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THE DUAL ECONOMY DEBATE AND PATTERNS OF ECONOMIC ORGANISATION
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Introduction

The economic structure of cities in Less-Developed Countries (LDCs) has been an area of continuing uncertainty and debate. Western concepts of economic organisation have proved notoriously inappropriate when applied to the urban economy of LDCs, and this has generated a number of theories and models which attempt to offer an explanation of the structural characteristics which differentiate the economies of cities in the Third World from those in Developed Countries. In recent years many of these theoretical constructs have adopted various forms of 'dualist' approach, advancing as their central feature the concept that the urban (and in some cases national) economies of LDCs contain two distinct and recognisable sectors. Initially concepts such as 'traditional/modern' or 'organised/unorganised' were developed, and more recently the 'formal/informal' dichotomy has been advanced. This dualist framework, whilst never universally accepted, has for a number of years been widely regarded as the most adequate representation of the economic structure of cities in LDCs.

The dual economy model generates a number of problems which have as yet to be resolved, however, and the concept has come in for increasing criticism, with authors such as Breman (1976) questioning the validity of the whole approach. Such critics of dualism as a concept are still in a minority, however, and a

great deal of debate still concerns the exact form dualism takes or the function of each of the two sectors, not whether the concept itself can be demonstrated to have any general validity.

In this paper the development of the dualist approach in the literature is considered and problems arising from the inadequacies of this concept examined. The literature is reviewed extensively and empirical evidence from a programme of fieldwork conducted in a number of localities in the urban fringe of Delhi is considered briefly in the light of the preceeding debate.

The Literature

It has been suggested that the dual economy concept originated from the clear inability of western models of the urban economy to explain the patterns of economic organisation observable in the urban areas of LDCs. In particular the western models produced anomalies which could not explain the structure of the urban labour market, continuing rural-urban migration and the growth of eminantly-visible small-scale economic activities of all sorts which are a characteristic of cities in LDCs.

This was recognised in the early 1950s, and is reflected in the earliest works in which the concept of dualism is advanced. Perhaps the first author to offer an attempt at a clear rationale for a dual system was J.H. Boeke, who argued that it is possible to identify two separate modes of economic organisation, and that these reflect the contradictions caused by the meeting of two distinct social systems:

"Social dualism is the clashing of an imported social system with an indigenous social system of another style. Most frequently the imported social system is high capitalism."
(1974, p. 4)

Boeke argued that dualism was inevitable, and that it reflected the inherent differences in the character of 'eastern' and 'western' man; ethnocentrism for which he has been heavily criticised. His contention that, in effect, dualism was a product of colonialism is a theme that has, as we shall see, persisted in considerably refined forms.

W.A. Lewis (1954) advanced a theory of economic dualism which emphasised the differences between the 'rural' and 'industrial' sectors, and which in particular focussed upon the role of the labour market within a dual economy.

Higgins (1959, 1968) focussed attention upon what he called 'technological dualism', emphasising the importance of colonialism and population growth in creating a two-sector economy in which one is highly capital-intensive and technologically sophisticated and the other characterised by 'traditional' techniques and a surplus of labour.

From the beginning, therefore, there was no consensus of opinion on exactly what was meant by dualism. The concept grew out of the inability of existing economic terminology to explain observable features of the economy and society of LDCs, and in particular the disparity between the growth of enumerated jobs and the far more rapid growth of the urban labour market as a whole. As such, the 'unorganised' or 'traditional' sector was essentially a residual category in which all activities which did not belong to the enumerated 'modern' sector were grouped.

These initial formulations were developed by several authors during the 1960s. Fei and Ranis (1964) refined Lewis' work by advancing a model of a labour surplus, underdeveloped economy in which the wage in the industrial sector is slightly above that in the agricultural.

The theoretical basis of dualism was refined by Todaro (1969), who again focussed upon a two-sector urban labour market, but who at least attempted to explain the relationship between the rate of rural-urban migration and the pattern of urban job opportunities. Weeks (1971) emphasised the importance of labour within a dual economy, again highlighting the role of colonialism in the development of dual economies. Singer (1970) attempted to provide a global perspective, and in particular emphasised the role of technology in creating dualism. He suggested that the nature of dualistic division was experiencing a structural change:

"(Increasingly) the relevant forms of dualistic fission run along the line of employed versus unemployed rather than the more traditional distinctions between rural and urban sectors, traditional and modern sectors, etc." (p. 60)

During this period a number of empirical studies adopted a dualistic framework, and observations advanced by authors such as Geertz (1963), Reynolds (1969), Gutkind (1966) and McGee (1971, 1973) added strong support to the concept. By the early 1970s, therefore, the existence of a two-sector economic structure in cities in LDCs had been widely accepted.

The work of Santos (1971, 1979), in the growing tradition of radical geographers, offered a fresh theoretical conceptualisation of the dualistic framework. Santos advanced a model of the urban economy which consisted of two spatially coexistent

but functionally distinct 'circuits', the 'upper circuit' which represents the capital-intensive, externally-orientated capitalist sector and the 'lower circuit', which is labour-intensive, internally-orientated and exists with no help from Government or private organised capital and marketing systems.

Prior to this work, the theory of duality in the economies and societies of LDCs contained certain assumptions about the relationships between the two proposed sectors which were in general not explicitly examined. The terminology used, either 'organised/unorganised' or 'modern/traditional', reveals the first of these; that one sector is somehow more advanced and sophisticated, and that the road to modernity lay along the encouragement and development of this sector. As Moser (1977) points out:

"The most widely accepted interpretation sees the existence of a dual economy as a natural stage in the 'modernisation' process of developing societies." (p. 466)

Both sectors were defined in terms of the 'modern' sector. Enterprises which were organised along western lines, in terms of modes of operation, technology, conditions of employment, etc., were categorised as the 'modern' sector and all remaining enterprises were grouped together in the 'traditional' sector. The latter was essentially a residual category (even where it contained the bulk of economic activities) which was defined not in its own right, but as a 'basket' category to contain all non-Western enterprises. The inadequacy of this approach was often exacerbated by using simplistic criteria such as number of workers in a firm and census data of dubious quality:

"The size of establishment is a good and workable one for distinguishing between the sectors in practice ... The unorganised workforce refers to all workers, other than employers, not employed by the Organised sector". (Joshi and Joshi (1976, pp. 46-47))

The heterogeneity of 'non-modern' enterprises was ignored, as were the often extremely sophisticated patterns of organisation which characterise many of the types of activity assigned to this sector. Any form of economic relationship which are not 'Western' were written off as being 'backward' or 'unorganised', and the many different forms they take treated as one category with no attempt to differentiate between modes of organisation within the groups of businesses assign to the 'non-modern' sector.

These and other problems associated with the dual models proposed by different authors at this stage were exacerbated by the application of the same terminology to different areas of the economies of LDCs. Some authors were primarily concerned with dualism in the national economy and proposed a rural-urban dichotomy. Others used the dual model to describe the economy of urban areas, to a great extent focussing on large-scale industry on the one hand and tertiary activities on the other. A number of authors defined dualism not in terms of the characteristics of enterprises, but through a consideration of the labour market and the process of job search amongst urban migrants. The application of the theory of a two-sector economy to these different fields would have validity if the dualistic framework could be demonstrated to exist independently. This was (and is) not the case, however, the studies cited above and others not only applied a dual framework to a variety of fields, but where a definition was advanced dualism was defined in terms of the topic under consideration:

"Some of the dualistic models or theories contrast the urban and rural sector; some the industrial and the agricultural sector; some the cash and subsistence sector; some the large-scale and small-scale sector, etc." (Singer (1960, pp. 67-8))

A clear consensus or opinion on the meaning of dualism was lacking, therefore, despite the alacrity which investigators displayed in adopting a dual framework. A common fault, and one which has persisted, was the tendency to propose a dualistic dichotomy as a starting point and then cite examples such as street hawkers, prostitutes or squatter workshops on one side or the division and Government bureaucracies, large-scale, capital-intensive industry, etc. on the other to validate the model. This approach ignores the wide range of activities which do not fall conveniently into either of these categories. A central tenet of dualist theory is that such enterprises are of minimal importance and can be treated as anomalies or, more generally, ignored altogether. Sinclair (1976), in a recent discussion of the development of the theory of dualism, sums up this approach well:

"(In the literature) there is a straightforward dichotomy between the advanced-technology sector employing a small and highly-privileged proportion of the industrial labour force and the residual ... So far in the literature, then, all the people who could not be counted as regular wage employees in plants of sufficient size to be enumerated in industrial censuses were treated as one mass. Very few characteristics were ascribed to them, other than their exclusion (by definition) from secure and (by implication) respectable employment." (p. 81)

This quotation also illustrates a further attitude towards the 'traditional' sector which pervaded the earlier literature on dualism. People and enterprises which lay outside the enumerated 'modern' sector were regarded as being inefficient

or undesirable in some way. The 'non-modern' sector was seen as the employer of last resort, inhabited by people who had failed to find employment in the 'modern' sector. Aboyade (1966) adopted this approach to small businesses in Africa:

"Most of the participants become 'entrepreneurs' only because of their failure or inability to find occupation in alternative outlets." (p. 219)

In particular, small-scale urban tertiary enterprises were seen as a non-productive, parasitical drain upon the productive 'modern' sector. This attitude was given some intellectual validity by the argument, based on the work of Lewis (1954) and Ravis and Fei (1964), that the marginal productivity of participants in the 'traditional' sector was so low that it concealed widespread underemployment or 'disguised unemployment'. This approach has been summed up by Gollas (1972):

"The classical approach maintains that .. labour in the traditional sector becomes redundant with a marginal productivity which is zero or negative. This situation is referred to as disguised unemployment." (p. 411)

One of the most serious consequences of this attitude was the intellectual licence it gave to planners and politicians in LDCs to enforce legislation against various forms of small-scale economic activities, and in particular the more visible forms of street commercial or transport concerns, as those actions could be justified as being in the best interests of the nation's or city's development.

It was largely out of justifiable dissatisfaction with the prejudicial connotations of the 'modern/traditional' or 'Organised/Unorganised' dichotomies that the terms 'Formal/Informal' emerged. The origin of this terminology appears to trace back to the work of Keith Hart (1973) who fully accepted

the basic concept of dualism, but who emphasised the heterogeneity of the residual non-enumerated sector of the economy of cities in LDCs and questioned the conventional view of these activities:

"Those who escape enumeration are variously classified as the 'low-productivity urban sector', 'the urban traditional sector', and so on. These terms beggar analysis by assuming what has to be demonstrated." (1973, p. 68)

Hart went on to emphasise the positive elements of these activities, and to ask the question whether:

"Informal economic activities possess some antonomous capacity for generating growth in the incomes of the urban (and rural) poor?" (1973, p. 61)

Shortly after the original formulation of the concept, the International Labour Office (ILO) (1972) adopted the formal/informal dichotomy in a major report on the structure of the economy of Kenya. This report advanced a set of criteria (see Table 1) to define each of the two sectors which has had a major impact upon subsequent conceptualisations of their form and function. The prejudicial elements of earlier dualist approaches were absent, and small-scale enterprises were regarded as containing development potential. A succession of authors quickly adopted the 'formal/informal' terminology (see, for example, Henley (1973), Elliott (1975), Ghana and Morrison (1975) or Sarin (1976)), and the work of Hart and the ILO had much the same effect on discussion of the small-scale economy of cities in LDCs as the work of Mangin (1967, 1970) and Turner (1966, 1967) on the attitude towards spontaneous settlements (or shanty towns) a few years earlier, with their positive elements emphasised, their potential for growth and development argued and the inevitability (and desirability) of their proliferation highlighted.

Table 1. Criteria advanced by the ILO for defining the
'informal' and 'formal' sectors

Characteristics of enterprises in the Informal sector	Characteristics of enterprises in the Formal sector
1. Ease of entry into the market. Due to low levels of initial capital investment, unsophisticated technology, minimal requirements for land and services, etc.	1. Difficulty of entry into the market Due to high initial investment requirements, sophisticated technology and necessity for land and public utilities and services.
2. Reliance on indigenous capital and labour resources.	2. Frequent reliance on imported capital and labour.
3. Family ownership of the enterprise	3. Corporate ownership.
4. Small scale of operation.	4. Large scale of operation.
5. Labour-intensive and adopted technology.	5. Capital-intensive and often imported technology.
6. Skills acquired outside the formal educational system.	6. Formally-acquired skills, use of expatriate expertise.
7. Unregulated and highly competitive markets.	7. Markets protected through tariffs, quotas and trade licences.

Source: ILO (1972, pp. 23-26)

Empirical work by a number of authors supported this approach. Papanek (1975) emphasised the ability of participants in the tertiary sector of Jakarta to improve their standard of living, Chana and Morrison (1975) claimed that 'informal' activities performed an essential service by being:

"A major supplier of inexpensive goods and services in both rural and urban areas, and an important source of employment opportunities for low-income households." (p. 121)

and Hart (1973) himself argued that:

"The semi-automatic classification of unorganised workers as 'underemployed shoeshine boys and sellers of matches' contrasts with a view which stresses the important part played by these workers in supplying many of the essential services on which life in the city depends."
(p. 68)

Henley (1973) argued that, despite being "unenumerated, unprotected and sometimes even harassed by the Government" (p. 567), the informal sector has a great capacity to absorb labour.

Udall (1976) also emphasised the absorbent capacity of small-scale tertiary activities, arguing that the negative aspects of this phenomenon have been overplayed and the economic role of services ignored:

"The rapid growth of cities through expansion of tertiary employment ... has been attributed primarily to an increase in the supply of labour relative to demand, rather than to a shift in demand patterns." (p. 768)

Berry (1973) takes this argument a stage further, claiming that the pattern of service-orientated urban growth typical of contemporary LDCs is not necessarily a less desirable form of urbanisation than the industrially-based model provided by the history of the West.

Charles Elliott (1975) reflects the uncertainty surrounding the use of dualist terminology by using 'modern' and 'formal' interchangeably, whilst seeing people assigned to the 'informal' sector as being those who are excluded, for various reasons from employment in the formal sector. Elliott's approach is based principally on the assumed characteristics of the urban labour market, with employment in the 'formal' sector being seen as more desirable and the 'informal' sector being regarded as the employer of last resort, a common theme in the literature.

Fei and Ranis (1975) advanced a reformulation of their earlier concepts in an analysis of the development of the economies of Korea and Taiwan, restating the 'Classical' macro-economic argument that one sector advances development whilst the other retards it:

"The labour surplus condition is eliminated by the relocation of unemployed or inefficiently employed (underemployed) workers from the subsistence to the commercialised sectors, where they are efficiently or competitively employed." (p. 33)

A similar macro-economic approach which assumed the existence of a two-sector economy can be found in the debates between Stewart and Weeks (1975, 1979) and James Elliott (1979), whilst Merrick and Graham (1979) restated many of the assumptions about the characteristics of the urban 'informal' sector initially advanced by Hart, the ILO and others:

"As a sector, informal employment encompasses segments of the urban economy ... at the least capitalised and least organised and of the urban economic spectrum." (p. 237)

Streifland (1977) stressed the dominance of tertiary activities in the informal sector and, in a study of Punjabi

sweepers in Karachi, demonstrated the highly organised nature of many forms of activity assigned to the 'informal' sector. This is a theme to which we shall return.

McGee and Yueng (1977), Sethuraman (1977), Lloyd (1979) and many other authors have adopted the 'formal/informal' approach whilst stressing the flexibility and growth potential of small enterprises within a dualist framework.

Two distinct approaches to dualism are discernable, therefore, and have been summed up by Moser (1977) and Sinclair (1978). The earlier approach sees the 'traditional' sector as an anachronism which will gradually be assimilated into the more efficient 'modern' sector as development takes place. The advent of the 'informal' concept and the theoretical work of Santos rejected the prejudicial connotations of this approach. The more radical advocates of the informal concept argued that dualism is a reflection of neo-colonial penetration and exploitation of LDCs by capitalism (both internal and international). As Moser points out, therefore, in this latter formulation, dualism exists not between pre-capitalist and capitalist sectors, but as:

"The dualism between a 'high profit/high wage international oligopolistic capitalist sector and a low wage/low profit competitive capitalist sector." (177, p. 469, quoting M. Barratt Brown, 1974, p. 276)

These two approaches are diametrically opposed in their perceptions of the origins of the two-sector economy model. In both cases sectors of the population are seen as marginal or disadvantaged, but the earlier approach attributes it to their failure to integrate into the more advanced 'modern' sector, whilst later commentators see dualism as a result of the

political and economic system of LDCs which constrains the bulk of the urban population from entering the formal sector. Neither approach questions the basic concept of dualism, however; the debate has been over the form dualism takes, not whether a dual model is a valid representation of the urban economy of LDCs. The arguments both of the critics of and the apologists for the economic status quo in LDCs could be accommodated within a dual framework, therefore a factor which has tended to retard debate on the basic validity of this approach. Both approaches are based on macro-level formulations which, however satisfactory conceptually, take into account neither the heterogeneity nor the internal dynamics of the system they purport to describe. Moser (1977) demonstrated the inability of this approach to explain the complexities of organisation and the hierarchical structure of street sellers in Mogota. Similar complexities have been recognised by other authors, and the 'informal' sector is not always regarded as a homogenous, unstructured category of activities. Among the first to recognise this were Bienefeld and Godfrey (1975), who argued that 'informal' activities should be:

"Substantially disaggregated in such a way that its components become analytically significant." (p. 8).

They proposed a three-fold division of the sector. The ILO (1976) advanced a similar four-fold categorisation for the Sudan's 'informal' sector. Both studies still conducted their analysis within a dualistic framework, however, despite their recognition of the widely different characteristics of enterprises included within the 'informal' sector.

Steel (1977) proposed a three-sector model for the economy of Ghana which in effect attempted to combine the two approaches to dualism discussed above. His framework includes a 'formal' sector, an 'informal' sector which possesses the characteristics of assigned to the 'traditional' sector in earlier works on dualism, and an 'intermediate' sector which is similar in character to the 'informal' sector of Hart and McGee:

"Many small-scale enterprises in fact represent quite productive uses of labour and capital. Hence introduction of a third urban sector may be essential." (p. 10)

The attempts to reformulate the dual model by those authors and others have only added to the uncertainty over the nature and definitive characteristics of dualism, whilst contributing little to the debate over the initial validity of a dualist approach. They have recognised the need to explain the complexity of the economies of cities in LDCs, but have attempted to do so within the confined of a framework which will inevitably frustrate any attempt to do so.

There have been a number of authors who have questioned the basic concept of dualism; arguing that one may indeed find a plethora of different modes of economic organisation in the cities of LDCs, with vivid contrasts between the productivity of, and the rewards accruing to, different types of activity. This does not validate the dual economy model, however, as these are seen as differences within a highly complex and structural economic system in which varying degrees of interdependence exist at all levels.

Perhaps the most concise and forceful criticisms of dualism in general and the formal/informal approach in particular was

advanced by Breman (1976) in a series of articles in which he questioned the premises underlying dualist theory. He emphasised that this is rarely done:

"Most discussions of the informal sector take as their point of departure the dualist character that is ascribed to the urban economy of the non-socialist countries of the Third World." (p. 1870)

and discusses many of the anomalies concerning differing definitions of the informal sector. Breman concludes that this is largely a consequence of the residual nature of the 'informal' sector, and that:

"The lack of a proper definition is very often, although not satisfactorily, compensated by a somewhat arbitrary listing of those activities which meet the eye of anyone who strolls through the streets of a city in the Third World." (p. 1870)

Breman also emphasises the fragmented nature of the entire urban labour market in LDCs, but argues that this fragmentation occurs within one economic system, and that:

"The informal sector cannot be demarcated as a separate component and/or labour situation ... by interpreting the relationship to the formal sector in a dualistic framework and in focussing on the mutually exclusive characteristics we lose sight of the unity and totality of the productive system." (p. 1871)

Sinclair (1978) provides a comprehensive review of the evolution of dualist theory. He examines many of the characteristics most commonly assigned to activities in the 'informal' sector and finds them lacking. Sinclair goes on to question the concept of dualism under three headings: dynamics, linkages and aggregation, and in so doing identifies three aspects of the economy of cities in LDCs for which dualism cannot offer a satisfactory explanation. Sinclair argues that generalisations about the 'informal' sector are: "at best misleading and at worst plain wrong" (p. 91).

As Breman and Sinclair both demonstrate most effectively, the concept of a dual economy in cities in LDCs has emerged largely through historical accident, as various attempts to resolve the theoretical inadequacies of Western concepts in explaining the complexities of economic life in LDCs have seized upon an easily adaptable and superficially attractive concept to provide some theoretical antecedents. They have been aided in this by a chronic lack of comprehensive or accurate information and by the fact that, as we have seen, debate has centred upon the form dualism takes, and not whether the approach in itself is a valid representation of the structure of the urban economies of LDCs. The basic assumption of dualism, that there exists two independent, parallel economic systems, which may have various forms of linkages, but which possess separate and distinctive internal rationales which differentiate them from each other has yet to be either adequately demonstrated empirically or directly explained theoretically. That there exists such confusion over the nature of this distinction, with practically every author using a separate set of definitive parameters, reflects this basic problem. Perhaps this tendency to accept a dual framework as a starting point is largely due to the apparent ability of the concept of duality to explain the eminently visible characteristics of the city centres of LDCs, where a multitude of hawkers, beggars, street services and 'low-grade' activities exist in juxtaposition to air-conditioned offices, five-star hotels and the prestige developments typical of these areas. The contrast between the two appears so total, so universal, that their explanation as components of two separate systems is

immediately satisfying. These are the extremes of life in these cities, however. A great deal of activity, perhaps the majority in most cases, takes place at a scale somewhere between these two, and even the apparent lack of order of street activities can obscure, as Moser (1977), Streefland (1977), Garlick (1971), McGee and Yueng (1977) and many others have demonstrated, a degree of organisation as sophisticated, if different in nature, as that possessed by many so-called 'formal' activities.

These points are illustrated in the following section, in which the theoretical problems associated with dualist concepts are considered further. The patterns of economic organisation found in the urban fringe of Delhi are summarised to illustrate the contention that the economies of the cities of LDCs should be considered as a complex whole which contain a spectrum of activities displaying a variety of modes of organisation, but which do not contain any fundamental structural cleavages such as that proposed in dualist theories of all sorts.

Dualism and Delhi's Urban Fringe

One of the clearest problems associated with a dualist approach is the manifest inability of the concept to take account of the diversity of activities grouped together in the 'informal' sector. This is one of the principal objections raised by both Breman and Sinclair to the 'informal/formal' concept, and their reservations are supported by the information presented below.

As we have seen, the size of the range of activities grouped together in the informal sector has been recognised by a number of authors who nonetheless still advocate a dualist framework. These authors contend that the 'external' differences in the characteristics of enterprises conceal an underlying similarity of organisation and function within the urban economy as a whole, and that these can be distinguished from the role and characteristics of 'formal' sector enterprises. This assertion has yet to be demonstrated, however, in anything approaching a comprehensive manner; a point recognised by Elkan (1976), who describes the informal sector as a piece of 'needless obscurantism' (p. 693). From whatever standpoint the range of enterprises grouped together in the 'informal' sector are considered, a diversity of form, function and relationship to the rest of the urban economy is apparent. Not only are the types of enterprises many and varied (an obvious truism), their modes of organisation, size, levels of technology, links with other enterprises (including those assigned to the 'formal' sector), potential for growth, etc. also display a variety which contradict any attempt to discern the continuity necessary for the acceptance of the existence of an 'informal' sector which has any form of internal coherence or rationale. Normative sets of criteria, such as those advanced by the ILO report on Kenya, obscure the variety found within the economy of LDCs, as they assume that an enterprise possessing certain features (most typically a small scale of operation) will invariably display the other supposed characteristics of 'informal' sector enterprises. This is clearly not the case, as is demonstrated below for the urban fringe of Delhi. Apart from a number of clear-cut examples at either end of the spectrum, business in Third World

cities possess a range of characteristics from both sides of the formal/informal dichotomy. Moreover, different types of activity, and different businesses within a type of activity, are organised along different lines, making any attempt to advance normalistic generalisations about their characteristics an exercise in obfuscation which will hinder, not advance, our understanding of the organisation and structure of economic life in the cities of LDCs. The work of many proponents of the dual economy concept, if taken at face value, creates the impression that the economy of Third World cities consists of hawkers and multinationals with little between them. As we shall see, reality paints a far more complex picture.

Sinclair (1978) advances additional criticisms of the concept on the basis of 'linkages and dynamics', and in doing so identifies two important dimensions of economic life that a dual approach cannot adequately explain. If the concept is to have general validity, the component 'sectors' or 'circuits' (to borrow Santos' phrase) must be demonstrably separate and self-contained, with each having some form of internal rationale. If this were the case, one could expect relationships, or linkages, between enterprises in the two sectors to be limited, for otherwise the independent viability of either or both 'sectors' must be open to doubt. Such linkages are, however, a typical feature of economic life in LDCs. The extent of interaction and mutual dependence characteristic of the two theoretically separate sectors must, on their own, seriously question the validity of a dual approach.

The same is true of the problems raised by the 'dynamic' issue. The application of a dual approach to any empirical analysis based on local-level fieldwork will necessitate assigning the individual enterprises under consideration to either of the two sectors in accordance with the criteria used in the definition of these sectors. Even if this was an adequate representation of the economic structure of the area at any one point in time, it presupposes that individual enterprises in the 'informal' sector will not expand over time and, with growth, gradually develop some or all of the characteristics of enterprises in the 'formal' sector. If this does occur, one is left to ponder at what point in time does an enterprise leave the 'informal' sector and enter the 'formal' sector; how does one account for enterprises which, experiencing such growth, will possess features seen as characteristics of both sectors; by what mechanisms do enterprises totally transform (for such a transformation is surely necessary) all aspects of their labour relations, production processes and marketing system, etc? These and a number of other questions are left unanswered by a dual approach, a concept clearly unable to account for the development over time of individual enterprises. This, coupled with the other apparent contradictions dualism creates, casts serious doubts upon the usefulness of a dualist approach to the analysis and understanding of the economic structure of cities in LDCs. If the economy of these cities is regarded as a complex and varied whole, however, then the constraints caused by attempting to place all activities into an inappropriate categorisation is removed and interactions within

the economy can be considered without running into a variety of anomalies. This approach is particularly pertinent to our examination of economic activities at a micro-level, where we are dealing with individual enterprises and where the complex nature of the economy is far more readily apparent as Moser (1977) points out, whatever stance one takes within the dualist debate:

"Dual economic models are at a macro-level, and as such tend to be polarised static conceptualisations and not specifically concerned with the internal dynamics of the system." (p. 469)

This paper is a by-product of a larger study the primary orientation of which is to develop an understanding of the process of change over time in the urban fringe of Third World cities, including the evolution of the local economy of these areas. Dynamic change and local-level interactions are two issues of central concern in studies of the urban fringe, and are both areas in which problems associated with dualism are particularly apparent. If no artificial division within a locality's economy is looked for, however, the structure of relationships within that economy can be considered with fewer preconceptions about the role of certain activities or the types of interactions between different enterprises found in that area. These points can be illustrated by considering the spectrum of activities found within the ten localities studies in the urban fringe of Delhi. The 'extremes' of economic life, which conform to the criteria advanced by many proponents of dualism, can be found in most localities of Delhi's urban fringe, but are in general only a small part of the economy of these areas. Most enterprises lie somewhere in the 'grey' area between these two extremes and possess some of the characteristics of both sets of criteria.

A major form of economic activity which appears to conform to the 'formal/informal' dichotomy is hawking, roadside stalls and various other forms of 'street' activity. Certain characteristics typically assigned to the 'informal' sector appear to be typical of these activities in many cases, but even hawkers and roadside stalls do not invariably conform to the sets of definitive criteria advanced by authorities such as the ILO, Hart, etc. In particular various forms of organisation in many cases restrict entry into an activity or regularise competition in a particular locality. The mechanism by which this is achieved is often caste or other social groupings. For example, the milkmen who collect milk from the southern fringes of Delhi and sell it in the commercial and residential areas on the southern side of the city are invariably members of the Gujar caste originating from the original inhabitants of old agricultural villages in the urban fringe. Similarly, roadside cobblers are invariably Chamars (leatherworkers), barbers, members of the Nai (barber) caste, potters, members of the Kumhar (potter) caste, etc. Hereditary occupation and social contact networks play an important role in the organisation of seemingly unorganised, 'open' activities in Delhi's fringes, a mode of organisation found in other cities by Garlick (1971), Streefland (1977), Lomnitz (1977), Papanek (1975) and many other authors. A different form of organisational constraint was found in many small, usually illegal, roadside bazaars in Delhi's urban fringe. The stallholders in these areas are invariably organised into voluntary self-help associations of a more overtly political nature. These organisations are used to restrict local competition and to present a common

front in any confrontations with officialdom. Sarin (1976), Moser (1977) and Stanley (1978) provide evidence of similar organisations in India, Latin America and Africa respectively.

These cases are examples of small-scale, poorly capitalised 'street' activities which should, if dualism is to have any validity, fall clearly into the 'informal' sector. Each possesses operational or organisational characteristics which do not conform to the definitive criteria advanced for this sector, however, and they illustrate the variety which is one of the dominant characteristics of hawking in Delhi's urban fringe. Within this range are undoubtedly a number of hawkers and street vendors whose mode of operation will fit into the 'informal' criteria. They are not typical, however, and even localities where constraints are not found in the early stages of urbanisation evolve the types of social and organisational factors discussed above, highlighting the importance of the dynamic element so clearly lacking from a dualist framework.

One of the main problems associated with using a dual economy model which does not arise when the local economy is considered as an integrated whole is where does one draw the line between the two sectors. This problem is particularly apparent when one considers the range of retailing, service and manufacturing activities located in purpose-built 'pucca'* shops and workshops, which in most cases possess a range of characteristics from both sides of the formal/informal dichotomy.

*Pucca: constructed of permanent materials such as bricks, concrete, tiles, etc. The word also has connotations of respectability and solidity.

If those activities, which are of major importance in the local economy of Delhi's urban fringes, are included in the 'formal' sector, then many of the criteria used to differentiate the two sectors (size, pattern of ownership, skills and technology, etc.) must be reappraised and the function of the two sectors within the economy reconsidered, as the role of hawkers and 'pucca' shops are difficult to separate. If, conversely, these enterprises are assigned to the 'informal' sector then many of the definitive characteristics of this sector are in turn contradicted. The bulk of the city's retailing and services is provided by 'pucca' shops and workshops and these enterprises should be considered as an integral part of the normal distributive system of the city. Many have 'formal' commercial relationships with wholesalers or manufacturers and a large number have levels of capital and forms of credit arrangements with 'formal' institutions which directly contradict the criteria used to define the 'informal' sector. Some shopkeepers have purchased accommodation directly from Delhi's planning body, the DDA, whilst other shops which are comparable in form and function, may be housed in illegal structures or located in an unauthorised zone, reflecting the considerable diversity found within this category also. Some authors (see, for example, Joshi and Joshi, 1975) have ignored the problems associated with assigning those forms of enterprises to one of the sectors in a dual economy by differentiating the sectors by size of enterprise only. This approach is clearly inadequate conceptually, as this criterion tells us only that some enterprises are bigger than others, whereas for dualism to have any validity the two sectors must have some basic functional or

organisational differences. Any attempt to apply the more comprehensive definitions of the two sectors to the range of retailing and service activities located in purpose-built shops will inevitably run into a series of contradictions whichever of the two sectors they are assigned to.

The inadequacy of size of enterprise as a definitive criterion can be further illustrated by considering the characteristics of the brick kilns which are found in large numbers in all areas of Delhi's urban fringe. These kilns are large and remarkably uniform in character. They typically employ between 200 and 300 people, including men, women and children, and cover five to six acres, most of which is used for open-caste clay quarrying. In terms of size, therefore, these kilns should clearly fall within the 'formal' sector if one accepts a dualist framework. Few of their other characteristics conform to the sorts of criteria used to define this sector, however. In many cases the kilns are of dubious legality, the technology of production is rudimentary and labour-intensive in the extreme and the bricks produced are sold to both large corporations (including Government agencies) and private individuals who want a few thousand to build their own houses. Recruitment and employment of the workforce is based on the contractor system. Groups of workers are recruited by and dependent upon contractors who operate as middlemen between the workers and the kiln owners. The kilns operate seasonally from November to June, and workers are recruited directly from rural areas in the Delhi region for one season only. The contractors provide advances, which commit the recruits, and provide trunks to take the workers directly

to the kilns where they live for the season. Distinct communities (both caste and regional) perform different jobs in the kilns, with all members of the family working, and payment being on a piece-rate basis. The contractors are themselves, in many cases, from these same communities. The workers have no form of security and are, in effect, at the mercy of the contractors, to whom they often owe money. The employment characteristics of the 'formal' sector (job security, minimum rates of pay, conformity to employment legislation, etc.) clearly do not apply to these kilns, therefore, despite their size which precludes them from being part of the 'informal' sector as it is conventionally defined.

It would be a mistake to regard these kilns as an anomaly, as the contract system is a common form of employment in Delhi, and is in particular a characteristic of the construction industry, a point demonstrated by the work of Johri and Pandey (1972). It would in turn be erroneous to, as is often the case, regard the construction industry itself as anomalous for, as Edmonds (1979) demonstrates, this industry is an important component of the economy of cities in LDCs. Nor is it only in the private sector that the contract system of employment operates, as all the large construction projects of the Delhi Development Authority, the Central Public Works Department and other Government agencies use contractors to provide most of their labour, and in particular unskilled labour which is officially employed in a daily wage basis as a means of circumventing employment legislation. A number of manufacturing concerns, both large and small, who employ part of their workforce on a daily-wage basis were also found in the areas studied in Delhi, further emphasising the point that

the employment characteristics assumed to be a definitive feature of 'formal' sector manufacturing enterprises are neither universal nor, in many cases, even typical.

The permanent employees of large and medium-sized factories possess a degree of job security and, in some cases, were highly unionised, suggesting that the 'formal' sector concept has not learnt some validity in these cases, but if the dual model has any validity it must apply to all enterprises within the economy, and not just to a number of isolated cases. Even in these cases, moreover, the job recruitment system in general operates through nepotism and personal contact networks and, not via 'open' recruitment systems based on meritocratic principles as is often suggested.

Symbiotic 'links' between large-scale factories and small ancillary workshops were found to be a typical feature of industrial zones in Delhi's urban fringe, a conclusion supported by the work of Panini (1978) in the Faridabad industrial area south of Delhi. Large firms often depend upon small ancillary enterprises to produce 'one-off' jobs and for, in many cases, repair services, transport and items such as wooden crates for packaging. In addition large firms often contract out part of the production process to smaller enterprises, who either produce certain components or assemble components for the large company. Panini demonstrates that this is typical of industry in Faridabad:

"Larger competitors commonly enter into 'job work' contracts with the small ancillary firms ... some of the small firms sub-contract such job work to yet smaller units." (1978, p. 94).

and the system is a feature of the other industrial zones of Delhi's urban fringe. These forms of linkage cannot be adequately explained within a dualist framework. The fundamental assumption that there

exists two independent sectors which may have some indirect interrelationship, but which are in essence independent of each other, is unable to explain the forms of mutual dependency between large and small units found in these manufacturing zones around Delhi.

Many of the large units in these industrial areas started out as small workshops and have been able to expand into substantial enterprises which display many 'formal' sector characteristics, again illustrating the inability of dualism to account for change over time, and in particular the growth of individual enterprises over a period of time. The period since independence in 1947 has seen massive expansion of industrial activity in the Delhi region, and a feature of this industrial growth has been the development of many small units into large industrial firms. It is this form of development, which is of central interest to both academics and planners, which a dual framework cannot accommodate, as there is no theoretical mechanism by which enterprises can be transferred from one sector to the other.

Economic enterprises in urban areas of LDCs such as those discussed above in Delhi clearly contain a broad spectrum of characteristics. Many firms possess some features of their system of organisation or production process which conform to the characteristics advanced as definitive of either the 'formal' or the 'informal' sector. Most, however, contain characteristics which contradict some aspect of the dualist concept or possess characteristics from both sides of the definitive criteria. Even those units at opposite ends of the spectrum, in terms of

size or 'westernisation', do not in most cases conform in all aspects of their operation to a dual framework, and it is clear that there is no evidence to support the contention that there exists two clearly-definable, self-contained sectors to the urban economy. The range of characteristics possessed by different enterprises is broad, but the patterns of inter-relationships between enterprises clearly supports the contention that the economies of cities in LDCs can only be adequately explained if considered as a whole, with no attempt to identify preconceived, artificial theoretical divides within the economy.

Problems with dualist approaches, which are essentially macro-economic formulations, are particularly apparent when a dual framework is applied to a local-level study of economic patterns. The problems are exacerbated in areas such as the urban fringe, where the dynamics of change are an issue of central interest. In such areas the static nature of dualist theories restricts the development of any true understanding of the growth of a local economy over time. This author firmly believes in the importance of micro-level study in LDCs. Many of the theories advanced to explain aspects of the economic, social or political systems of these nations are macro-level conceptualisations which are based on assumptions about micro-level behaviour which do not mirror reality. The dual economy model relies on assumptions which are not an accurate portrayal of the economic system of cities in LDCs, and consequently has hindered the development of our understanding of these systems. The sooner the dual economy model is abandoned, therefore, the sooner shall a better understanding of the economies of cities in LDCs be achieved.

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