

# RELATIONSHIPS AMONG DUALISM, DEVELOPMENT, MARKETS, AND CONSUMER CHARACTERISTICS

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## 1. Introduction

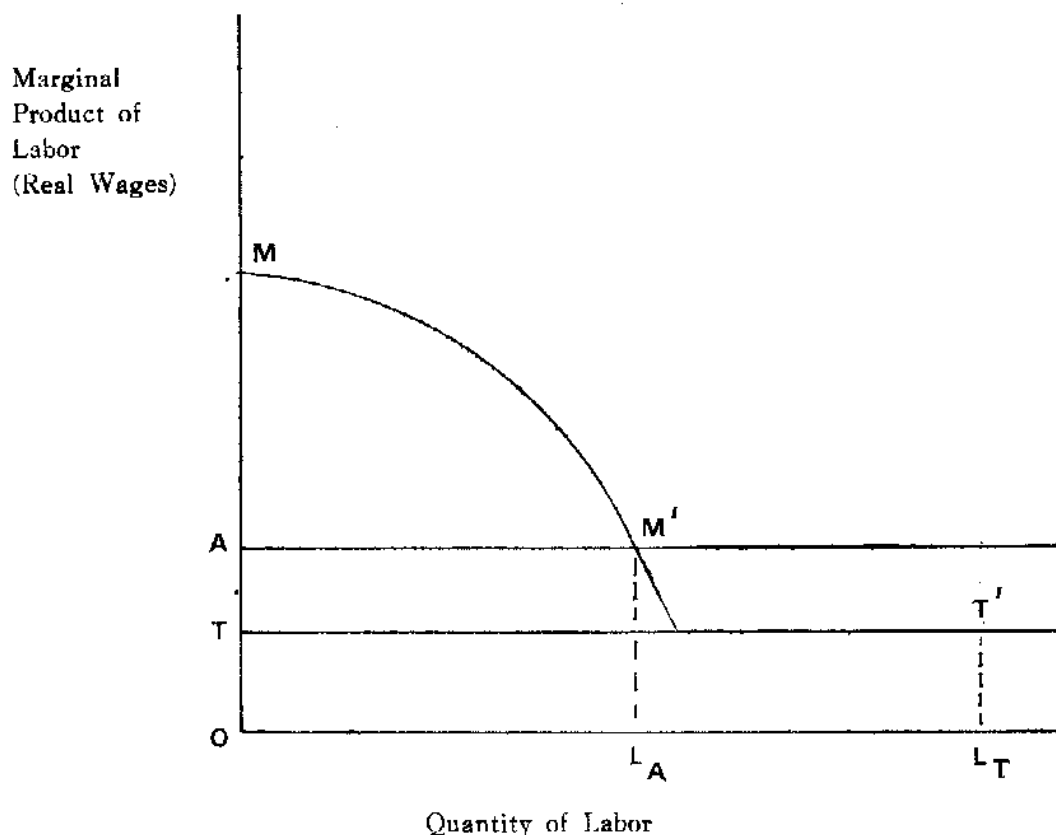
Most of the so-called Third and Fourth World countries are characterized by a set of socio-economic conditions generally referred to as dualism. These conditions are radically different from those found in most of the more developed countries (MDCs). Therefore, a basic understanding of the nature of dualism and the development process is essential to the study of markets, marketing systems or consumer issues in LDCs. It is the purpose of this paper to provide a foundation upon which such understandings can be built.

## 2. The Market System, Dualism and Development

Anyone who has ever visited an LDC will recall the sharp distinctions between its modern or advanced sector, typically concentrated in major urban areas, and its more backward or traditional sector found primarily in rural areas and urban slums. The simultaneous existence of these two fundamentally different socio-economic systems within one country is generally referred to as dualism.

The simple model of the labor surplus economy developed by Lewis<sup>1</sup> can easily be modified to serve as the framework for a descriptive model of dualism. In Figure 2.1 the horizontal axis represents labor, the vertical axis represents both real wages and the marginal product of labor. The marginal product of labor schedule, the curve  $MM'$ , gets its shape from the fact that the stock of capital is fixed in the advanced sector where there are also relatively fixed technical coefficients. Therefore, continually adding labor to the existing stock of capital results in diminishing marginal returns for each new unit of labor. The horizontal lines A and T represent the labor supply schedule at wage A in the advanced sector and at T in the traditional sector. The labor supply schedule is infinitely elastic in the traditional sector at wage T, which stands at or very near the subsistence level. This means that everyone in the traditional sector will work for the wages repre-

Figure 2.1 A Static View of the Relationships Between the Two Sectors of a Dual Economy



sented by T because the alternative is, quite frankly, starvation. Due to the shortage of capital, both real and human in the traditional sector, the marginal product of labor in that sector is also at the level of T. That is, TT' is also the traditional sector's marginal product of labor schedule. Few surpluses are available in that sector to provide for either increased rates of capital formation or higher levels of consumption.

Since the two sectors are linked through the factor market—labor and capital—the labor supply schedule in the advanced sector, which is at the higher wage A, is also infinitely elastic. In other words, for a number of reasons, such as additional skills required, higher productivity, union pressures, the wages paid in the advanced sector are higher than those paid in the traditional sector. Consequently, most workers in the traditional sector are anxious to find work in the advanced sector as soon as possible. Hence, the infinitely elastic labor supply schedule in the traditional sector leads to a similar condition in the advanced sector, albeit at a higher wage level.

Even though some debate has surrounded the applicability of these assumptions,<sup>2</sup> they can be substantially relaxed without disturbing the basic implications of the model.<sup>3</sup> In fact, it is only necessary that the wage in the advanced sector be higher than that in the traditional sector while at the same time employers in the advanced sector are turning away workers because they have no positions to offer them. In other words, there need only be imperfections in the factor markets and a significant shortage of capital in both sectors for the model to hold.

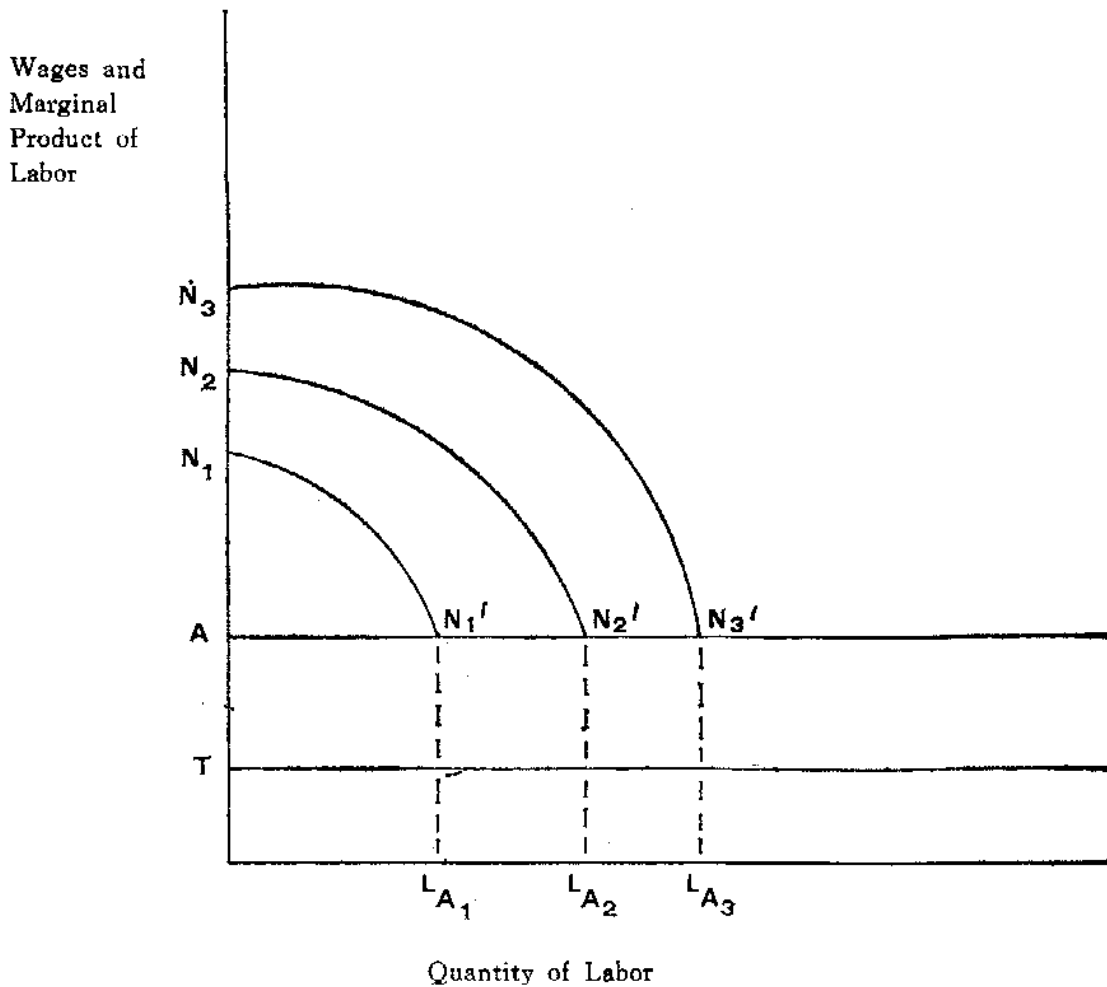
Another basic assumption upon which this model is based is that only the owners of capital save and invest. Labor is assumed to consume all of its wages and save nothing. Although it is now well known that even very poor people save, the amounts involved are often so small that the classical assumptions are not as out of step with reality as might at first seem to be the case. In any event, for the implications of this model to continue to meet our needs, it is only necessary to assume that  $A$  and  $T$  are the rates of real consumption rather than income and that the surplus accruing to the owners of the stock of capital is combined with the savings of labor to form a surplus representing total savings--and, hence, investment--in the economy.

The total output of the advanced sector is equal to the area of  $OMM'L_A$ . The surplus, defined in either of the two ways mentioned above, is equal to the area of  $AMM'$ . With little or no surplus generated in the traditional sector the total output of that sector would be equal to the subsistence wage ( $T$ ) multiplied by the size of the labor force in that sector. The output of the traditional sector then would be equal to the area of the rectangle  $OTT'L_T$ .

This model can also be used to demonstrate the changes that are likely to take place in intersectoral relationships as a dual economy undergoes development. The dynamic version of the model is presented in Figure 2-2. In this case the three schedules of the marginal product of labor shown,  $N_1N_1'$ ,  $N_2N_2'$ , and  $N_3N_3'$ , represent the marginal product of labor in the advanced sector throughout the relevant range for three successive time periods. The shifting of that schedule toward the northeast over time is the result of capital accumulation in the advanced sector. The additional capital permits increased employment and productivity in subsequent time periods.

Since  $N_1N_1'$  represents the situation in period one, the area enclosed by points  $N_1N_1'$  and  $A$  represents the reinvestable surplus produced in the advanced sector during that period. The increase in the stock of capital that results from the investment of the surplus in period two pushes the marginal product of labor curve in the advanced sector from  $N_1N_1'$  to  $N_2N_2'$ . As a result, employment in the

Figure 2.2 A Dynamic View of the Relationships Between the Two Sectors of a Dual Economy



advanced sector increases from  $L_{A1}$  to  $L_{A2}$ . Because of the infinitely elastic labor supply schedule, however, the wage in that sector remains at  $A$ . This process is repeated as development proceeds until the stock of capital in the economy reaches the level at which labor ceases to have a social opportunity cost less than the wage in the advanced sector.

If labor is regularly absorbed by the advanced sector faster than supplies are increasing in the traditional sector (i.e., the proportion of the labor force employed in the traditional sector declines while the proportion employed in the advanced sector expands) the wage levels in both sectors eventually become equal.

It is at the point where the sectoral marginal products of labor (and, hence, wages) are first equal that the labor supply schedules of the two are joined and the imperfections in the labor market are overcome. The model then conforms to neoclassical rather than classical assumptions.

The process of growth described in connection with Figure 2.2 is likely to continue once begun as long as surpluses are invested in productive capital and as long as the labor supply schedule facing the advanced sector remains infinitely elastic in the relevant areas. Eventually, however, unless the labor force grows at a pace quicker than the rate of capital formation (which, unfortunately, has been the case in most LDCs) the labor supply schedules will become combined into a single schedule similar to those indicative of advanced countries. If population growth is such that increased employment in the advanced sector is not sufficient to absorb the increasing supplies of labor, however, dualism persists even though substantial overall economic growth takes place. For development to occur it is not sufficient that the advanced sector increase in size alone. It must also increase in terms of the proportion of the total labor force which finds employment within it.

The reduction of dualism (i.e., development) is attended by a number of structural and institutional alterations. During the transitional process— which can last for many years, even generations—the traditional sector becomes monetized and the market imperfections once so widespread are gradually reduced, though market imperfections do not entirely disappear.

Most of the shortcomings of this economic model of dualism are related to its focus and the theories upon which it is based. This as well as similar models of dualism were all derived by development economists to describe, in a framework consistent with more traditional economic models, the rather unique conditions characteristic of the economic systems of LDCs. Their ultimate purpose was to determine how high and sustained rates of economic development could be induced in such countries. Consequently, their theories and models emphasize production, and, at the highest levels of aggregation, are focused on individuals (i.e., labor and owners of the means of production) and other economic entities engaged in the role of producer rather than consumer. For our purposes—which involve the study of consumers and their environments in LDCs—nine conditions characteristic of LDCs in general but either ignored or overlooked by most theories of dualism should also be kept in mind. They are :

1. These models seem to suggest that since consumption retards investment and hence capital formation, thereby retarding the expansion of production, consumption should be kept at very low levels. Dr. Hans Thorelli and I previously taken issue with this perspective and have argued that within reason increased consumption opportunities act as incentives to encourage additional production.<sup>4</sup> Nevertheless, these and similar models fail to take into account the fact that producers are also

consumers and that their performance in one of those roles is related to their performance in the other as well.

2. Levels of economic output seem to be at least implicitly linked to social welfare. Increased aggregate output is assumed to lead rather directly to higher levels of general welfare in the society. As is well known, for many reasons this is not necessarily so.

3. The emphasis on domestic production and associated high tariffs and nontariff barriers to imported consumer goods have permitted domestic manufacturers to develop and grow under these "artificial" conditions even though they are typically "production" rather than "market" oriented. Manufacturers in most LDCs have a tendency to produce what is best for them and then attempt to force it into the market at relatively high prices rather than practicing the marketing concept which involves finding out what the market wants and needs and then providing competitively priced products and services to meet those needs.

4. Marketing institutions are often considered to add no real value to the economy; rather they are viewed as nonproductive. Widespread and age-old prejudices against merchants and marketing-related activities still seem to find support in modern economic thought. Marketing and distribution are often short-changed in development plans and programs and the general public in most LDCs has a very low opinion of "middlemen" with little appreciation for their overall contributions to the economy. This antipathy has historically been both a cause and a consequence of a condition where the private business sector in many LDCs is often more or less under the control of ethnic minorities (e.g., Indians in Africa, Chinese in Southeast Asia).

5. The commercial sector in many LDCs serves as a provider of marginal employment for many of the underemployed workers, especially in the more urban areas. Hawkers, vendors and other assorted sellers of goods manage to make a subsistence living in such societies. At first glance it would appear as if they make an economic contribution. In fact, however, it could be argued that in the long run their presence tends to retard the modernization of the marketing system and thereby leads to persistently higher costs of distribution. In addition, long, cumbersome, poorly capitalized and fragmented distribution channels prevent even well-intentioned manufacturers and producers from insuring that their products reach the ultimate consumer in top form. Spoilage and waste are generally much higher than in advanced countries and much of this is the result of a traditional labor-intensive and inefficient distribution system rather than production shortcomings.

6. The advanced sector is often concentrated in one or a few leading geographic areas, sometimes referred to as regional dualism. There are often extreme differences between the standards of living within any given LDC. The leading

areas depend upon the countryside for access to their markets and sources of cheap labor and produce. Wealth, prosperity and political and economic power become concentrated in the hands of the urban elites and national policies become supportive of a continuation of these conditions. As a consequence, socio-economic development becomes distorted with urban interests taking precedence over rural ones, while it is in the rural areas where the bulk of the population resides.

7. The social conditions, beliefs and attitudes of the members of the two sectors are often poles apart. In fact, some early development theorists went so far as to blame the existence of the traditional sector on the attitudes of its constituents. This school of thought dealt with what came to be called "social" dualism. Rather than the cause of relative backwardness, these conditions are today seen to be largely a consequence of poverty and ignorance. Nevertheless, members of the traditional sector belong to a socio-economic system quite distinct from their more fortunate peers in the advanced sector. Ethnic and cultural minorities, for a variety of historical and social reason, hold prominent positions in the commercial and industrial sectors of many LDCs. These ethnic (qua cultural) differences in combination with the relative deprivations in the traditional sector, most of whose members are ethnic natives, often create severe political pressures which can have substantial bearings on market conditions and characteristics.

8. Old-fashioned notions of capitalism and market operations, including *laissez faire* and *caveat emptor*, supplemented by the economic models of development which seem to suggest that wide gaps in the distributions of wealth and income are in the long run consistent with optimal rates of development, have contributed to widespread violations of the rights of consumers in most LDCs. This tendency to regard predators in the marketplace as normal is often accompanied by widespread official corruption which allows businessmen and merchants to avoid complying with whatever consumer protection laws there might be. In practice the consumer is often faced with considerable risk.

9. We must take issue with the notion that such an extreme dichotomy can actually exist in a nation's socio-economic system. For purposes of analyzing production it is perhaps an adequate and realistic simplification of conditions in most LDCs. For the more complicated issue of analyzing consumer behavior and market environments at a more micro level, however, it is too simplistic.

Even though a person born and reared in a traditional environment is able to find employment in the advanced sector and thereby to enjoy many benefits associated with a higher income, it does not follow that his entire outlook on life, his values and attitudes, or his buying habits and practices will abruptly change. On the contrary, the behavioral change from traditional to modern is likely to be a much more gradual process perhaps involving many years; even a generation. In fact, there is probably a continuum along which individuals move over time from

the traditional and toward the modern end. Based upon their backgrounds, families, they start their journey along that continuum from different points and move at different speeds for varying distances. Therefore, an LDC's consumers are likely to include many who could be classified as "traditionals" in the dualistic sense of the word, others who could be classified as "moderns" and still others who are at various stages in between the two extremes.

From the foregoing analyses we can develop a succinct operational description of dualism which includes its more important characteristics. At any point in time there are two fundamentally different socio-economic subsystems existing simultaneously in a country effected by dualism. There is a modern or advanced sector and a backward or traditional sector. The advanced sector utilizes modern capital-intensive methods of production; its members enjoy higher levels of income and consumption and are typically more highly educated and economically sophisticated than those in the more backward traditional sector; it is a monetized exchange economy; it typically has many of the same economic institutions found in MDCs; and, it is often clustered in one or a relatively few different geographic areas of the country. The traditional sector, on the other hand, relies upon traditional labor-intensive production techniques; its members, who usually represent a substantial majority of an LDC's population, often exist at or very near the "subsistence" level, are typically functionally illiterate and economically unsophisticated; its markets are fragmented and imperfectly monetized; and it lacks the credit and financial institutions essential to a modern monetized economic system. Further, we have suggested that while the rather extreme dichotomy just described is probably appropriate for production assessments, it fails to include a third important group in a "dualistic" society—those who are in the process of being transformed in a personal rather than productive senses from the traditional to the advanced. The existence of this "in-between" group has obvious and important implications for marketing researchers and decision-makers.

### **3. A Socio-Economic Profile of Nations at Various Levels of Development Underlying Assumptions**

We assume that the demographic and economic changes likely to accompany development can be analyzed by comparing countries at various stages of development at any given point in time. In effect, such an assumption means that by looking at a number of countries stretched along a continuum of development it is possible for an analyst to ascertain the nature of the economic and demographic changes that are likely to occur in any one country as it moves along that continuum.

We also make two additional assumptions. First, that the level of development can be approximated with a measure of per capita output. In this case we shall rely upon either per capita Gross National Product (GNP) or Gross



Domestic Product (GDP). Second, we assume that the differences between the demographic and economic characteristics of countries at various levels of output per capita will tend to reflect the differences between those with dual economies (i.e., those with lower levels of per capita output) and those without (i.e., those with the highest levels). These basic assumptions are both reasonable and traditional.

### The Data

The data included in Tables 2.1 through 2.4 are taken from two earlier studies, one by Hollis B. Chenery, the other by Simon Kuznets<sup>6</sup>, both well-known and respected authorities in development economics. While these analyses were oriented primarily toward the interests of development planners and policymakers, some of the data, when considered from our point of view, do, however, provide concrete illustrations of issues discussed earlier.

The data for both studies were compiled just prior to the abandonment of the international payments mechanism based upon "fixed" exchange rates so that the many measurement problems associated with making multinational comparisons of value in the current era of "floating" exchange rates are minimized. Fortunately for our purposes, the fundamental relationships we are investigating can be illustrated as effectively with data from that period as they could with more recent information. Further-more, despite the passing of time, comparisons involving more recent data, because of the many measurement problems associated with

**Table 2.1 Selected Demographic Characteristics Typically Associated with Various Levels of Development as Measured by the Level of GNP Per Capita. (In 1964 \$U.S.)**

Demographics	50	100	200	300	600	1000	2000
School enrollment ratio	18	36	53	61	74	82	91
Adult literacy rate	15	37	55	65	80	89	93
Primary labor as % of total labor force	75	68	59	50	35	24	8
Industrial labor as % of total labor force	4	10	17	21	28	33	40
Utilities and services labor as % of total labor force	21	22	27	29	36	42	52
Urban population as % of total population	7	20	34	41	52	58	65
Birth rate per 1000	47	42	37	34	28	22	17
Death rate per 100	21	15	11	10	9	9	11

Source : Hollis B. Chenery, "Growth and structure", *Finance and Development Quarterly*, No. 3 (1971), 19.

making multicountry comparisons of values in today's erratic international environment, would very likely be less dependable than data from near the end of the era of fixed exchange rates.

### **Demographic Characteristics**

The substantial demographic differences between LDCs and MDCs are highlighted in Table 2.1. The data in this and the other tables in this chapter are national averages and do not explicitly reflect the differences between the advanced and traditional sectors within a given country. It is necessary to adopt the working hypothesis that the lower the level of development (i.e., the lower the level of GNP per capita in Table 2.1) the larger the relative size of the traditional sector. The data included in this and the following table were not taken directly from national accounts. These values were computed with a multiple regression model designed to show the normal variations in economic structure at various levels of development. The specific data points, however, continue to represent "national" averages in a broad sense.

The demographic characteristics of a nation are probably both a cause and a consequence of its economic performance. As development takes place the population becomes increasingly urbanized, educated and healthy. Larger portions of the labor force find employment in manufacturing and services. Furthermore, the composition of the services is also altered fundamentally, becoming increasingly modernized and sophisticated.

In the early stages of development birth rates are high; death rates are soon brought down through the introduction of modern health care facilities. The resulting high rates of population growth tend to retard the pace of development and in some cases can bring development to a virtual standstill. In fact, according to the data in Table 2.1, the more developed a country becomes, the lower its rate of population growth. The principal direction of causation is not at all clear from existing data.

### **Economic Characteristics**

The structure of the economy, in terms of primary, secondary, tertiary, and foreign sectors rather than in terms of advanced and traditional, alters fundamentally as development reaches higher levels. A profile of these changes can be seen in Table 2.2.

**Table 2.2 Economic Characteristics Typically Associated with Various Levels of Development as Measured by GNP Per Capita. (In 1964 \$U.S.)**

Characteristic	50	100	200	300	600	1000	2000
Primary share of GDP	58	46	36	30	22	16	10
Industry share of GDP	7	14	20	23	29	33	39
Services share of GDP	30	35	38	39	40	40	39
Utilities share of GDP	5	6	7	8	9	10	12
Industry and utilities share of GDP	12	19	27	31	38	43	51
Index of intersectoral inequality <sup>a</sup>	34	44	44	40	28	16	3
Exports of goods and services as % of GDP	10	13	16	18	21	23	25
Imports of goods and services as % of GDP	17	19	21	22	23	24	26
Primary exports as % of total exports	89	78	68	61	50	42	33
Primary imports as % of total imports	10	18	25	27	29	30	30
Gross national savings as % of GNP	9	12	15	16	19	22	25
Gross domestic investment as % of GDP	12	15	18	20	22	24	25
Tax revenue as % of national income	10	13	17	20	25	30	28

Source : Hollis B. Chenery, "Growth and Structure", *Finance and Development Quarterly*, No. 3 (1971), 19.

<sup>a</sup>The sum of the absolute differences between the percentages shares in product and labor force. This index was computed by us with data from this and the preceding table.

The primary sector, which includes agricultural and extractive production, represents the largest share of the GNP at early stages of development. As development progresses, however, its share of GNP steadily declines. This does not imply that the same is true for absolute levels of output. On the contrary, the total output from the primary sector usually increases as development takes place; it is only its proportion of total output that falls.

The secondary sector (industry in Table 2.2) increases rapidly as development takes place in both absolute and relative terms. This change is even more evident when the utilities sector is combined with industry. As development proceeds, the proportion of GNP produced in the tertiary sector increases, but only slightly. The big change here, however, is not in size but rather in composition. The services industries become less a repository for the urban underemployed and instead come to include highly trained individuals performing sophisticated services.

While the sectoral proportions of employment and output move in the same direction, it is of note that the average product of labor (as estimated by placing the percent of sectoral output of GNP over the percent of the labor force employed in that sector) tends to move toward equality. This movement is clearly illustrated by the index of structural inequality included in Table 2.2. As development begins, the index increases sharply, from 34 to 44 as a response to the early growth of the advanced largely industrial sector, while the traditional sector remains relatively stagnant. As development proceeds and the traditional sector becomes gradually absorbed, the index of sectoral inequality falls sharply to 3 for those nations in the highest per capita GNP brackets. In other words, the average product of labor is nearly equal across all three sectors in MDCs, just as the model predicts.

The foreign sector also undergoes fundamental changes during the process of development. The proportion of primary products in exports decreases while at the same time the share of primary products in imports increases. These changes occur because more goods are manufactured locally for both domestic consumption and export, hence requiring additional raw material imports, and because many primary products are subjected to additional processing and/or refining prior to export.

From the last three items included in Table 2.2 it can be seen that gross national savings in proportional terms more than double from the lowest to the highest levels of development. The same is true for gross domestic investment while tax revenues as a percent of national income increase almost three-fold over the same range. The fact that the rate of capital formation increases as development takes place is in keeping with the implications of the model of dualism. Domestic savings and investment increase during development as do government expenditures for infrastructure expansion.

For our purposes it is also important to consider the changing composition of the manufacturing sector itself as well as the increasing importance of the secondary sector in general. Table 2.3 provides a summary of the relative shares of total manufacturing output for ten basic industrial categories in countries at various stages of development.

**Table 2.3 The Structure of Manufacturing in Countries at Various Levels of Economic Development. Countries Grouped by GNP Per Capita. (In 1958 \$ U.S.)**

Industry by Percentage Share in Value Added	Under 100	100–199	200–349	350–574	575–1000
Food, beverages, and tobacco	35	38	34	35	17
Textiles	18	11	20	6	6
Clothing and footwear	3	5	4	10	5
Wood products	5	7	4	6	5
Paper, printing, and publishing	5	4	4	6	10
Leather and rubber	4	2	3	2	2
Chemicals	13	10	9	9	9
Nonmetallic minerals	5	6	6	7	5
Basic metals	2	2	4	3	11
Metal products	10	11	9	3	28
All other	3	3	1	3	3

Source : Simon Kuznets, *Modern Economic Growth : Rate, Structure, and Spread* (New Haven, Connecticut : Yale University Press, 1966), 403.

The proportion of manufacturing devoted to the food, beverages and, tobacco industries remains relatively constant at approximately one-third of the total sectoral output until the highest levels of development are reached. The reasons for this pattern are probably related to the principles explained by Engel's law. As incomes increase, the proportion spent for food remains constant over a limited range, but begins to decrease as incomes continue to increase, everything else remaining constant. Changing technologies and patterns of consumption tend to distort the implications of this law, however, because of the increasing availability of and demand for convenience and process foods. The law is not repealed but the relevant range, over which the proportion of the household budget spent for food remains relatively constant, is merely extended. The implications of Engel's law are also relevant for the tobacco and beverage industries. As incomes increase, for example, consumers move from home-grown and hand-wrapped cigarettes to manufactured brands.

A similar pattern can be seen in the textile industry. In the early stages of development, labor intensive textile plants are generally among the first industries to be established. As development progresses, there is a tendency for the textile industry to act as something of a "leading sector." At higher levels of development, however, the relative importance of textiles is replaced by other more capital-intensive industries.

Of the remaining categories of industries, all tend to increase as the manufacturing sector as a whole increases with the exception of the paper, publishing and printing, "basic metals," and metal products industries. All three of these industrial categories tend to experience substantial proportional increases at higher levels of development. For example, the share of the paper, printing and published industries almost doubles between the two highest levels of development shown in Table 2.3. The same is true for the metal products industry between the third and fourth levels of development, and the basic metals industry increases three-fold between the last two stages.

The patterns of household consumption also change as a country develops as shown in Table 2.4. As might be expected, the proportion of total consumption expenditures used for food, beverages and tobacco decrease as national income increases. There are also likely to be substantial changes taking place within the composition of the market basket of goods purchased by the typical household. Increased amounts of proteinrich foods are likely to be substituted for starches, for example. The final result is that greater absolute but smaller relative amounts of disposable income are used to purchase a changing and more "sophisticated" market basket of goods. The same argument holds for tobacco and beverages.

**Table 2.4 The Structure of Private Consumption Expenditures in Countries at Various Levels of Economic Development. Countries Group by GNP Per Capita. (In 1958 \$U.S.)**

Industry by Percentage Share in Private Consumption Expenditures	0-199 <sup>a</sup>	200-574 <sup>b</sup>	575-1000 <sup>xc</sup>
Food, beverages and tobacco	56	44	43
Clothing	11	12	13
Rent, water, light and fuel	11	11	12
Furniture and furnishings	4	6	6
Household operation	4	5	4
Personal care and health	4	5	5
Transport and communication	5	11	8
Recreation and amusement	3	6	6
Other services	4	3	4

Source : Simon Kuznets, *Modern Economic Growth : Rate, Structure, and Spread* (New Haven, Connecticut : Yale University Press, 1966), 407.

<sup>abc</sup>Number of countries in a, 9; in b, 4; in c, 14.

The proportion of consumption expenditures made for clothing and for rent, water, light and fuel increase only slightly as development progresses. In the present era of chronic inflation and steeply increasing oil prices it is probable that the proportion spent on fuel and electricity will increase during the short-run at least. If alternative energy sources become available, however, the original patterns are likely to reassert themselves, albeit at a higher proportion of expenditures. The composition of the goods or services being purchased as well as the absolute quantities alter significantly. Houses become larger and more luxurious and include many more comforts. Clothing requirements increase as the population becomes more urbanized and opened-up to the influence of international style changes and tastes. Water is eventually brought into the home through municipal water systems rather than being bought in bottled form or hand-carried from common sources. Consequently, the demand for and supply of modern electrical systems and other fuels are positively affected.

The proportion of consumption expenditures devoted to furniture and furnishings almost doubles over the range of development shown in the table. At lower levels of development, furniture is often homemade and utilitarian. As incomes increase, however, there is a tendency to increase expenditures in both absolute and proportional amounts in order to acquire more and better furniture and furnishings.

In terms of the proportion of total consumption expenditures, health and personal care remain relatively stable across the various levels of development. In absolute terms, however, they obviously increase substantially especially when government expenditures for these services are also taken into consideration.

Expenditures for transportation and communications are proportionately higher in the middle ranges of the level of development. This is largely because of the tendency for these facilities to be relatively expensive as a result of their capital-intensive nature. As development proceeds, however, the systems become larger, better utilized, and more efficient. These changes are accompanied by a smoother functioning set of factor markets as a country reaches higher levels of development and, as a consequence, changes in relative prices tend to reduce the proportion of expenditures going to transportation and communications.

Finally, the demand for recreational and amusement goods and services increases substantially, even in proportional terms. The increase in the demand for amusement and entertainment would probably be even larger if applicable travel and restaurant expenses were also classified in this area.

It is worth mentioning that the advanced sector in many of the countries characterized by dualism accounts for proportionately more of the private consumption expenditures than its absolute size would suggest in a "world of arithmetic means."

Large segments of the population in the traditional sector might be consuming relatively fewer goods while small segments of the population in the modern sector are consuming, in absolute terms, as much as comparable individuals in MDCs. In other words, the larger the traditional sector the lower the level of descriptive socio-economic and demographic statistics based on national totals or averages.

#### 4. Summary and Conclusions

In this paper a simple but rather abstract model of dualism has been presented and explained. The purpose of this model is to facilitate the communication of a precise, basic, and common definition of dualism. The more important limitations of the model for purposes of marketing and marketing research were pointed out and their implications were briefly considered.

To supplement the model and at the same time provide a basic socio-economic profile of LDCs in general, a succinct discussion of how socio-economic profiles of nations at various level development vary was also undertaken. Given the purpose of this paper, particular attention was paid to patterns of consumption and, to a lesser degree, patterns of domestic manufacturing, economic structures, and demographics.

It was further suggested that while the rather extreme dichotomy typically associated with models of dualism is probably appropriate for production assessments, it nevertheless fails to include a third important group found in so-called "dualistic" societies--those who are in the process of being transformed in a personal rather than productive sense from the traditional to the advanced. The existence of this "in-between" group has obvious and important implications for marketing managers and researchers.

These implications and others will be specifically addressed in three papers planned for inclusion in future editions of this journal. The first will be devoted to the implications of dualism for marketing and marketing research at any given point in time, while the second will be devoted to those implications over time. The third and last in the series will be devoted to the implications of dualism for consumer-oriented public policies in LDCs.

#### ENDNOTES

1. W. Arthur, "Economic Development with Unlimited supplies of Labour," The Manchester School, May, 1954. As Reprinted in *The Economics of Underdevelopment*, Ed. by A.N. Argawala and S.P. Singh, New Jersey : Oxford University, Press, 1958.



2. I have included a rather complete discussion of these issues in my "Dualism and Development: Implications for Marketing and Product Market Measurement in a Dual Economy" (Unpublished doctoral dissertation, Indiana University, 1973).
3. Hans B. Thorelli and Gerald D. Sentell, "The Interface Between Economic Development and the Marketing System", *Thai Journal of Development Administration*, 14 (4), October, 1974. pp. 498-516.
4. Hollis B. Chenery, "Growth and Structure", *Finance and Development Quarterly*, No. 3 (1971).
5. Simon Kuznets, *Modern Economic Growth: Rate, Structure and Spread* (New Haven, Connecticut: Yale University Press, 1966).