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THE EVOLUTION OF ECONOMIC THOUGHT ON SERVICES AND VALUE CREATION

Usmanov Farzod Shokhrukhovich
Independent researcher
Samarkand Institute of Economics and Service, Samarkand, Uzbekistan
ORCID: https://orcid.org/0009-0002-6119-274X
E-mail: usmanovfarzod001@gmail.com

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Abstract: This article reviews how economic thought, from classical political economy to modern service research, has understood the role of services in creating wealth and value. The approaches are compared by what they count as productive activity, what they analyze (a sector, a firm, or a market), and how they explain value creation through services. Five positions are identified: early views linking productive activity to agriculture or material accumulation; Marx's concept of surplus value; the neoclassical view based on utility and market exchange; theories of structural change and the knowledge economy; and modern approaches in which value is created through service provision, use, and interaction. These positions overlap rather than form stages that every economy must pass through, and the article also separates the growth of the service sector from the servitization of firms and from service-dominant logic. It concludes that modern approaches widen the study of services without removing sectoral differences or the importance of material production, while the proposed matrix helps compare theories with different meanings of value and productivity.

Keywords: service sector; economic thought; productive labor; structural change; servitization; service-dominant logic; digital platforms; experience economy.

Introduction. Economists have understood the role of services in very different ways. Early political economy focused on productive labor, wealth, and accumulation. In the twentieth century, theories of structural change studied how output and employment are distributed across sectors. More recent approaches look at service provision, customer participation, and digital intermediation. Thus, what has changed is not only the activities being studied, but also the concepts used to explain their contribution.

Three terms require particular care. The expansion of the service sector, often described as tertiarization, concerns changes in the sectoral composition of an economy. Servitization concerns the development of service-based offerings and capabilities within firms, including manufacturers (Vandermerwe & Rada, 1988). Service-dominant logic is a broader perspective on exchange that treats the application of knowledge and skills for another actor's benefit as fundamental to economic activity (Lusch & Vargo, 2014). These concepts are related, but they address different levels of analysis.

Another difficulty is that the word "value" means different things in different theories. Agricultural net product, surplus value, consumer utility, value added in national accounts, and value-in-use are

separate concepts. If a historical review treats them as the same, it may present the history of ideas as a simple move from error to truth. It may also confuse a new definition of productive activity with real evidence that an industry has become more productive.

The article therefore asks two questions. How have the criteria for explaining the economic contribution of services changed over time? And which distinctions must be kept when historical and modern approaches are compared? The aim is to arrange selected works into a comparative framework, not to write a complete history of service research. The analysis follows three lines: classifications of productive labor, sectoral theories of development, and explanations of how firms and networks create value.

The main contribution of the article is a typology of five analytical positions that keeps the differences between these approaches visible. It shows which questions each perspective can answer and where comparisons between them reach their limits. The framework is a tool for theoretical discussion and for formulating new research questions. It does not measure the causal effects of service-sector growth and does not offer a universal development strategy.

Review approach and scope. This is a conceptual narrative review. The sources were selected purposively, that is, by their relevance to three topics: productive labor and wealth, sectoral change, and modern service-based business models. Historical texts are used to identify the criteria their authors applied to economic activity. Later works are compared by their main unit of analysis and by the way they explain value creation. The review does not use a systematic database search, citation rankings, or a quantitative synthesis of findings.

The comparison is organized around four questions: what is the object of analysis; what criterion determines the economic contribution of an activity; how are services positioned relative to goods and production; and what limits arise when the approach is applied outside its original context? Table 1 summarizes early classifications, Table 2 compares contemporary frameworks, and Table 3 presents the resulting typology. The tables are interpretive syntheses, not quantitative rankings or independently validated classifications.

The scope is selective and primarily follows the European and North American traditions represented in the cited literature. It does not cover all national schools, the full economics of unpaid care, or every contemporary digital-service model. The historical categories are interpreted in their own theoretical settings. In particular, terms such as “unproductive” and “sterile” are not treated as judgments that an activity lacks usefulness or social importance.

Historical interpretations of services

Early discussions of wealth and exchange. Aristotle’s discussion of household management and acquisition provides a distant background to later debates about wealth. In Book I of Politics, he distinguishes acquisition directed toward household needs from forms of money-making pursued without a limiting purpose (Aristotle, n.d.). This distinction concerns the ends of economic activity. It does not constitute a theory of the modern service sector, and it does not justify attributing a general claim that all services fail to create value to ancient economic thought.

The commercial-policy arguments later grouped under mercantilism placed foreign trade, monetary wealth, and state power at the center of economic discussion. Within this setting, activities such as shipping and commerce could be important to national prosperity without being grouped into a

separate service sector. Smith's account and criticism of the mercantile system provide a historical reference point, although his interpretation should not be treated as a complete statement of every mercantilist position (Smith, 1776/1904, Book IV).

The physiocratic distinction was more specific. Quesnay's analysis of the Tableau économique assigned the production of a net surplus to agriculture and classified other occupational groups as belonging to the "sterile" class (Quesnay, 1766). This category included manufacturing as well as activities now associated with services. The distinction therefore concerned the source of net product, rather than a simple opposition between tangible goods and intangible services. Activities outside agriculture remained part of economic circulation even when they were not credited with producing the agricultural surplus.

Smith and the accumulation of wealth. Smith divided labor into productive and unproductive depending on whether its result could be kept and used to reproduce capital. In Book II, Chapter III of The Wealth of Nations, he contrasted labor embodied in a commodity that can be sold with services that disappear at the moment they are performed and leave no such saleable result. For this reason, many personal and professional services were classified as unproductive, but only in this specific sense (Smith, 1776/1904).

This does not mean that Smith considered services useless, unpaid, or socially unnecessary. Nor did he claim that every tangible activity is productive and every intangible one is worthless. His argument concerned the accumulation of capital and the use of resources in creating national wealth. If this historical classification is used as a modern measure of sectoral value added, its meaning is changed.

Marx and the production of surplus value. Marx's analysis shifted attention toward the social relation within which labor is performed. Productive labor under capitalism produces surplus value for capital; material tangibility alone is not the decisive criterion. His example of a teacher employed by a profit-seeking school illustrates how an activity outside the production of material objects may qualify as productive labor (Marx, 1867/1887, Chapter 16).

At the same time, for Marx, working in a profitable business or taking part in the circulation of capital does not automatically mean that labor creates new value. In his analysis of commercial labor, he separates the production of value from its realization through sale (Marx, 1894/1959, Chapter 17). It is therefore wrong to treat trade, transport, and all other services as productive simply because they bring revenue. What matters is the function the labor performs in capitalist production and circulation.

Table 1. Early approaches to wealth and the classification of services

Approach and source	Principal criterion	Treatment of service-related activities	Qualification
Ancient thought Aristotle (n.d.)	Purpose of acquisition and household provision	Exchange and occupations are discussed in relation to household and political life.	No modern service-sector category is formulated.

Approach and source	Principal criterion	Treatment of service-related activities	Qualification
Mercantile tradition Smith (1776/1904), Book IV	Trade, monetary wealth, and national power	Shipping and commerce support trade and national prosperity.	A heterogeneous tradition, presented here through Smith's critical account.
Physiocracy Quesnay (1766)	Agricultural net product	Non-agricultural occupations belong to the "sterile" class.	The category includes manufacturing; it does not imply an absence of usefulness.
Smith Smith (1776/1904), Book II	Accumulation and the reproduction of capital	Many services are classified as unproductive because their results do not persist as vendible commodities.	A historical criterion of productive labor, not a modern value-added measure.
Marx Marx (1867/1887; 1894/1959)	Production of surplus value for capital	Service labor can be productive under capitalist production relations.	Profitability or involvement in circulation alone is insufficient.

Source: Author's synthesis of the works identified in the first column. The categories summarize selected arguments and do not imply consensus within each tradition.

Utility and the neoclassical treatment of production. Marginalist and neoclassical approaches changed the terms of the discussion by examining utility, scarcity, and exchange. Marshall's Principles of Economics provides a useful example: production concerns the creation of utilities, and services can enter economic analysis even when their outputs are not durable material objects (Marshall, 1920, Book II). Material form is therefore not a sufficient basis for excluding an activity from the analysis of production and exchange.

Marshall also wrote about personal qualities and immaterial goods, which draws attention to the economic importance of skills and abilities. However, these ideas should not be equated with every later version of human capital theory. More generally, utility-based price analysis and Marx's concept of surplus value answer different questions. Recognizing services as part of market exchange does not remove these differences, nor does it make earlier debates about productive activity irrelevant.

Structural change and contemporary service frameworks

Sectoral transformation and uneven productivity growth. Fisher (1935) and Clark (1940) helped establish sectoral change as a subject of economic analysis. The question was increasingly how economic development alters the distribution of activity across primary, secondary, and tertiary production. This perspective differs from an attempt to decide whether a particular occupation creates wealth according to a philosophical definition. It directs attention to

employment, output, and the composition of demand, while retaining the problem of how heterogeneous activities should be grouped.

Bell's account of post-industrial society connected the expansion of services with the growing importance of theoretical knowledge and professional and technical occupations (Bell, 1973). His argument concerns changes in social structure and the organization of knowledge, rather than a claim that all service jobs are technologically advanced. The continued presence of routine personal and commercial services limits any identification of the entire service sector with knowledge-intensive work.

Baumol (1967) adds an important qualification to optimistic views of service-sector growth. According to his model of unbalanced growth, productivity rises slowly in activities where human labor time is itself the main part of the product (for example, a live performance or a lesson), so their relative costs increase over time. This means that a growing share of spending or employment in services does not by itself prove fast productivity growth. The mechanism applies to some labor-intensive services, but not to every service activity.

Networks and information. Castells (1996) examines the organization of economic activity through information and communication networks. From this perspective, knowledge-intensive services matter partly because they connect production, coordination, and exchange across locations. The analytical emphasis is on relationships between organizations and on the circulation of information, rather than solely on the relative size of individual sectors.

Network organization does not imply that material infrastructure or organizational hierarchy disappears. It provides a way of studying how service activities interact with manufacturing and other forms of production. Brynjolfsson and Hitt (2000) further show why information technology should be considered together with complementary organizational investments. Their analysis cautions against attributing business-performance improvements to digital tools alone.

Servitization and service dominant logic. Vandermerwe and Rada (1988) use servitization to describe the increasing importance of services in business offerings. For a manufacturer, this can involve combining a product with maintenance, training, support, or other activities that improve its use. The relevant change occurs in the firm's offering and its relationship with customers. It need not involve the abandonment of manufacturing or a statistical transfer of the firm into the tertiary sector.

The more recent discussion by Vandermerwe and Erixon (2023) revisits this relationship between service provision and customer outcomes. For the present comparison, its relevance is the continuing need to explain how firms organize and capture value from service-based offerings. Such strategies should be treated as contingent business choices: the addition of services does not, by itself, demonstrate greater profitability.

Service-dominant logic addresses a broader question. Lusch and Vargo (2014) interpret exchange in terms of the application of actors' competences for mutual benefit. Goods can carry or enable service provision, while value emerges through use and the integration of resources. For example, the usefulness of a machine depends partly on operation, maintenance, and the capabilities of its users. This perspective changes the analytical role assigned to the customer, but it does not eliminate the practical distinction between manufacturing industries and service industries.

Experiences and customer outcomes. Pine and Gilmore (1999) distinguish commodities, goods, services, and experiences, and extend their discussion to transformations in customers' circumstances. Their framework explains how businesses may differentiate offerings around memorable participation or desired outcomes. A café can sell a drink while also organizing an experience through its setting and the customer's involvement. Education or coaching may place greater emphasis on an intended change in the participant's capabilities.

This progression is best read as a strategic framework for differentiating offerings. It does not establish that every economy or industry must move through the same sequence, nor that an experience necessarily produces more economic value than an essential material good. The useful distinction is between the object supplied, the activity performed, and the outcome or experience sought by the customer.

Platforms and intermediation. Platform research examines how an intermediary organizes interactions between distinct groups of participants. Rochet and Tirole (2003) analyze competition in two-sided markets, including the allocation of prices across market sides. Their contribution predates the financial crisis of 2007–2008, which makes it inappropriate to present that crisis as the origin of platform theory. Digital technologies expand the possibilities for intermediation, but the underlying economic problem is broader than the creation of an application or website.

Srnicek (2017) links platforms to data, business organization, and capital accumulation. Read together with the two-sided-market approach, his work shows the difference between enabling interactions and earning revenue from them. Platforms are not always neutral intermediaries: they can control who participates and on what terms. Their costs and assets also vary, so it should not be assumed that every platform needs little physical investment. These distinctions matter when platforms are described as a new way of creating value through services.

Table 2. Contemporary frameworks and their analytical focus

Framework and sources	Unit of analysis	Main contribution	Boundary of the explanation
Network society Castells (1996)	Networks and organizations	Explains the coordination of activity through information and communication networks.	Does not imply that all services are knowledge-intensive or that hierarchies vanish.
Servitization Vandermerwe & Rada (1988); Vandermerwe & Erixon (2023)	Firm and business offering	Examines the integration of services into offerings and customer relationships.	A firm-level strategy, not a synonym for service-sector growth.
Service-dominant logic Lusch & Vargo (2014)	Actors and resource integration	Interprets service exchange and value emerging through use.	An analytical perspective, not a replacement for industrial classification.

Framework and sources	Unit of analysis	Main contribution	Boundary of the explanation
Experience economy Pine & Gilmore (1999)	Offering and customer participation	Distinguishes services, memorable experiences, and intended transformations.	A differentiation framework, not an inevitable sequence of development.
Platform approaches Rochet & Tirole (2003); Srnicek (2017)	Market sides and platform organization	Examines intermediation, participation, pricing, data, and value capture.	Theories of platforms are diverse; platforms are not uniformly asset-light.

Source: Author's synthesis. The frameworks address different questions and should not be treated as directly competing explanations of the same outcome.

Comparative synthesis and discussion. The comparison shows that views on services did not change only because services became more widely recognized as useful. The object of explanation also changed. Quesnay studies net product, Smith links productive labor to accumulation, Marx examines surplus value under capitalism, and Marshall analyzes production in terms of utility and exchange. Sectoral approaches study structural change, while modern business and marketing frameworks often look at relationships between actors and the benefits customers receive.

Table 3 organizes these differences into five positions. The first groups historically restrictive criteria of productive activity without claiming that the physiocrats and Smith used an identical theory. The second isolates Marx's relational criterion. The remaining positions distinguish utility and exchange, structural and knowledge-based development, and interactive mechanisms of service provision. Ancient and mercantile discussions provide historical context but are not forced into a classification whose categories they did not formulate.

Table 3. Analytical positions on the economic contribution of services

Position	Criterion or central question	Representative approaches	Interpretive limit
1 Restricted classifications of productive activity	Which activities generate agricultural net product or contribute to accumulation?	Quesnay (1766); Smith (1776/1904)	Net product and accumulation are different criteria; "unproductive" does not mean useless.
2 Production of surplus value	Does labor produce surplus value under capitalist production relations?	Marx (1867/1887; 1894/1959)	Revenue generation and circulation alone do not establish productive status.

Position	Criterion or central question	Representative approaches	Interpretive limit
3 Utility and market exchange	How do activities satisfy wants and enter production and exchange?	Marshall (1920)	Utility, price, and surplus value are not interchangeable concepts.
4 Structural and knowledge-based development	How do sectoral composition, productivity, and knowledge change?	Fisher (1935); Clark (1940); Bell (1973); Baumol (1967); Castells (1996)	A growing sectoral share does not establish uniformly high productivity.
5 Service provision and interaction	How do offerings, use, participation, and intermediation generate or capture value?	Servitization; service-dominant logic; experience economy; platform approaches	Related mechanisms coexist, but do not form one theory or a universal development stage.

Source: Author's comparative synthesis of the cited literature. The numbering organizes analytical positions; it is not a scale of theoretical superiority or a chronological ranking.

The typology yields three implications for research. First, studies should state which meaning of value is being used before comparing the contribution of services across theories or sectors. A claim about customer benefit cannot be substituted for a finding about value added or labor productivity. Second, the unit of analysis should remain explicit. Servitization within a manufacturer, growth in service-sector employment, and a platform's pricing strategy describe different phenomena even when they occur together.

Third, value creation should be separated from value capture. A service may improve the user's situation without bringing the provider an equal financial return. Conversely, the revenue of an intermediary does not prove that all participants are better off. This distinction links the old question of production and appropriation with today's questions about pricing, participation, and control, without mixing the different assumptions of the theories.

These implications also limit the practical conclusions that can be drawn from the review. A firm considering a service-based offering would need evidence on its costs, capabilities, and customer demand. An economy's increasing service share would require analysis of subsector composition and productivity. Neither decision can be resolved by the historical typology alone. The framework instead helps identify which questions and measures are appropriate to the problem being studied.

Limitations and further research. The review is selective, interpretive, and non-exhaustive. It does not establish that the five positions cover all relevant traditions or that they are the only possible classification. Several arguments are represented by a small number of foundational works, and contemporary research is illustrated rather than systematically mapped. The typology has not been tested against a coded literature corpus or empirical sectoral data.

Further research could examine whether the proposed distinctions improve the interpretation of specific service activities, such as maintenance, professional services, or digital intermediation. A

documented review protocol could test the coverage of the framework and identify alternative classifications. Empirical studies could also distinguish changes in customer outcomes, provider revenue, and measured productivity when examining artificial intelligence or other forms of service automation.

CONCLUSIONS.

Economic thought has approached services through different definitions of productive activity and different objects of analysis. Early debates focused on wealth and accumulation; later approaches examined utility, sectoral transformation, knowledge, and the organization of exchange. Contemporary frameworks extend this discussion to service-based offerings, customer participation, experiences, and platforms.

The main conclusion is that the history of ideas about services is not a single path toward one universal theory, but a growing variety of analytical perspectives. The five-position typology makes these differences clear. Services can be studied both as a separate sector and as activities found across all sectors, as long as these two meanings are kept apart. A clearer separation of productivity, utility, value creation, and value capture gives a more precise basis for further theoretical and empirical research.

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