

Three-sector theory

The **three-sector theory** is an economic theory which divides economies into three sectors of activity: extraction of raw materials (primary), manufacturing (secondary), and services (tertiary). It was developed by Allan Fisher, Colin Clark and Jean Fourastié.

According to the theory, the main focus of an economy's activity shifts from the primary, through the secondary and finally to the tertiary sector. Fourastié saw the process as essentially positive, and in *The Great Hope of the Twentieth Century* he writes of the increase in quality of life, social security, blossoming of education and culture, higher level of qualifications, humanisation of work, and avoidance of unemployment.

Countries with a low per capita income are in an early state of development; the main part of their national income is achieved through production in the primary sector. Countries in a more advanced state of development, with a medium national income, generate their income mostly in the secondary sector. In highly developed countries with a high income, the tertiary sector dominates the total output of the economy.



Industrial output in 2005



Service output in 2005

Contents

Structural transformation according to Fourastié

- First phase: Traditional civilizations
- Second phase: Transitional period
- Third phase: Tertiary civilization

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Further reading

Structural transformation according to Fourastié

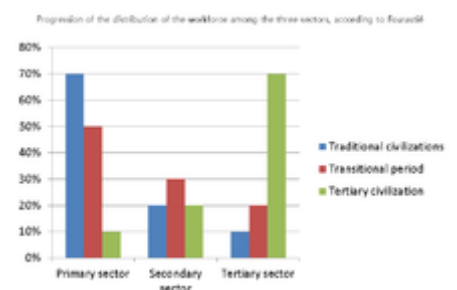
The distribution of the workforce among the three sectors progresses through different stages as follows, according to Fourastié

First phase: Traditional civilizations

Workforce quotas:

- Primary sector: 65%
- Secondary sector: 20%
- Tertiary sector: 15%

This phase represents a society which is scientifically not yet very developed, with a negligible use of machinery. The state of development corresponds to that of European countries in the early Middle Ages, or that of a modern-day developing country.



Three sectors according to Fourastié

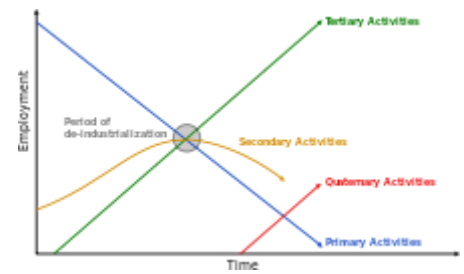
Second phase: Transitional period

Workforce quotas:

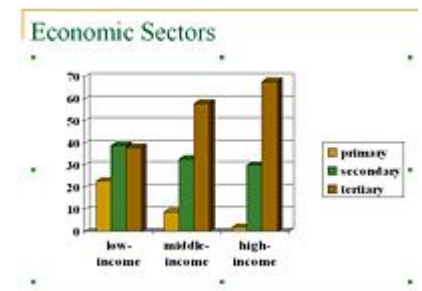
- Primary sector: 40%
- Secondary sector: 40%
- Tertiary sector: 20%

More machinery is deployed in the primary sector, which reduces the number of workers needed. As a result, the demand for machinery production in the secondary sector increases. The transitional way or phase begins with an event which can be identified with the industrialisation far-reaching mechanisation (and therefore automation) of manufacture, such as the use of conveyor belts.

The tertiary sector begins to develop, as do the financial sector and the power of the state.



Clark's sector model



This figure illustrates the percentages of a country's economy made up by different sectors. The figure illustrates that countries with higher levels of socio-economic development tend to have less of their economy made up of primary and secondary sectors and more emphasis in tertiary sectors. The less developed countries exhibit the inverse pattern.

See also

- Colin Clark (economist)
- Jean Fourastié
- Primary sector of the economy
- Secondary sector of the economy
- Tertiary sector of the economy
- Quaternary sector of the economy
- Information Revolution
- De-industrialization crisis
- Private sector

Further reading

- Bernhard Schäfers: *Sozialstruktur und sozialer Wandel in Deutschland*. ("Social Structure and Social Change in Germany") Lucius und Lucius, Stuttgart 7th edition 2002
- Clark, Colin (1940) *Conditions of Economic Progress*
- Fisher, Allan GB. "Production, primary secondary and tertiary" *Economic Record* 15.1 (1939): 24-38
- Rainer Geißler: *Entwicklung zur Dienstleistungsgesellschaft* In: *Informationen zur politischen Bildung* Nr. 269: *Sozialer Wandel in Deutschland* 2000, p. 19f.
- Jean Fourastié: *Die große Hoffnung des 20. Jahrhunderts* ("The Great Hope of the 20th Century") Köln-Deutz 1954

- Hans Joachim Pohl: *Kritik der Drei-Sektoren-Theorie*. ("Criticism of the Three Sector Theory") In *Mitteilungen aus der Arbeitsmarkt- und Berufsforschung*. Issue 4/Year 03/1970, p. 313-325
- Stefan Nährlich: *Dritter Sektor: "Organisationen zwischen Markt und Staat."* ("Third Sector: Organizations Between Market and State"). From *"Theorie der Bürgergesellschaft" des Rundbriefes Aktive Bürgerschaft* ("Theory of the Civil Society" of the newsletter "Active Civil Society") 4/2003
- Uwe Staroske: *Die Drei-Sektoren-Hypothese: Darstellung und kritische Würdigung aus heutiger Sicht* ("The Three-Sector-Hypothesis: Presentation and Critical Appraisal from a Contemporary View"). Roderer Verlag, Regensburg 1995

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