

The four sectors of the economy

The development of the Maltese Economy

The primary sector

The secondary sector

The tertiary sector

—The quaternary sector——

What is the economy?

The economy plays an essential part in the running of a country. For society to function well it needs a strong economy.

The economy is that social section which organizes the creation and distribution of wealth.

For an economy to function we need to have sellers and buyers; producers and distributors; investors and workers; whereby all of these create, distribute and consume millions of products and services. In this way because of the large amount of a variety of necessary jobs the economy will function.

Through this process in many cases a price is fixed for every product or service. In fact the price of an object or service indicates the value of the work put into it. The price includes the share of many people who would have had their input taken into consideration and had this added to the total of that price. The economic system can therefore be compared to a large pump which circulates all the things which could be needed by a modern society.

How does this work?

The economic system is a system which meets all the needs of society. This takes place through a chain effect between production and distribution. In order to work smoothly a **cycle** has to work well between the **supply** and **demand** of a product or a service. If there is a surplus of products in the market, profits will lessen; and if there is a scarcity of products the market cannot function well.

This is why it is important that there is a cycle, where we find individuals or families who earn money through their labor in order to spend this when they buy products or services from the same economy.

Economic development:

We are going to take a quick look at the progress and economic development which took place in Malta:-

Through its history Malta was always known for its strategic position in the Mediterranean, so much so that it had many colonizers who left a social impact. The majority of the Maltese were involved in **agricultural work or fishing** as well as having a basic commerce which enabled them to export natural products such as cotton.

The economy in Malta under the British changed from one based on an independent agricultural activity to a dependent one needed to service the foreign military. This is called a **fortress economy**

Upon arrival of the British, Malta saw also the introduction of banks. The aim of the banks was to loan more so they would earn more. During this period, the demand for work, services as well as trades increased.

Apart from the use of banks, Malta was also renowned for work in the **dockyard**.

Malta's economy, has both in the past and today thrived because of **tourism**. In the past Malta had an economy based on manufacturing, but after the British colony left Malta, the economy started to depend on tourism as its main sector for financial returns. The influence which tourists leave on us as well as the influences we leave on the tourists help Malta economically.

The private sector was also increasing. For ex. telecommunication, the post office and the airport were liberalized. Gradually the Maltese economy started to change from a centralized one to one that was more open and competitive.

Many countries go through this type of development so that they are able to compete in today's world. In fact the economy plays a very important role in the classification of the success of a country. It is enough to say that the developed countries, and the developing countries are distinguished from each other mostly because of the economic level of that country as well as its use of natural and human resources.

When we talk of economic development we very often use these four terms:

Standard of living – this term refers to the level of wealth, material products and necessary things which are essential for life of a particular social class in a specified geographical area. This includes the wage, type of work, type of house etc.

Quality of life - differing from a standard of living, quality of life refers to the wellbeing of citizens. This looks at not only the wage and material things, but also at other important factors such as access to entertainment, the environment where one lives, how accepted they are in social groups etc.

Gross Domestic Product (GDP) – is the money, wealth and services which are generated by a country at a particular time. The calculation of the GDP of a country reflects what type of standard of living this country enjoys.

Human Development Index (HDI) – this portrays the economic and social development of a country. Through measurement of life expectancy of a citizen, the level of education in that country and the standard of living the HDI is calculated and through this a country is classified re how advanced it is in one of the four categories.

The Three Types of Economy

If we were to look at the economy of different countries we would find that these employ one of these 3 types of different economies. It is the system of the running of the country which influences and conditions the type of economy the country adopts.

1. **FREE ECONOMY** - is the most popular economy in capitalist countries. In this type of economy every citizen is free to buy, sell and negotiate as often as they like and however they like. Prices depend on the demand for the product and the supply of this on the market. In this type of economy there is a lot of **privatization and liberalization** of the market. That is why they depend a lot on private companies – but this could bring about certain social injustices especially against those who are not able to compete.
2. **CENTRALIZED ECONOMY** - is an economy which is controlled by the state. Here the financial input and output of the country is all in the hands of the government. In fact this economy does not allow the private sector to invest in the market, but all the investment takes place through government. Hence prices and wages are fixed and many services of the country are provided through distribution of funds collected through taxes.





3. **MIXED ECONOMY** – is the economy which found the middle road between free economy and centralized economy. We find an amount of economic freedom mixed with investment by the state. One finds necessities such as education and medical care provided or subsidized by the state and other things such as distribution of money in banks which are run by the private sector. In this way both the citizens as well as the government will have a say in the running of the country. Malta uses this type of economy.

The Four Sectors of the Economy

There are four sectors of the economy, and these are classified according to the type of work we find in each sector.

www.youtube.com/watch?v=o_c3JBI2JPU

Industry Sectors

- ▶ There are four industry sectors:
- ▶ Primary 
- ▶ Secondary 
- ▶ Tertiary 
- ▶ Quaternary 

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1. The Primary Sector

The first sector is the primary one, and this is involved in the extraction of all kinds of natural resources from land or sea. In this sector we find:

- agriculture,
- fishing,
- the extraction of minerals,
- the mining and quarrying industries,
- drilling and extraction of oil.

The primary sector therefore provides all **raw material**, apart from providing food and drink for humans.

The primary sector around the world is still the sector in which we find many workers. In countries which are still developing people depend a lot on the primary sector. This provides work which can be done by small groups of people and does not need a large amount of capital investment.

However in Malta nowadays we only find a small percentage of people working in the primary sector. In Malta we find that we have an amount of farmers and fisherman (some of who are part timers) and others who work in the quarrying of limestone.

2. The Secondary Sector

This sector deals with the **manufacturing industry**. Here raw material is processed so that from this, objects which we need, are produced, for eg: wood is transformed into furniture and paper. Here we are talking about **factories** and **skills**.

This work involves many people and a huge amount of investment. **The factory** is the place where the **manufacturing** of a product takes place. The environment is an industrial one, with a lot of huge complicated machines, and advanced technology. Work in factories has its own problems for ex. loud noises, heat, gases, chemicals, cold and other dangers for those workers for ex. working with electricity. The apparatus which is sometimes used might be dangerous, heavy or in high places. In our country around 8000 incidents at the place of work take place every year many of which are in this sector especially in the building industry. Here we find the introduction of the idea of health and safety at the place of work.

Apart from this factories leave a huge impact on the environment. They create a lot of air **pollution** because of the smoke they produce, as well as polluting the sea because of the chemicals factories discharge into the sea and rivers.

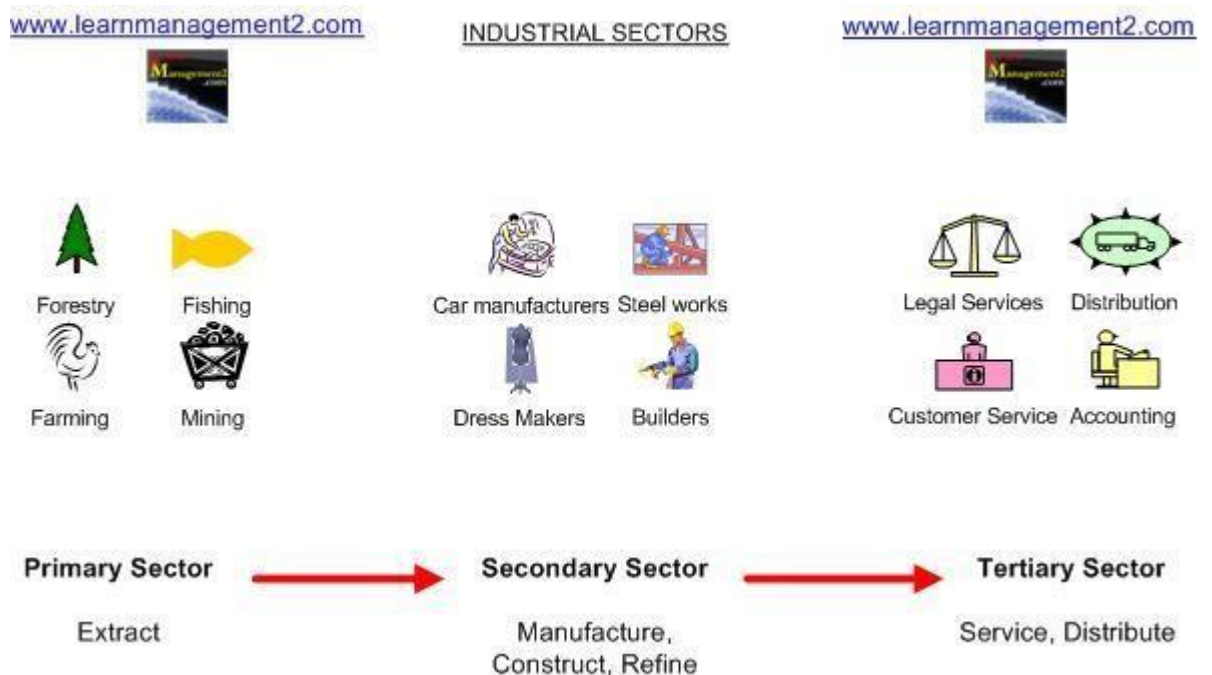
In Malta we have an amount of industrial estates such as those in Bulebel, Imriehel and in San Gwann which provide products both for the local market and the foreign market

3. The Tertiary Sector

This sector is known as the **service sector**. Here we find the production not of objects which can be visible and handled but of services where a person is offering his abilities. This is called the **human resource**.

Amongst economic services there are those of health, education, banking, tourism, transport, communication, law and administration.

Malta mainly depends on this sector where many people work in the different areas. Malta depends on this sector which incorporates tourism – and tourism is an economic source which is most important for Malta. Tourists come to Malta for a variety of reasons and all these are creating many opportunities of work for the Maltese.



4. The Quaternary Sector

This is a relatively new sector. It is a sector which includes **research** and **information technology**. Every job which has a connection to computers, technology and an advance in research falls under this sector.

The situation in Malta

Let us take a look at the economic system in Malta regarding these four sectors.

During the last few years Malta seems to be employing very few people in the primary sector. Agriculture provides only 5% of the **Gross Domestic Product (GDP)**. Aquaculture is providing enough for exportation and for the needs of tourists.

However, on the other hand we acquire **20% of our gross domestic product** from **manufacturing**. Even though we do not have raw material, or financial resources or even sophisticated technology we still get foreign investors who invest in a number of factories aimed for exportation. These investors are primarily English, German and Italian. We have to remember that we have **human resources** who are willing to work. Other investors are Maltese and these produce for our own use but sometimes also for export.

A problem we find in this sector occurs because when we buy raw materials from abroad we are already at a disadvantage. The expenses of production in Malta have risen whilst those in the developing countries still provide more profits for the investor as they work for cheaper rates.

Tourism is part of the tertiary sector, which is the economic sector that leaves profit in Malta. This provides around 8000 jobs directly involved and many more who indirectly enjoy the fruits from this sector. Tourism provides 35% of GDP. Around a million tourists visit Malta per year. This sector has to be able to diversify in the consumers it attracts to our country. Malta cannot afford to lose the tourist industry because our country's economy depends heavily on this industry.

The quaternary sector has created new areas of work for example in the **information field, insurance and banking and today also in IT**. Till now ST Microelectronics was the biggest employer in the private sector. However, the Smart City project is aimed at being the biggest ICT employer.

Smart City is aiming to provide many Jobs related to technology.

