Regional Planning (Berkeley, 1985); Stanback et al., op. cit.; Stanback and Noyelle, op. cit.
In conventional terminology, there has been a shift over time from primary (agricultural) to secondary (manufacturing) to tertiary (service) activity. This has meant a change in the division of labor, with manual labor becoming less prevalent and mental labor increasing.

The capitalist mode of production has also undergone changes. The notion of post-industrialism, which emphasizes the role of services and information in the economy, has been influential. This theory suggests that the traditional roles of agriculture and manufacturing are being replaced by service-oriented industries.

The service economy has become increasingly important, with the service sector accounting for a significant portion of the economy in many countries. This has led to changes in employment patterns, with more people working in service-related jobs.

However, this shift has not been without its challenges. The expansion of the service sector has been accompanied by concerns about the quality of work and the potential for exploitation of workers. The rise of the gig economy, for instance, has raised questions about the nature of employment and the rights of workers in this new context.

Despite these challenges, the service economy continues to evolve, driven by technological advancements and changing consumer preferences. As the economy shifts further, it is likely that new challenges and opportunities will emerge, requiring ongoing adaptation and innovation.
measuring productivity and aggregating across sectors is theoretically and empirically dubious.22

1. WHAT IS A SERVICE? USE VALUES AND USEFUL LABOR IN A COMPLEX DIVISION OF LABOR

The conventional view sees services everywhere: "business services" such as legal counsel and equipment leasing, "consumer services" from hotels and fast food chains, "non-profit"/consumer/collective services such as medical care and education, "repair services" by auto mechanics, "financial services" performed by insurance companies, and so on.23 Table 1 shows a typical classification scheme using census data.

Apparently, the old-fashioned "good," along with its world of factories, is passing from the scene. In its place has come the "service," a term that implies personalized labor, immateriality, information, and greater human satisfaction, and fundamentally different modes of production, movement, and organization than in the industrial age. These presumptions do not hold up to a careful dissection of the forms of useful labor in the modern capitalist economy. The term "services" begs all significant questions about what is done in banks, repair shops, or hotels. Few of these putative "services" are either new or indecipherable in the language of industrialism. This part of the paper is therefore an exercise in disaggregation and analysis of concrete activities, or tasks of labor, in an economy still based on the production, exchange and consumption of useful products, mostly in the form of commodities and chiefly in the shape of goods.

A. THE PRODUCT "SERVICES"

The category "services" is conventionally defined in contrast to goods. Since all goods render a service of some kind, i.e., are useful, the crux of the distinction must rest with production, not

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<table>
<thead>
<tr>
<th>Industry</th>
<th>1948</th>
<th>1977</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture, extractive, and transformative (total)</td>
<td>43.39</td>
<td>31.60</td>
</tr>
<tr>
<td>Agriculture</td>
<td>4.31</td>
<td>1.90</td>
</tr>
<tr>
<td>Extractive and transformative (total)</td>
<td>39.08</td>
<td>29.70</td>
</tr>
<tr>
<td>Mining</td>
<td>2.96</td>
<td>1.02</td>
</tr>
<tr>
<td>Construction</td>
<td>4.74</td>
<td>4.58</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>32.27</td>
<td>24.10</td>
</tr>
<tr>
<td>Services (Total)</td>
<td>56.61</td>
<td>68.40</td>
</tr>
<tr>
<td>Distributive services (total)</td>
<td>13.94</td>
<td>11.36</td>
</tr>
<tr>
<td>Transportation</td>
<td>5.95</td>
<td>3.34</td>
</tr>
<tr>
<td>Communication</td>
<td>1.54</td>
<td>1.41</td>
</tr>
<tr>
<td>Utilities</td>
<td>4.10</td>
<td>0.92</td>
</tr>
<tr>
<td>Wholesale</td>
<td>4.97</td>
<td>5.68</td>
</tr>
<tr>
<td>Producer services (total)</td>
<td>6.06</td>
<td>11.96</td>
</tr>
<tr>
<td>Finance, Insurance, Real Estate</td>
<td>3.49</td>
<td>5.29</td>
</tr>
<tr>
<td>Other producer services</td>
<td>2.57</td>
<td>6.67</td>
</tr>
<tr>
<td>Retail services (total)</td>
<td>12.57</td>
<td>14.18</td>
</tr>
<tr>
<td>Mainly consumer services (total)</td>
<td>7.07</td>
<td>4.99</td>
</tr>
<tr>
<td>Hotels and personal services</td>
<td>2.71</td>
<td>2.00</td>
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<tr>
<td>Auto and miscellaneous repair services</td>
<td>0.73</td>
<td>0.86</td>
</tr>
<tr>
<td>Motion pictures, amusement, and recreation</td>
<td>0.96</td>
<td>0.85</td>
</tr>
<tr>
<td>Private households</td>
<td>3.27</td>
<td>1.17</td>
</tr>
<tr>
<td>Nonprofit services (total)</td>
<td>2.16</td>
<td>6.34</td>
</tr>
<tr>
<td>Health</td>
<td>1.72</td>
<td>5.19</td>
</tr>
<tr>
<td>Education</td>
<td>0.89</td>
<td>1.15</td>
</tr>
<tr>
<td>Government (total), of which</td>
<td>14.16</td>
<td>19.57</td>
</tr>
<tr>
<td>Public education</td>
<td>2.95</td>
<td>6.44</td>
</tr>
<tr>
<td>All domestic industries</td>
<td>100.00</td>
<td>100.00</td>
</tr>
</tbody>
</table>

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23 The "conventional view" is an amalgam of the works cited at the beginning of the paper. Citation to specific authors are made only when their position on an issue stands out. Some familiarity with the common catechism of service activities is assumed. I intend to concentrate on conceptual questions rather than delve carefully into the numbers involved.

Source: Sambhun and Noyelle, op. cit., and based on Singelmann and Browning, op. cit.
is a labor-service. The restaurant produces a joint product. This is not the case at McDonald's, where the restaurant's role is to provide food products for take-out or delivery. The distinction between these two models is crucial for understanding the nature of industrial food service.

2. Simple versus collective production

Collective production involves the production of goods and services by a group of individuals working together. This is often seen in the production of mass-produced goods, such as clothing or electronics. In contrast, collective production involves the production of goods and services by a group of individuals working together. This is often seen in the production of mass-produced goods, such as clothing or electronics.

3. Long-lived and immovable goods

Long-lived and immovable goods are goods that are difficult to transport and need to be produced at the point of use. Examples include office buildings, factories, and power plants. These goods are often produced by specialized firms that are integrated into the supply chain and have a long-term investment in the production process.

4. Joint products

Joint products are goods and services that are produced simultaneously. They are often produced by the same process or equipment, and their production is not divisible. Joint products are often subject to allocation problems, where the cost of production must be divided among the different products.

5. Problems of circulation

The problems of circulation arise when goods are produced and then need to be distributed to consumers. These problems can include transportation costs, inventory management, and market demand. The collective nature of many immobile goods can make these problems more significant than for other goods.

6. Labor-service

A labor-service is a good or service that is produced by human labor. This includes services such as transportation, education, and healthcare. Labor-services are different from goods in that they cannot be stored and must be produced on demand.

7. Human labor

Human labor is the labor of humans, as opposed to machines or robots. It is the most fundamental form of labor and is typically associated with the production of goods and services. Human labor can be categorized into two types: physical labor and mental labor. Physical labor involves the use of the body to produce goods and services, while mental labor involves the use of the mind to produce ideas and concepts.

8. Production technology

Production technology refers to the methods and processes used to produce goods and services. It includes the tools, machines, and equipment used in production, as well as the processes and methods used to coordinate the production of goods and services. Production technology is an important factor in determining the cost and quality of goods and services.
a5. Information and subsistence in a product

Some service theorists think we have entered an age of information and communication, leaving industry and goods behind.27 The information explosion is readily apparent. But information is not a free-floating ether; it is directly related to practical knowledge and the practical business of production and consumption, i.e., to acts of labor. It is therefore embodied in all products of labor.

All goods and labor-services contain both information and dumb substance. The information content relates both to how they are made and how they are used. Human beings speak through their objects and actions as well as through their throats. Chairs carry very little information and are utterly conventional: "these are objects to sit on," they say (though in the case of a throne, a great deal more is implied!). On the other hand, the principal use-value of some goods, such as computer programs, lies in their ability to store, transfer and interpret information. Similarly, labor-services may be employed for relatively dumb purposes — a trimmed hedge, for instance — or to impart vast reservoirs of wisdom. A tipster writing a scratch-sheet produces a good; one who whispers in your ear performs a service. The information content is the same in both cases. So information cuts across the good/service boundary (more on information below, c5).

a6. Tactile and non-tactile goods

A good deal of confusion has arisen over the changing physical nature of goods, leading some observers to see services where none exist. This derives in part from increasingly sophisticated manipulations of nature involved in modern production, particularly via electronics. Many people have an antiquated notion of goods derived from the mechanical age. They fail to see that a computer program, which takes the form of electrons on a tape or disk, is every bit as much a material good as a chair. It was produced by labor, it has a continuing existence, and it performs a useful function. It has a discrete and tangible form, un-


b1. Intermediate inputs: producer goods and producer services

Too much can be made of the explosion in "producer services." It has long been understood that some commodities serve as means of production for others within complex production processes.28 These are called "intermediate inputs," and may be either goods or labor services. The growth of producer services says nothing about the nature of final output. The term "producer services" implies that all such inputs are labor services when in fact many are goods, e.g., legal briefs (see above, a6). But even if there are labor services, they are likely to be intermediate inputs in the production of goods, e.g., engineering

28 Karl Marx, Capital (New York, 1967).
the transaction basis for some time, and the power of the two parties is unequal, e.g., contracts between grain merchants and midwestern farmers. But market form and market power do not affect the nature of the product nor the commodity nature of exchange commodity market form business organization. Massive amounts of goods and labor services are transferred within firms, without any price formation, change in property rights, or exchange. Outside the firm, a complex system of price and risk is often rather arbitrary (see #1), and the growth of the type of commodity exchange does not necessarily output goods or labor services. The mode of exchange does not apply to the circulation of value.

A commodity is any product of labor sold on the market in exchange for money. Commodities can be both goods or labor services. Commodities are both useful products and embodiment of social relations. A commodity is a measure of the abstract commodity labor involved in their production. Circulation therefore is the division of labor.

Markets are the only means of exchange for services. Markets do not cause a confusion between goods and labor services. A commodity is a measure of the division of labor. Because we take the market price of a commodity as a measure of the value of the commodity, we are led to the false conclusion that the commodity value is independent of the social processes in which it is produced and marketed.

Markets are socially constructed institutions, built up over centuries. The forms of market exchange are numerous. We can, for example, distinguish between open markets, in which parties exchange and transactions are immediate, and coordinated markets, in which exchanges are an abstraction or complete break with the past.

36. Some objects of trade, which are not productive goods, are exchanged because they are taken as commodities (e.g., precious metals, nummular coins, and precious stones). For a discussion of the relationship between commodification and exchange, see David Harvey, The Logic of Capital (Oxford: Blackwell, 1982).
C. The circulation of goods, transport

Transportation is always counted among the "service" sectors. Yet transportation is not only a labor service in the case of the movement of final consumers on vacations and the like. Even transportation of raw materials and semi-finished goods over long distances is part of the "service" sector. The movement of goods between economic units is almost entirely handled by means of transport services. The transport service, i.e., the movement of goods and people from one place to another, is the most important service provided by the economy. It is not only a labor service in terms of the movement of goods and people, but also a means of production, i.e., a factor of production.

D. The circulation of money and finance

Money serves as the medium of exchange in the economy. It is the unit of account and the medium of deferred payment. The circulation of money is not only a labor service, but also a means of production, i.e., a factor of production. The circulation of money is also an integral part of the economy's production and reproduction process. The institutions of money, such as banks, are part of the construction of the economy's production and reproduction process. The circulation of money is an important service provided by the economy.

E. The circulation of labor

Labor is a factor of production. It is the source of income for individuals and the basis for the production of goods and services. Labor is not only a labor service, but also a means of production, i.e., a factor of production. The circulation of labor is an important service provided by the economy.

F. The circulation of goods and industrial services

Goods and industrial services are a means of production. They are not only a labor service, but also a means of production, i.e., a factor of production. The circulation of goods and industrial services is an important service provided by the economy.

G. The circulation of money and finance

Money serves as the medium of exchange in the economy. It is the unit of account and the medium of deferred payment. The circulation of money is not only a labor service, but also a means of production, i.e., a factor of production. The circulation of money is also an integral part of the economy's production and reproduction process. The institutions of money, such as banks, are part of the construction of the economy's production and reproduction process. The circulation of money is an important service provided by the economy.
tion. Railroads, in particular, were the wonder of the 19th century, and long the most advanced sector of industry in terms of scale and organization. Transportation employment as a percentage of the total was little different than today. As production and circulation have grown in scale, complexity and geographic dispersion, the means of transportation have had to expand to a commensurate degree, and periodic technical revolutions have taken place to facilitate this role. Growth of the transport sector is principally a mark of the generalization of capitalist industrialism, not its eclipse by a service economy.

C5. The circulation of information: communications

Communications are also considered part of the "service sector." In fact, the circulation of information, like the circulation of goods, is principally part of the spatial division of labor in complex production systems. Every act of production involves communication, i.e., transfer of information, as well as transfer of material. Most of this information is nuts and bolts stuff regarding the tasks to be done, the interaction between individual tasks and work groups, and monitoring quantity and quality of production. With increasing mechanization, automation, and, now, computerization, of production, the volume of recorded and mechanically/electronically handled data about production has increased. More exact meshing of material flows in and out of production (and inventory storage) also requires more rigorous computation. As work units within complex production systems have become more numerous and/or geographically far-flung, the amount of information transfer has increased proportionately.

Marketing also requires information. From the earliest merchant activities across long distances, information on market conditions has been a necessity for profitable exchange of goods. One of the most important bits of information in a market system is, of course, price. Behind price lies an even more fundamental type of "information" about commodities, value. Money

50 Hanfmann, op. cit.
51 For instance, of the international information exchanges among banks, 73% have to do with money and credit transfers, 15% with administrative matters, and only 12% with miscellaneous customer "information." In another survey, 79% of bank communications were within and between banks, and only 21% with outside clients. Hanfmann, op. cit.
52 Strausel, op. cit.
53 Allan Pred, Urban Growth and the Circulation of Information, 1790-1840 (Cambridge,
D. CONSUMPTION

Consumption has been a silent partner to the demand of

puppies and modes.

The growth of "consumption," instead of "poverty," is just the
same.

influence by service theorists, as indicative of the development of
human potential. They draw their inspiration from the notion of
industrialization. The theory of service need, up which people grow
more, is a logical foundation for the theory of service need, up which
come they back on. On potatoes, and even more so on cash flows.
Human

have an interest to the full development of dialectic

The service theorists, like the traditionalists, who speak of the need
of the activities of the wealthy, who are by no means necessary in

the activities of the rich. This trivializes human culture and elevates
the role of the people. The service theorists also dwell on the negative
consumption, in which personal consumption

is the endpoint of all production. But one can look

at it as the accumulation of capital, which represent more

and more of the total consumption. The service theorists also
draw on the social responsibility of the consumer, and things desired
and things considered for self-reproduction. Take, for example,
the role of education and medical care. While the final output in both
cells is identical, in the form of people and the purchase of which
one is not treated very well, people consume education and medical
care surely. They are, as usual, true, as well as the other forms of personal consumption.

57 Bock, p. 59.
58 David, p. 51.
59 Michels, pp. 101, 110, and 120.
60 Bock, pp. 10, 12, 14, and 16.
61 Michels, pp. 44, 46, and 48.
62 Bock, pp. 42, 44, and 46.
63 Michels, pp. 44, 46, and 48.
Organized research and development, including both public- and private-sector innovation, is vital to the development of new technologies and processes. Such innovation often requires significant investments in infrastructure and human capital. The success of these efforts often depends on the ability of firms to coordinate their research activities and to efficiently allocate resources across different stages of the innovation process.

The implications of these developments for labor are profound. As more and more production is done by firms, the role of labor in the production process becomes increasingly important. This is because labor is the key to the successful implementation of new technologies and processes. In many cases, labor is the only factor that can adapt quickly enough to new conditions to ensure the success of innovation.

One of the most significant changes in the labor market has been the growth of non-traditional work arrangements. These arrangements, which include part-time work, temporary work, and contract work, have become increasingly common in recent years. This has had a number of implications for labor, including changes in job security, pay, and benefits.

The growth of non-traditional work arrangements has also had implications for the structure of the labor market. As more and more workers move into these arrangements, the traditional notion of a single employer-employee relationship is becoming less relevant. This has led to a greater emphasis on individual responsibility and a greater focus on the skills and abilities of workers rather than on their job titles or positions.

The increasing importance of labor in production processes has also led to a greater focus on labor market policies. Governments around the world are increasingly concerned about issues such as job creation, income inequality, and the provision of social services. As a result, labor market policies have become a major focus of government attention.

The implications of these developments for labor are significant. As the labor market continues to evolve, it will be important to ensure that workers are able to adapt to these changes and that they are able to benefit fully from the opportunities that arise.

In conclusion, the role of labor in production processes has become increasingly important in recent years. As more and more production is done by firms, labor is becoming the key factor in the successful implementation of new technologies and processes. The growth of non-traditional work arrangements and the increasing focus on labor market policies are two of the most significant changes in the labor market that have emerged in recent years.
the production of basic knowledge about physical systems, which serves as the foundation for more specific productive activity (e.g., in engineering, agriculture, manufacturing, etc.). However, much of this knowledge remains latent until it is actualized through the labor of research workers. The effectiveness of this knowledge and its impact on productivity depends on the labor input required to bring it into use. This labor input includes not only the direct costs of salaries and wages, but also the taxes and other costs that are necessary to support the research infrastructure. Thus, the economic value of the knowledge produced by research is directly related to the labor input required to bring it into use.

3. Land improvement.

Land must be treated apart, because it is irreplaceable by human effort. This is true whether we talk about soil, water, or forest resources. Human activity can change the physical characteristics of land, but it cannot create new land. Thus, the use of land is a complex interplay of natural and human factors. The economic value of land is determined by the productivity of the land and the labor input required to support its use.

4. Time of consumption.

The definition of a product is that which disappears in the most useful form. Goods are useful in the form in which we consume them. This means that the timing of consumption is important. Goods that are consumed quickly, such as food and clothing, are more valuable than goods that are consumed slowly, such as cars and houses. The value of a good is determined by the timing of its consumption.

5. Product form.

The form of a product is important because it affects its use. A product that is difficult to use is less valuable than a product that is easy to use. This is true whether we talk about physical objects, such as tools and machines, or intangible goods, such as services. The value of a product is determined by its form.

6. Production labor.

The labor input required to produce a product is important because it determines the cost of the product. The cost of labor is an important factor in determining the price of a product. The labor input required to produce a product is determined by the productivity of labor and the cost of labor.

7. Production costs.

The cost of production includes not only the labor input, but also the capital costs, such as the cost of equipment and buildings. The cost of production is an important factor in determining the price of a product. The cost of production is determined by the productivity of labor and capital.
not extinguished in the moment of consumption, like the memory of a great play or the information learned from a good class.

F. CIRCULATION IN TIME

Variant forms of exchange complicate the simple model of circulation of section C. In the service literature these activities are commonly mistaken for a type of production, i.e., labor services. Nonetheless, the labor involved falls entirely within the realm of circulation.

11. Temporary exchange: rental-leasing

"Leasing services" are a commonly cited growth area of the service economy. In fact, leasing represents a separation of ownership and use, in which one person pays a rent for the temporary use of a good owned by another. It is an incomplete form of exchange.76 This practice is of long standing in real estate. It has only recently become commonplace for business equipment and vehicles, leading to the mistaken view that something entirely new is afoot. Leasing has important repercussions for the financial sphere (see below, 13), and requires a labor force for sales and management of properties.

Leasing also appears in the realm of consumer services, e.g., the ticket to a movie. Most movies can be purchased outright, but this is expensive. Watching the movie in a theater with others is far more economical. The theater leases the movie from the studio and, in turn, "rents" seats for the evening. The result is not a labor service. A movie is just as much a good as a refrigerator, which one can also gaze into for entertainment on occasion. Hotel rooms are another example. While there may be a good deal of personal fawning at a good hotel, anyone who has stayed in a chain motel knows that such labor services are not the watchword of the industry; most hotel workers are doing maintenance on the building and rooms (see above, e2).

12. Temporary exchange: renting labor-power

Another recent phenomenon is the growth of organized

temporary labor markets, in which a worker for one company is rented for a short term by another.77 The practice of subcontracting labor (the gang-boss system) is as old as capitalism,78 but has taken on new twists in the form of independent consultants, large firms specializing in office labor, and the systematic subcontracting of maintenance. Such practices help the firm maintain flexibility, externalize risk and reduce labor costs, but have nothing to do with a shift to a "service"-producing economy.

13. Extending exchange and accelerating circulation through credit

In the simple model, money as coin is given for commodities at the moment of exchange. But circulation is slowed by such rigid limitations. Credit has arisen to facilitate payment over time (and space), bridging gaps between sales, between production and sale, and between paychecks.79 Fixed capital and consumer durables create additional problems of payment capacity that are reduced by extending payments over the useful life of the product. Credit is also used to raise large masses of investment funds quickly. Finally, with credit there is interest, and a whole new source of surplus value enters into circulation, further augmenting the financial sphere of circulation.

Historically, credit money expanded with the development of commerce in the mercantile era.80 It grew apace with the rise of industrialism in this country.81 Since then the financial sector has increased rapidly along with the general growth in circulation of commodities, greater use of fixed capital and consumer durables, growing scale of production and organization — and greater mass of value produced.

76 The reason is usually to effect the sale of collective and/or long-lived goods (see above e3 and e4).
tion (Salt Lake City, 1982). This does not refer to ordinary hiring of work-
ers off the street. That sort of activity comes under the heading of normal (pro-
duction) circulation, the gathering of labor-power and other inputs in advance of production.
78 Marx, op. cit.
79 Marx, op. cit.; Harvey, 1982, op. cit.
80 Brandel, op. cit.
Interrupted circulation involves diverting sums of money or commodities from ordinary circulation and holding them so as to increase or maintain future income and consumption levels. Ordinary savings may be either for personal consumption or business investment. Pension funds and other retirement schemes are a special form of savings over long periods and for large groups of workers. Insurance is also a kind of savings aimed at reducing losses from death, injury, destruction of assets, broken contracts, and other plans gone awry. Inventories are commodities, rather than money, used to smooth over variations in production and sales.

All such forms of savings would disrupt the ordinary course of circulation of money and commodities were it not for the activities of financial institutions which pool withdrawn money and put it to use elsewhere. This use includes credit-creation and capital investment, but savings do not, in themselves, require either. Interruptions are a normal part of the circulation of money, commodities and capital in a goods-producing economy. The development of institutions to overcome such interruptions is as old as merchant capitalism and their present growth marks progress toward the perfection of ordinary circulation and industrial capitalism, not beyond it.

The first form of shadow circulation concerns brokerage of real property. Because land and buildings cannot easily be taken possession of whole and carried home, paper titles are created to complete the exchange. Special real estate institutions broker the transactions. Markets in gold, silver and the like operate in much the same way, as the circulation of titles to real assets. Futures markets advance the transactions in time.

A different form of paper circulation involves financial claims of varying degrees of security. These are usually claims on a portion of income (surplus value), but may adhere to assets as well. Common examples are stocks, bonds and mortgages.

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82 Harvey, op. cit.; Braudel, op. cit.; Stodolski and Krooss, op. cit.
83 Stodolski and Krooss, op. cit.
84 The "products" of management are such things as a better marketing strategy, a more effective accounting system, or a new investment, as will be clear from what follows.
85 Marx, op. cit. Of course, the transfer of managerial functions from skilled workers to professional managers has been intimately related to deskilling and labor control, but that is another story. See literature cited in Sturper and Walker, 1983, op. cit.
In the modern capitalist economy, work units of diverse kinds are linked to one another by means of corporations as well as by the market (see c.i. above). This, too, requires labor of all kinds to be divided by systems of specialization and coordination. One of the main gains of such specialization is the saving of time and labor. Other things being equal, the more things one does, the less time does one take to do them. In other words, the more a man specializes, the better he is likely to be at what he does. In this way, the work of the corporation is divided into several parts, each of which is carried out by a different person or group of people. Each person or group specializes in a particular task, and the tasks are performed in sequence. This process is known as division of labor. It is a fundamental principle of capitalism and it is what makes it possible to produce goods and services on a large scale. It is also what makes the economy grow and become more efficient. In the long run, this process is what makes it possible for the economy to produce more and more goods and services. In the short run, it is what makes it possible for the economy to produce more and more goods and services in a shorter period of time.
(and therefore always will), without addressing the legitimate is-

sues of change raised by the service theorists. What is now

needed is an assessment of capitalist development that recog-
nizes the growth of new types and products of labor. This re-

quires a shift in emphasis from the activities of concrete labor

(the production and circulation of use values) to the efforts of

abstract labor (the production surplus value). We have consid-
ered only the usefulness of various types of labor, not their pro-
ductiveness in terms of value and surplus value. To ask why the

division of labor has changed, we must focus on the capitalist

logic of surplus value extraction and accumulation. Marxist

value theory must be supple enough to allow for the realloc-

ation of productive labor. It must defend the position that the

relations of production, epitomized in the production and accumula-

tion of surplus value, promote the development of the produc-

tive forces, including technical change, the changing division of

labor, organizational change, the growth of knowledge, etc.,

rather than vice versa, and remain the heart of the industrial

system.

We now turn to the disposition of surplus value, the genera-

tion of more (relative) surplus value, and the presence of surplus

value in diverse products of labor.

A. THE MASS OF SURPLUS VALUE: THE EDIFICE RAISED

ON PRODUCTIVE LABOR

At the outset we may say that capitalist industrialism has not

been transcended, but simply extended, deepened and per-
fected. As has been shown, the great majority of "services" are

the classic activities of a goods-producing, industrial economy.

To a large degree, therefore, the "service economy" thesis is a

fraud. While it is important to study innovation and change, one

must not lose sight of an elemental constancy: the growth of so-
called "service" activities rests on the productive power of the in-
dustrial system. Consumption levels have risen and products

proliferated. With the mass production and consumption of

goods has come the mass of labor engaged in distribution cen-
ters, retail outlets, elaborate sales efforts, and transportation.

The value produced along with the goods circulates through a

massive financial structure, speeding exchanges, bridging time

and space, leveraging capital accumulation. Specialized append-
ages have sprouted on this financial edifice, from leasing

companies tosecondary mortgage markets. Information about

the economy swirls through communications channels created by

that industry. Armies of managers rule over the system, paid out

of the surplus of those they supervise; alongside them come the

specialists in management inputs.

In short, an enormous superstructure has been erected on the

value and wealth generated by modern industry. The super-

structure is often called the "service economy" and invoked as a

self-generating force, but it would collapse without its industrial

foundation.29

The image of base and superstructure raises the old ques-
tion of productive and unproductive labor. This simple distinc-
tion has been badly mangled by years of misguided debate. Marx

was merely taking a first cut at the distinction between produc-
tion and circulation labor, in which he wished to maintain con-

sistency with the basic premise of his theory of surplus value:

that value must be produced by someone before it can be appro-
priated by someone else, i.e., it involves class exploitation.

In other words, contrary to appearances and bourgeois ideology,

money does not breed more money without production and

"mere" exchange of commodities does not create value (this is

nicely put by Bradby).30 Nor, as is commonly held in our own

time, does management create its own profits, information give

birth to new value, or science create anything without people

and practical knowledge being put to work to create new use-

values. But the orthodox Marxist view can be equally unsatisfactory when it restricts all productive labor to basic acts of

hacking, bending, bolting and hewing, and the like. The

problem, then, is how to mesh the distinction between produc-

tive and unproductive labor in the value sense with the many va-

rieties of useful labor previously discussed.

The answer lies, I believe, in a structural approach. That is,

value relations operate beneath the level of relations of useful la-

29 The geographical separation of "service" activities from manufacturing and other

basic production, often carried out on other continents, heightens the illusion of

self-development.


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Boor, including that of circulation and management. That means

dissecting the several layers of labor and production. The press is

in the press to increase labor productivity and speed up the
capitalist process. As a result, the "labor" of capital production

has diminished as a percent of total social labor. This may well

have diminished since the end of the 19th century and is being

found in the majority of the 20th century from the workshops that

chained to industrial techniques within the factory in the

early 20th century so the service economy phenomenon in

1. Primary Service Labor...

90. ly, service labor is expected directly on a product, primarily in the

service of labor. The range of service labor is wider than is often

supposed, however, once the complexity of production and time

are introduced. We can distinguish the two types of production

works...
flow captured in input-output matrices, their labor is complementary for their participation. The economics realized by the work lower the costs of other products, increasing the overall productivity of the economy. In this way, workers' productivity is enhanced by the complementary nature of their labor.

2. Secondary labor: such a view of labor is only a way of perceiving it as a more divisible entity. Labor itself is not divisible; it is a flow that cannot be split. For example, a worker in a factory may be involved in the production of a complex product, but their labor is not divisible at the level of the individual worker. The success of the firm depends on the coordinated effort of all workers, and this coordination is achieved through the division of labor.

3. Complementary labor: in which the division of labor contributes to the productivity of the economy. Workers are able to specialize in certain tasks, increasing the overall efficiency of production. However, this specialization can lead to a lack of flexibility in the labor market, as workers may become restricted to specific jobs and skills.

4. Primary labor: the production of goods and services is driven by the labor force. In this view, labor is seen as the primary determinant of economic output. The productivity of labor is crucial for the success of production, as it directly affects the output of goods and services. Without labor, production cannot occur, and economic growth is impossible.

5. Complementary labor: the complementary nature of labor is evident in the way that different workers can combine their skills to produce a final product. This synergy is achieved through the division of labor, where each worker specializes in a specific task. This specialization allows for a higher overall productivity, as workers can focus on tasks they are skilled at, rather than trying to do everything. However, this specialization also limits the adaptability of the labor force, as workers may be restricted to specific jobs and skills.

6. Secondary labor: the division of labor is seen as a way to increase productivity, but it can also lead to a lack of job satisfaction and a sense of disconnection from the final product. Workers may feel detached from the production process, as they may only be involved in a small part of the production cycle. This disconnection can lead to lower job satisfaction and a sense of insignificance.

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Productivity gains from technological advances and increased capital accumulation have been central to economic growth and development. These gains have come from improvements in labor productivity, which has increased significantly over time. The result is that labor is a more significant factor in economic activity, and its role has expanded as a result.

Labor productivity has been driven by three main factors:

1. **Labor Substitution**: The substitution of capital for labor has increased productivity. Capital-intensive industries, such as manufacturing, have seen productivity gains due to the use of machinery and automation.
2. **Technological Advancements**: New technologies have improved production processes, leading to increased efficiency and output per worker.
3. **Education and Skills**: Higher levels of education and training have enabled workers to perform more complex tasks, contributing to productivity gains.

These factors have been crucial in transforming economies, leading to increased output and growth. The role of labor in the economy has evolved, with shifts in the balance of power between capital and labor, impacting wages and working conditions.

References:

III. CONCLUSION

The preceding critique has gone in two directions, both aimed at demolishing the greedy myth about how much of the so-called "new economy," or service economy, it is actually the mass of corporate and governmental fraud and waste, with no significant impact on the real economy, even if certain branches of finance have been able to multiply their returns. The historical roots of the contemporary, with its new A. O. Smith or Ford in the U.S. has never been higher than 25% of total employment. In 1880, while the manufacturing workers were already larger, the total workforce was roughly 60% in other countries.

words, the United States has long been a "service-intensive" economy relative to other developed capitalist nations.116

On the other hand, there has been continuous upheaval in the shape of industrial capitalism, which I have no wish to deny. The second line of argument therefore spoke to forces for change. That, too, is no surprise given the history of capitalism. We should be prepared for an industrial world that is persistently disorienting. This is the same advice that one would have given our grandparents, but is forever forgotten by generations who consider themselves the embodiment of the modern. Capital is ordinarily far bolder and accepting of the new than most intellectuals. It cares only that people labor to create surplus value; their concrete tasks and products are simply a means to this end.

The revolutionary force of capital has generated dramatic shifts in the division of labor in society. It is this, more than any change in the products or the form of the products, that is at issue in the debate over the "service economy." The locus of competitive advantage — and of capital accumulation in general — has shifted over the last century from simple productive efficiency among direct laborers to the realm of indirect labor, which augments the productivity of social labor and speeds the accumulation of capital. In the process, the "indirect" economy has increasingly become the focus of production, feeding on itself as an engine of growth.

In order to grasp these seemingly contradictory conclusions, we require a supple mode of thinking, capable of seeing change and stasis simultaneously. There is a structural consistency about the last two centuries that is captured by the concept of capitalism as a mode of production. It rests on private property, the extraction of surplus value from workers who sell their labor-power, and the production and circulation of commodities bearing the stamp of value. It remains an industrial capitalist system, as well, in which such characteristic features of production as the tangible "good," mechanization, and the factory system predominate. It has also long been a corporate-finance capitalist system. While these "constants" do, in fact, change through a continual process of restructuring, they nonetheless remain recognizable beneath the flux of everyday life in a way that specific commodities and jobs do not.117 There may be good reason to add yet another adjective to contemporary capitalism, such as "informational," "electronic," "global," or "indirectly productive." But the case must be made on solid grounds that do not blithely dismiss essential relations and the deep insights of Marxist theory. The concept and theory of "services" are so badly misconceived as to merit rejection in further analytic work.

As for the political debate over the social implications of economic change and the potential for human liberation, that, too, remains open — and little aided by the contribution of the "post-industrial" theorists. The growing technical prowess, changing division of labor, and developing human potential of capitalist civilization do create historic possibilities for social change.118 The 20th century revolutionary project is not that of the 19th century, just because wage-labor and factory production can be found in both. The dreams of the post-industrial theorists have some basis in reality. But an idyllic future will not be served to us, as consumers of history, on a silver platter. If there is to be a new age of enlightenment, classlessness and human service, it will not be born without struggle. And we must all be sobered by the barbaric prospects posed by certain of the weapons, politics and ideas of capitalist civilization. One sees less liberal optimism about the human prospect in the age of Reagan than when Daniel Bell wrote The Coming of Post-Industrial Society. Alas, it is not at all clear that civilization can be much further advanced — or even salvaged — as long as it remains tethered to the short leash of capital and its narrow, exploitive motives.

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116 Singelmann, op. cit.
117 For an attempt to capture the constancy and change in the concept of class, see R. Walker, op. cit.