

Structure of economy in Pakistan, primary and secondary sectors

1. Economy

An economy is complex structure of interdependent producers and consumers having beneficial role for each other.

1.1. Types of Economies

- Free Market Economy
- Command Economy
- Free and Command Economy (Mixed Economy)

i. Free-Market Economies

- In such economies, firms and individuals decide about their own economic interests in a better way. Exchange of goods occurs in a competitive environment which brings a fair price in market for goods and services.
- In this type of economy individuals and businesses make their own economic decisions and they usually seen in democratic states. Such economies lead toward more economic development and growth as is evident in the case of Europe, North America and Tiger nations.

ii. Command Economies

- Such economies are controlled by central hand (government) of the state, so these are planned, controlled and managed centrally.
- In these types of economies all major decisions are taken by the central government. Usually these economies exist in communist or authoritarian states. The examples of such economies are Russia and China which have their own success and failure stories.

iii. Free and Command Economy

- This type of economy keeps the character of the both above types. It blends the elements of both and presents a better way to cope with new emerging economic and social problems. Now a day, even in the free market economies, state does play a restrictive role in correcting the economic problems i.e. like monetary and fiscal policy.
- Other interventions are like fixation of prices, subsidies and tariff policies. Due to these factors, most of the economies are now mixed economies.

2. Economy of Pakistan

- Pakistan is rich in every type of resources, but the situation is getting worse with every passing day. Despite of having vast reserves of coal, oil, gold, gas and many other valuable minerals, Pakistan is depending on international aid for its economic and social revival.
- Pakistan has vast fertile land which led it to self-sufficiency in food. The share of different sectors in the economy has been changed much since independence. Pakistan has also a large pool of human resource which can be turned into productive one by adopting a wise policy.
- Now the agriculture is sharing almost 21% in GDP which was more than 50% at the time of creation of this state in 1947. Whereas, the industrial and services sectors have gained in their share in GDP up to 20.9% and 57.7% respectively from 8.03% and 39.3% in 1947.
- It is evident from the above discussion that Pakistan's economy has a lot of problems, so an integrated economic, social and political framework is needed to bring Pakistan out of this imbroglio. A brief introduction of Pakistan's economic structure is discussed below.

2.1. Major Sectors of Pakistan Economy

The main sectors of the economy are:

- 1. Primary sector:** extraction of raw materials – mining, fishing and agriculture.
- 2. Secondary/manufacturing sector:** concerned with producing finished goods, e.g. Construction sector, manufacturing and utilities, e.g. electricity.
- 3. Service/tertiary sector:** concerned with offering intangible goods and services to consumers. This includes retail, tourism, banking, entertainment and I.T. services.
- 4. Quaternary sector** (knowledge economy, education, research and development)

Sectors of the Economy	
Primary (raw materials)	Extraction of raw materials
	Farming/fishing
Secondary (finished goods)	Manufacturing
	Utilities - electricity, gas
	Construction
Tertiary (service sector)	Retail
	Financial services
	Communication
	Hospitality and leisure
	Real estate
	Information technology
Quaternary	Education
	Public sector
	Research and development
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Fig: Sectors of economy

i. Primary sector

This sector includes

- Resource extraction, mining
- Farming, fishing

The primary sector is sometimes known as the extraction sector, because it involves taking raw materials. These can be renewable resources, such as fish, wool and wind power. Or it can be the use of non-renewable resources, such as oil extraction, mining for coal.

However, improved technology and the growth of other energy sources has seen a dramatic decline in this primary sector industry.

ii. Secondary sector

The secondary sector makes and distributes finished goods like

- Manufacturing – like producing cars from aluminum.
- Construction – building homes, factories
- Utilities – providing goods like electricity, gas and telephones to households

The manufacturing industry takes raw materials and combines them to produce a higher value-added finished product. For example, raw sheep wool can be spun to form a better-quality wool. This wool can then be threaded and knitted to produce a jumper that can be worn.

Initially, the manufacturing industry was based on labor-intensive ‘cottage industry’ e.g. hand spinning. However, the development of improved technology, such as spinning machines, enabled the growth of larger factories. Benefiting from economies of scale, they were able to reduce the cost of production and increase labor productivity. The higher labor productivity also enabled higher wages and more income to spend on goods and services.

iii. Service / tertiary sector

The service sector includes

- Retail
- Financial services – Insurance, investment
- Leisure and hospitality
- Communication
- IT
- Transportation

The service sector is concerned with the intangible aspect of offering services to consumers and business. It involves retail of manufactured goods. It also provides services, such as insurance and banking.

In the 20th century, the service sector has grown due to improved labor productivity and higher disposable income. More disposable income enables more spending on ‘luxury’ service items, such as tourism and restaurants.

iv. Quaternary/knowledge sector

- Education
- Research and development
- Public sector bodies

The quaternary sector is said to be the intellectual aspect of the economy. It includes education, training, the development of technology, and research and development. It is the process which enables entrepreneurs to innovate better manufacturing processes and improve the quality of services offered in the economy.

Without this growth of technology and information, economic development would be slow or non-existent. It is also known as the knowledge economy. This is the component of the economy based on human capital, IT, knowledge and education.




Sector of economy	Examples
 Primary	<ul style="list-style-type: none">• Fishing• Farming• Mining
 Manufacturing	<ul style="list-style-type: none">• Car factory• Brewery• Flour mill
 Service	<ul style="list-style-type: none">• Banking• Retail shops• Restaurants

Fig: Examples of different sectors