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# Hierarchical Integration: The Dollar Economy and the Rupee Economy

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## ABSTRACT

While contemporary globalization makes the world more interconnected, it also reworks and builds on existing cleavages and uneven development. This is an under-researched dimension of the emerging twenty-first century international division of labour. The core question is whether new developments (associated with exports, offshoring and outsourcing) spin off to the majority in the countryside and the urban poor. This article examines the relationship between the dollar economy and the rupee economy in India. It documents the ways in which inequality is built into and sustains India's development. The authors discuss other instances of multi-speed economies and analytics that seek to come to grips with these relations, from combined and uneven development to global value chains. They present three ways of capturing contemporary inequality: asymmetric inclusion, enlargement-and-containment and hierarchical integration, each of which captures different dimensions of inequality.

## INTRODUCTION

An early notion in development studies, raised by the Dutch economist J.H. Boeke, is the 'dual economy' thesis of a split between a traditional and modern sector. This idea was one of the starting points of modernization theory and was taken up by Arthur Lewis and other scholars.<sup>1</sup> The general implication was that development policy should focus on strengthening and expanding the modern part of the economy and the traditional sector would follow eventually. This was criticized in subsequent work. Dependency studies argued that rather than the economy being split, the modern sector was parasitical on the traditional sector and received subsidies in the form of cheap labour and agricultural goods from the traditional sector, so the

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1. For the large literature on economic dualism we refer to the comprehensive overview by Fields (2004).

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two economies were interdependent. Moreover, since the 'traditional' sector served as a reserve army of labour, wage rates were kept low. In the 1970s modes of production debate, economic anthropologists noted that multiple modes of production (such as subsistence agriculture, farming and colonial or neocolonial economies) often co-exist in societies. This led to the question of the articulation of modes of production, in which the dominant mode of production sets the terms of exchange for the others (Foster-Carter, 1978). Workers in the modern economy — such as urban migrants and seasonal labour — relied for part of their reproduction on agriculture in their villages, to fall back on in lean times, and on agricultural produce that was brought to the towns, while their families subsisted in the rural economy. Thus a major reason why the modern sector functioned as it did was that it received hidden subsidies from the traditional sector. The proletariat in the modern sector was a semi-proletariat with one foot in the rural economy.

These questions — we could call them questions of social cohesion and development — keep coming back in different guises and for different reasons, such as the relationship between the formal and the informal sector, and gender and the valuation of women's work.<sup>2</sup> Another recurrent theme is cultural diversity. World Bank studies (1998) argue that ethnically divided societies show lower rates of growth. According to Amy Chua (2003) globalization benefits 'market-dominant minorities' such as the Chinese in southeast Asia, which increases ethnic divisions and spawns hatred and violence between ethnic groups. Both perspectives are static and, at best, partial. They generalize ethnic frictions, homogenize ethnic groups, uncritically recycle stereotypes and overlook *interethnic* economies (Nederveen Pieterse, 2004, 2007).

Contemporary globalization is, of course, grafted onto and constantly reworking existing cleavages. As western companies move production offshore to low-wage countries, they benefit from the subsidies that the formal sector receives from the informal sector. In India the rupee economy supports the dollar economy in many ways. The back office services that move from the United States to India and other emerging economies are supported by low-wage services of the urban poor. China as the 'workshop of the world' relies on cheap labour from the countryside. As more land is devoted to manufacturing and special economic zones and to the work and recreation of the new middle classes, China and other Asian countries increasingly rely on imports of agricultural products and commodities from other developing countries. A case in point is Brazil's massive and growing exports of soybeans to China.

In all these instances, low-paid or unpaid labour from the informal sector and the countryside supports the flourishing of operations in the formal sector. 'Urban parasitism' has been a long-standing criticism of national

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2. For instance, the role of women's work as 'the underbelly of the tiger' in East Asian economies and as part of lean Asian welfare states (Truong, 1999).

development policies (Lipton, 1977). A further implication is that cheap manufactured goods in western stores receive a double subsidy: from cheap labour in manufacturing (often in sweatshop conditions) and from the countryside in the exporting countries. Agriculture in these countries — while under increasing pressure of competition, input demands, and weak prices — supports workers in the formal economy and their families.

This article argues that this is an under-researched part of the emerging twenty-first century international division of labour. The first section examines the dollar economy and the rupee economy in India, pointing out their inherent inequality. The second section then goes on to discuss analytics that seek to come to grips with these relationships, and suggests three possible perspectives: asymmetric inclusion, enlargement-and-containment, and hierarchical integration.

### **THE DOLLAR ECONOMY AND THE RUPEE ECONOMY**

Large and growing distinctions in spending patterns become obvious when one travels from the capital city of New Delhi to Shishvi, a village in India with about 2,000 people, located 40 km away from the city of Udaipur in Rajasthan. A meal for four in a better restaurant in New Delhi will cost about the same as it would in New York or Amsterdam; expenditures of US\$ 70–80 per head are hardly unusual these days. In Shishvi, you would be hard put to spend sums of Rs 70 per head (approximately US\$ 1.6 at current exchange rates). Anywhere within 30 km of this village, a sumptuous meal in a restaurant will cost much less than this amount. In the rupee economy of Shishvi, Rs 70 provides for a feast. In the dollar economy functioning in (the up-market parts of) Delhi and Mumbai and Bangalore, Rs 70 will not get you past the inevitable mustachioed gatekeeper.

Economic and social processes accompanying globalization have cleaved India into two separate yet interrelated economic spheres. In the sphere that is more directly connected to global economic flows, the appropriateness of incomes and (most) prices have begun to be assessed in dollar terms. In the second sphere, images of dollar-based lifestyles are still physically unavailable, except as blurry and intermittent black-and-white television signals. In the farms and the villages and little towns that are inhabited by more than 80 per cent of all Indians, the rupee economy prevails. A one-rupee coin still commands purchasing power in the rupee economy; its worth in the dollar economy is just a little more than two cents.<sup>3</sup>

A schoolteacher is one of the richest men in Shishvi. Making a monthly salary of about Rs 5,000, and earning another Rs 2,000 by giving private remedial tutorials, the schoolteacher has a relatively high disposable income.

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3. An in-between sphere can also be distinguished, made up of government employees and pensioners who live in large cities (more on this sphere later).

The small farmers and agricultural labourers who make up the bulk of village population have much less to spend, except immediately after harvest, but that is also when repayments of old debts become due. A steady monthly income of Rs 7,000 (about US\$ 160) is enough to place the schoolteacher among the highest-spending people in Shishvi. He can use this amount to live comfortably for an entire month in the village — or he can blow it all on treating his wife to one fine meal in New Delhi.

Very few villagers make sightseeing trips into big towns. When they go into towns, villagers mostly do so as day labourers. All over Delhi and Mumbai and Bangalore and other large towns of the dollar economy you can see the rude shacks of the poor, most of whom have come into the city from villages near and far. It is here — in the slums and tenements and on the streets of these big cities — that the dollar and the rupee economies meet, with the latter providing some critical support to the former.

Home to a reserve army of surplus labour, the rupee economy is rarely the canvas upon which pictures of economic growth get drawn. Few influential people worry much about sponsoring growth in the rupee economy. Growth is all about expanding further the rising dollar economy of India. The health of the stock market — in which less than 3 per cent of Indians have invested (George, 2004) — gets equated in the Finance Minister's mind with the overall health of the national economy.<sup>4</sup> In popular media, too, accounts of economic growth are studded with stories about foreign investment in new airlines and hotels and advertisements from manufacturers of fashion garments and exotic watches. Very little is ever mentioned about goods and services purchased by rupee-economy people, and less still is said about the services most often sold by them, for it is in occupations of servitude that most rupee-economy people interact with the dollar economy.

Subservient and neglected, the rupee economy nevertheless provides a crucial basis upon which growth in the dollar economy is built. It is because the rupee economy continues to exist that the dollar economy of India remains internationally competitive. If the denizens of the rupee economy — the cooks, maids and gardeners, the construction labourers, messenger boys, lorry loaders, and so on — were to become suddenly unavailable to the dollar economy, or if they could only be hired on dollar-denominated terms, then the game, now taken for granted, would substantially be over. If software engineers in India had to pay their cooks and nannies, not 2,000 *rupees* but 2,000 (or even 500) *dollars*, then what they demand from their employers would tend to rise commensurately. As upward pressure gets put upon salaries in the dollar economy, it will no longer be possible to hire a qualified software

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4. Soon after a rash of bomb attacks on commuter trains in India killed 200 people and injured thousands more, the Indian Finance Minister referred optimistically to price trends on the Bombay Stock Exchange, asserting that 'India's growth story is intact'. Indian and foreign newspapers reported this statement widely; see for instance: [www.thehindubusinessline.com/bline/2006/07/13/stories/2006071304000900.htm](http://www.thehindubusinessline.com/bline/2006/07/13/stories/2006071304000900.htm).

engineer in India for one-quarter or one-half of the amounts paid to a similar worker in the West. And to the extent that these salary differentials matter — and by all accounts they matter a great deal — keeping them from becoming narrower is essential for preserving the health of the dollar economy in India.

The continued vigour of this dollar economy is premised upon two sets of earnings differentials. First, it requires that highly qualified technical manpower in India be hired for a fraction of what is paid in Western Europe, the US or Japan. Second, it requires that despite lower dollar earnings managers and engineers in India can still enjoy better lifestyles, as cheap human services are available from within the rupee economy. If either earning differential were to become smaller — if technically-qualified manpower were to become more cheaply available abroad or if earning expectations in the rupee-economy were to be adjusted upward — the competitiveness of India's dollar economy would come under serious threat. The second of these threats can be held in abeyance as long as the rupee economy continues to serve as a source of cheap services.

In the present scenario the rupee economy sustains and keeps alive the dollar economy. Without the cheap labour and the cheap produce from villages, lifestyles in the dollar economy would become severely eroded. Restoring these lifestyles would require cutting into the international wage differentials that hold up an important basis of the dollar economy in India. For the continued health of the dollar economy it is imperative that things remain this way: the rupee economy must function in rupees while the dollar economy functions in dollars. Expectations in the rupee economy must not be allowed to creep upward, for if nannies, laundrymen and delivery boys start seeing visions of dollar lifestyles for themselves, then it will not be long before competitiveness gets eroded in the dollar economy.

In other words, for globalization to continue being of advantage to India's elites, it is important that its benefits be kept away from non-elites. Separation is required. Rather like gated communities, the outposts of the dollar economy fence themselves in. Dollar-economy people come and go easily through the gates. But rupee-economy people are mostly kept out; their entries are regulated on conditions that keep most subservient to dollar-economy people — or altogether out of dollar-economy domains.

By preventing all but a few rupee-economy inhabitants from making their way in the dollar economy, separation helps hold expectations low in the rupee economy. Few rupee economy people have achieved high positions in the dollar economy, and young people today do not aspire to much more. In terms of a 'capacity to aspire', people in rural areas generally face a 'lack of opportunities . . . less easy archiving of alternative futures, and have a more brittle horizon of aspirations' (Appadurai, 2004: 69).

Over the past ten years, not one individual from Shishvi has travelled past the fence and risen high. Hardly any young adult here aspires to a high-paying position in the dollar economy. The highest position anyone from

Table 1. Highest Positions Achieved in 20 Rajasthan Villages (1996–2006)

Accountant	(2)	Lineman	(2)
Clerk typist	(4)	Panchayat secretary	(2)
Doctor	(1)	Police constable	(4)
Driver	(2)	Messenger	(2)
Civil engineer	(1)	Schoolteacher	(22)
Land records assistant	(3)	Soldier ( <i>Jawan</i> )	(9)
Lawyer	(1)	Software engineer	(1)

Source: Original data collected in 2006

Shishvi has achieved to date is that of village schoolteacher. Young adults in Shishvi shape their career ambitions based upon the role models they know. Very limited achievement in the past has given birth to equally limited aspirations for the future.

Shishvi is hardly unique in this respect. Table 1 provides data from a survey that Krishna and his colleagues conducted in 2006 in twenty villages selected at random from two districts, Ajmer and Udaipur, of Rajasthan, a state in the north of India. Focus groups in each village were asked to name the three highest positions — in any walk of life — that anyone from their village had achieved within the past ten years. These highest positions are reproduced in Table 1. Over the ten years, hardly any of the more than 60,000 residents of these villages obtained a better-paying job. About 300 individuals in these villages graduated from high school during this period of ten years, yet only one was able to become a software professional, one other became a civil engineer, one became a medical doctor, and one is practising as a lawyer in the district courts. Others who were able to get jobs mostly joined government departments at very low levels, becoming clerk typists or linemen or messengers or land records assistants, while many — most — who graduated from high school (and some who completed college) were unable to find any acceptable position. The highest-ranked occupations actually achieved by villagers in any significant numbers were those of schoolteacher and soldier in the army, firmly embedded within the rupee economy.

Globalization and new opportunities seem to have largely passed by educated youth in these villages. Hardly anyone has managed to cross the fence into high-paying dollar economy positions. Table 2 provides similar information collected in the second half of 2006 in twenty villages of two districts, Dharwar and Mysore, of Karnataka, a state in the south of India, whose capital city, Bangalore, is an icon of globalization-led economic growth. While a slightly larger number of individuals have obtained jobs in these villages compared to those of Rajasthan, the character of these jobs is similar across villages of both states. One doctor, three engineers, and four lawyers from among some 60,000 people — these are the highest achievements in the past ten years from these twenty Karnataka villages. Collectively, they do not amount to any significant inroads into the dollar economy, particularly when one considers that most of these doctors, engineers and lawyers practise in

Table 2. Highest Positions Achieved in 20 Karnataka Villages (1996–2006)

Accountant	(3)	Panchayat secretary	(2)
Clerk typist	(6)	Police constable	(11)
Doctor	(1)	Messenger	(2)
Driver	(2)	Nursing assistant	(1)
Engineer	(3)	Schoolteacher	(20)
Land records assistant	(3)	Soldier ( <i>Jawan</i> )	(8)
Lawyer	(4)	Veterinary assistant	(2)
Lineman	(2)		

Source: Original data collected in 2006

large villages and nearby small towns, and few among them have any direct connection or regular transactions with the dollar economy.

The career aspirations that young people in these villages currently hold are similarly confined to positions within the rupee economy. Many do not know what dollar economy positions exist, and those who do have no idea about how such positions are attained in practice. As one villager told us about his son, Dhruva, ‘He is good at mathematics, and he wants to be an engineer, but no one in this village knows how an engineer gets made’. How – through passing what examinations, attending which classes, filling out what forms — does someone gain eligibility to get hired as a dollar-economy engineer? Hardly anyone in any Indian village could tell you with much certainty about the processes involved. Consequently, for lack of examples and lack of knowledge, aspirations remain low within the rupee economy. The fence (or, to change the simile slightly, the dyke) helps keep the tide low in the rupee economy.

We asked each of more than 1,000 young village respondents what they hoped to become, what careers they wished to follow and what positions they aspired to achieve after finishing their studies. We divided these reported career aspirations into two broad types: first, all those that could be — sometimes by stretching one’s imagination — classified as dollar-economy positions; and second, all those that were firmly entrenched within the rupee economy. We took a rather generous view of the first type of positions including within it, for example, everyone aspiring to become an accountant, doctor, engineer, lawyer or business manager, regardless of what type of lawyer they hoped to become and regardless of what type of business they intended to manage, be it a small village grocery store or a Toyota franchise in a big city.

Table 3 reports these results, which show that young villagers’ career aspirations are limited in the extreme. A large majority believes that, despite studying hard, the most that he or she can become is a schoolteacher or a low-paid government employee. Very few villagers see any better prospects in store for themselves. The modal career aspiration is schoolteacher, with around 40 per cent of young adults in these villages aspiring to become a schoolteacher. Another large chunk of young people — 15 per cent in

Table 3. Percentage Reporting Different Career Aspirations

	Rajasthan	Karnataka
<i>Dollar-Economy Positions</i>		
Accountant	>1%	>1%
Business manager	>1%	>1%
Doctor	2%	2%
Engineer	3%	4%
Lawyer	2%	1%
Senior government official	3%	1%
Other well-paid positions	1%	2%
<i>Rupee-Economy Positions</i>		
Schoolteacher	43%	39%
Army recruit	13%	5%
Policeman	11%	12%
Other low-level government positions	15%	22%
Other low-paid private occupations	5%	11%

N = 1,456 respondents aged between 14 and 22 years

Source: Original data collected in 2006

Rajasthan and 22 per cent in Karnataka — aspire to become low-level government employees, such as bus conductors, typists, messenger boys, and so on. A third large chunk wishes to enlist as soldiers in the army or the police. Most of them know of nothing else that they could possibly become. Schoolteachers, low-level government employees, and soldiers are what they see in their everyday lives — few other occupations make their presence felt in villages — with the result that a total of 87 per cent of young villagers in Rajasthan and as many as 91 per cent in Karnataka aspire to these low-paying occupations. Their parents, interviewed separately, had a largely similar pattern of aspirations for their sons and daughters.

Results from official national surveys in India suggest that these trends are not specific to these particular two states. The 61<sup>st</sup> Round of the National Sample Survey Organization's (NSSO) large-sample survey studies showed that employment growth in the organized sector, public and private combined, *decelerated* and may actually have *declined* during the 1990s, even as the economy was growing fast.<sup>5</sup> Commenting on these results, Chandrasekhar and Ghosh (2006) note that 'for urban male workers, total wage employment is now the lowest that it has been in at least two decades, driven by declines in both regular and casual paid work'. Aspirations in rural areas, already low, have hardly been raised higher as a result of these trends.

Experiences from the past, mostly consisting of low achievements confined within the rupee economy, along with expectations for the future, also similarly contained, combine to keep non-elites in proper order *vis-à-vis* the dollar economy. Very few among rupee-economy inhabitants have vaulted

5. See the website: [indiabudget.nic.in/es2006-07/chapt2007/chap104.pdf](http://indiabudget.nic.in/es2006-07/chapt2007/chap104.pdf)

themselves into high-paying dollar-economy positions, and very few aspire — and fewer still plan and actively work — to make any such move for themselves in the future.

Studying the problem from the opposite end, by looking at new entrants into the dollar economy, a similar conclusion was supported related to low permeability. Krishna and Brihmadേശ (2006) examined the social and education backgrounds of a random sample of newly minted software engineers employed in Bangalore. They found that city residents brought up within dollar-economy households were twenty times more likely to find dollar-economy jobs compared to others of their age groups brought up in rupee-economy households.

The fence separating the dollar and rupee economies is surmounted only very rarely by people from the rupee economy; at the same time, the support provided by the rupee economy in the form of cheap services and cheap produce remains reasonably secure. The dollar economy can continue hiring sophisticated manpower at lower-than-international salaries; their cut-price dollars command enormous purchasing power in the stagnant and held-down rupee economy. A layered national economy is the result. The dollar economy — our metaphor for the more visibly globalized and expanding sectors, commanding the bulk of the newly created purchasing power — is at the top of this heap, but by all accounts it consists of no more than 10 per cent of all Indians and probably no more than only 4 or 5 per cent.<sup>6</sup> The rupee economy makes up the bottom, even though its peasants and labourers, small shopkeepers and service providers, account for the vast bulk of the country's population.

The rupee economy includes nearly all of the rural sector (except the tiny portions involved in export horticulture and other such boutique activities); most of the urban informal sector; and the lower-paid positions in the urban formal sectors, such as messengers and drivers and others who perform mostly menial jobs. There are close links between these three sectors. Over nearly all of India, as a recent government report observes, 'the slowing down and stagnation of agricultural growth has adversely affected the income and employment of a vast majority of rural people' (GOI, 2007: 13). As a result, young people from rural areas are increasingly forced to seek places within the urban economy, and those who are lucky enough to find such places mostly do so in the informal sector or in the fringes of the formal sector.

In between these two economies lies a thin gray zone where a 'black' economy operates, where politicians and government officials, formally paid in rupee-economy terms, find opportunities to skim rents off those seeking to make profits in the dollar economy. So long as their tenuous in-between positions are secure, these officials feel comfortable protecting and policing the wall of separation between the rupee and dollar economies. Benign neglect

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6. For example, Krishna and Brihmadേശ (2006) calculated a range of 4–7 per cent for the proportion of Indians who have made it as software engineers over the past ten years.

results in keeping the rupee economy stagnant while the dollar economy grows through the provision of policies and protections.

India's dollar economy functions in several ways: as a circuit in itself, as a sub-circuit of the transnational and American dollar economies, and through interventions in the transnational dollar economy by Indian multinationals such as Tata and Mittal. As the dollar economy is internally differentiated and ranked, so is the rupee economy. The dynamics of the rupee economy tend to be subsidiary to the dollar economy. The dollar economy sets the terms and parameters within which the rupee economy functions. This applies to the technologies and prices of agricultural inputs, such as seeds, pesticides, fertilizer and irrigation equipment; to infrastructure and the transport of agricultural products; and to agricultural prices in domestic and international markets.

There are marked regional differentiations in the rupee economy: major sources of variation include agricultural productivity, and the roles of state and local government and social organization among the peasantry. Thus agricultural yields in Punjab are higher than in Bihar, Madhya Pradesh, Rajasthan and Uttar Pradesh. State government functions better and civic social organizations are more developed in Kerala than in Orissa, and so forth. Nonetheless, several trends pertain generally. Over time, notably since the 'green revolution' and the introduction of high-yield seed varieties, agriculture has become more input and capital intensive. The increase in agricultural productivity has come with growing input costs, financial dependence on moneylenders and suppliers and a growing role for multinational agro-industries such as Monsanto and Cargill. These circumstances have contributed to deepening crises in many rural areas (Sainath, 1996; Shiva and Jalees, 2006), which over the past decade have manifested themselves in the form of farmer suicides, armed uprisings and the takeover by 'Naxalite' (neo-left-revolutionary forces) of about one-third of all districts in India (Bandyopadhyay, 2006). Apart from a few areas at the heart of these armed uprisings, the rural sector is not insular or cut off, but is nearly everywhere a stepchild of policy. Education has barely made a dent in the rural labour market. The same applies to innovations such as providing information and communication technology through internet kiosks in villages (Nederveen Pieterse, 2005).

## **HIERARCHICAL INTEGRATION**

The contemporary upbeat globalization stories of a 'borderless world' (Ohmae, 1992) or a 'flat world' (Friedman, 2005) make similar claims as post-war modernization theory, only the mechanisms have changed. The mechanisms used to be modernization, industrialization, nation building and trickle down, and now the rising tide that lifts all boats is liberalization and export-oriented growth. The message remains the same: gradually,

eventually, the benefits of development will embrace all. However, our reading of the relations between the dollar economy and the rupee economy suggests that inequality is not incidental but is *built into* the current accumulation model; in addition the findings imply that, as long as the growth model doesn't change, this inequality is likely to be sustained.

This parallels wider trends in contemporary globalization. Multi-speed economies have been common in segmented societies and developing economies and it is through multi-speed economies that some of the successes of globalization are achieved. Thus it is true that contemporary globalization makes the world more interconnected, but equally true that this interconnected world is being segmented in new ways. Uneven development is reinvented and re-inscribed in accelerated globalization. These unequal economies are both old and new. Intermediaries such as trading minorities and immigrant economies that act as go-betweens between different economic zones go way back. Contemporary globalization reworks these patterns as it interlinks and re-divides the world.

Some of today's epidemics and risks arise from glitches in the interaction of multi-speed economies. The avian flu arises from poultry reared by the poor in China, in close physical proximity with animals, and spread through contact into wider food chains. Toxins found in pet food in the US in spring 2007 originated in cheap additives (melamin, ground into a powder and added as a filler to look like protein while keeping costs low) in canned pet food in Chinese factories.<sup>7</sup> Thus as commodity chains traverse diverse economic zones they are exposed to the differential profitability equations that they seek to harness. Cost cutting pressure by American buyers and importers precipitates these shortcuts, such as lead paint in toys made in China.

There are several approaches to these configurations. One of the bywords is *glocalization* as anthropologists and geographers discuss the relations between the local and the global. Rosenau (1997) refers to contemporary globalization as a process of '*fragmegration*', a combination of integration and fragmentation. An account that is gaining ground in international relations is *neo-medievalism*, or the re-emergence of 'overlapping jurisdictions and crisscrossing loyalties' (Winn, 2004).

While these approaches indicate general trends they don't capture the unevenness of power that characterizes the new configurations. The dollar economy and the rupee economy are global-local articulated economies and also refer to overlapping jurisdictions, but more important is that they are profoundly unequal. The classic thesis of *combined and uneven development* comes closer to capturing this; combined uneven development refers to its deployment as a factor in political economy. Doreen Massey's 'power geometry' (1993) also seeks to capture different power equations.

Jim Crow in the US, the successor to slavery, was an instance of combined and uneven development. The south of the US continued a different political

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7. In June 2007 China announced a new five year food safety plan.

economy than the north, with low wages, low taxes, low services and no unions. In the course of the 1970s and 1980s, as companies moved to the Sunbelt, this became the American standard: Dixie capitalism first became the American model and has since been reproduced in other parts of the world through structural adjustment and neoliberal reforms (Nederveen Pieterse, 2004). Thus combined and uneven development is built into existing neoliberalism. Dixie capitalism means the deployment of a powerless, right-less workforce in modernized versions of layered and sequestered capitalism.

In Chicago, 26<sup>th</sup> Street or 'La Villita' (Little Village) mediates between the (US) dollar economy and the (Mexican) peso economy. A quarter of the enterprises on this high-traffic street are storefront banks that transfer remittances to Mexico and provide other financial services (Koval and Fidel, 2006; Rajiman, 2001). Border economies such as the *Maquiladores* on the Mexico–US border and in the Caribbean, and factories on the border of Thailand and Burma, are premised on profiting from the conjuncture of low wage, low organization, right-less labour and modern infrastructure and technology. Special economic zones follow similar logics. While free trade zones rank as leading instances of border crossing capitalism they are heavily guarded by security measures and their production facilities are under stringent labour discipline (Klein, 2000). Free trade zones represent free traffic of capital, yet restrict the movement of people precisely because they straddle development gaps. So as state borders fade for some forms of capital (finance, investment, offshore production), others come in their place such as the well-guarded fences, actual or metaphoric, erected around special economic zones, permitting only regulated flows in either direction.

The grossly unequal distribution of opportunities in India is the dark side of 'Shining India'. Relations between the dollar economy and the rupee economy and between formal and informal sectors are in flux and opaque; they are not transparent, and hidden recesses and crevices in this relationship enable various intermediaries to prosper and flourish. The rest of this section explores three ways of capturing this general configuration: asymmetric inclusion, enlargement-and-containment and hierarchical integration, each of which seeks to capture different nuances of the contemporary political economies of inequality.

*Asymmetric inclusion* rejects the notion of *exclusion* — long a fashionable trope in policy and academic studies. The idea is that if the population in question (backward area, minority, or least developed country) would be *included* in the modern sector or in fast-lane capitalism, it would experience the benefits of economic growth. In effect this perspective is a spatialized version of trickle down theory. What it overlooks is that these populations have been included *already*, are already within the reach of international financial regimes and national policy, but have been included on asymmetric terms. This asymmetry is not just a minor quirk but a constituent part built into the overall equation. This also applies at the macro level where the financial drain from poor countries to the rich continues, even as the

international financial institutions and the Millennium Development Goals proclaim assorted targets of poverty reduction (Stiglitz, 2006).

An alternative perspective is *enlargement-and-containment*. The terms are borrowed from American foreign policy. Enlargement was the overarching theme of the Clinton administration foreign policy and containment refers to US foreign policy during the cold war. This explicitly political terminology captures another dimension of combined and uneven development — the enlargement of the influence of the US, G8 and NATO, of transnational regimes from the WTO, IMF and World Bank to multinational corporations, oil companies, banks and hedge funds. And, on the other hand, the containment of risks that emerge in the process — from ecological spillover, toxins and diseases, popular resistance, ethnic and religious conflicts to international crime and terrorism. Thus enlargement-and-containment concerns a two-way movement. Consider ethnic cleansing. Local ethnic conflict often occurs downstream of enlargement politics: it emerges after the end of the cold war, follows the implementation of structural adjustment programmes (as in former Yugoslavia and Rwanda) or the momentum of European unification (as in the re-Balkanization of the Balkans).

The reactions to the attacks of September 11, 2001 represent a new round of enlargement-and-containment: the enlargement of American military presence and influence in the Middle East and Central Asia and containment of the security risks and ideological fallout from this projection of power. Analytics that seek to come to terms with enlargement-and-containment are the Copenhagen school of securitization, including the securitization of migration, and work on states of exception inspired by Giorgio Agamben and induced by security operations (Ong, 2006). A counterpoint is the immigrant rights movement (Doty, 2007).

Enlargement-and-containment refers to top-down processes of contemporary hegemony as operations of divide-and-rule. Thus as some external borders lose salience new internal frontiers emerge, carving up social space by reworking the existing boundaries of class and status. This integration-and-fragmentation of social space occurs also in advanced societies. Stratification takes many forms. Office buildings in world cities are occupied by day by high-income earners and by night by low-wage immigrant or minority cleaning and security personnel (Sassen, 1998). In the US the development of gated communities and the privatization of space and security stand in a structured relationship to the ghettos and the society of incarceration and the criminal-industrial complex (Wilson, 2007). Urban riots in England and France are part of the field of integration-and-fragmentation. Riots in the urban ghettos in the UK and the *crise de banlieues* in France contest the terms of inclusion.

The overall perspective that may diagnose these relations is *hierarchical integration*, in which integration refers to increasing border crossing and borderlessness and hierarchy involves the upkeep of old borders or boundaries and the institution of new ones (Nederveen Pieterse, 2001, 2002).

Thus societies and parts of societies the world over are both brought closer together *and* separated in new ways. As value chains lengthen and economic and political co-operation and regulation widen in tandem with different regimes of accumulation (as in production chains, structural adjustment programmes and free trade agreements), the newly included renegotiate their status through reworking codes of class and cultural difference (such as ethnicity, religion and status signifiers) and redrawing boundaries in space (as in resource and niche conflicts). These dynamics unfold across economic, political and cultural levels and domains. That the world is becoming smaller *and* more stratified explains the phenomenon of lessening diversity across places and increasing variety within places (Storper, 2001: 115).

It raises the question, integration into what? Expansion by means of the 'incorporation' of less developed regions is a fundamental modality of capitalism. According to world-system theory, the modern world-system incorporates peripheries into its operations. In this perspective what takes place is *incorporation*, rather than integration. It is an extension of Marx's notion of the incorporation of labour into the workings of capital. Surely this forms part of hierarchical integration. However, as a general perspective incorporation is too system-centric and west-centric; it overlooks countercurrents and flows that run sideways (such as East–South and South–South). In contrast, hierarchical integration refers to multiple criss-crossing hierarchies and stratification systems, in a layered set of processes. In this understanding, integration, in contrast to incorporation, is not just vertical but also horizontal. Hierarchies arise not just between North and South but also between East and South, within the South, and so forth.

Studies in advanced countries document segmented labour markets with different wage rates and work conditions for minorities and immigrants (for example, Bonacich and Applebaum 2000). Accompanying notions are segmented assimilation (Portes et al., 1999) and flexible acculturation (Nederveen Pieterse, 2007). We can view India's dollar economy and rupee economy as overseas extensions of segmented labour markets. It follows that not just the dollar economy but also the rupee economy should be included in mapping global value chains. The rupee economy affects the price of the outputs of India and other low wage economies and price is obviously a variable in global value chains, particularly in buyer-driven chains (cf. Gereffi and Korzeniewicz., 1994; Gereffi et al., 2005). The informal economy figures in treatments of subcontracting and of twilight economies such as sex tourism (Clancy, 2002) and illegal trades such as the global cocaine commodity chain (Schaeffer, 1997). The present research suggests that the informal economy should be methodically included in analyses of international competitiveness and global value chains.

Hierarchical integration is not merely a political economy but also a cultural politics. Marketing messages reach all but only call those who can afford the gate fee. Ads for credit cards, business class travel, five star hotels, luxury watches and fashions, cruises, rental cars and so on all convey

an aura of unrestricted mobility while at the same time establishing purchasing power thresholds. Since hierarchical integration combines bifurcating economies in which luxury consumption and bargain basement consumption are growing side by side, it builds bridges while it erects barriers. The polarization between the hyper-rich and the growing number of the poor prompts a new private security industry. Besides the 'paper walls' that surround the advanced countries, photo IDs, surveillance cameras and security personnel erect other thresholds. Surveillance technologies such as database marketing and data use in credit and insurance implement *social sorting* (Lyon, 2003, 2007). In urban studies this has given rise to the intriguing theme of *medieval modernity* (Alsayyad and Roy, 2006).

Some frontiers are intangible and consist of subtle codes such as dress codes in restaurants and clubs, membership rules in country clubs, housing estates and condominiums, and new codes in relation to gender difference (Ainley, 1998). They extend to politics of looks (lookism) and body politics of weight-watching (matching anorexic fashion styles), plastic surgery and cosmetics. At one end of the spectrum is the cultivation of bodies for libidinal display, as in California body culture, and at the other are the hunger, weakness, exhaustion and sickness that beset the bodies of the poor for whom strength and health are basic tools of survival. 'For many poor people, the body is their main asset. For some, it is the only asset they have' (Narayan et al. 2000: 95). And this asset often turns into a liability because of illnesses and ever more expensive cures that have worked cumulatively to drive millions into poverty (Krishna, 2005, 2006).

Widespread, from South Asia across the Middle East to the Caribbean (Thompson, 1999), is a politics of complexion that values light complexion and 'European features'. A saying in Brazil is that 'money whitens'. Thus aesthetics, too, serves as a frontier ranging from physical features and looks to new totems of style, designer clothes and labels (Maffesoli, 1988). Style 'profiling' (besides 'racial profiling') is part of the social sorting of surveillance and status society.

The new fault lines of globalization take various shapes. The salience and ease of border crossing vary across domains. It becomes more difficult as we move from capital to labour and from intangible (finance, cyberspace) to tangible assets (goods, investments). As some state borders lose importance (as in offshore tax havens, special economic zones, free trade agreements and regional co-operation), others retain their force (such as those which straddle the boundary between economic or developmental zones such as South Africa and neighbouring countries, or straddle conflict areas such as Israel's borders) or new ones emerge. As some national borders lose importance (as in the European Union) external regional borders gain weight (as in 'Barbed Wire Europe'). As some external borders lose importance, internal frontiers gain importance, such as ethnic and religious differences and frontiers of class, status, consumption, style.

## CONCLUSION

The description of contemporary globalization as an epoch of the breaking down of boundaries is an ideological posture rather than an empirical account. Understanding contemporary globalization calls for new border theories. This treatment finds that the dialectics of contemporary globalization takes the form of a patchwork of contradictory moves. We present three perspectives to analyse these dynamics. Asymmetric inclusion critiques the social exclusion approach. Enlargement-and-containment highlights the political genealogies of new divisions. Hierarchical integration is the overarching account of uneven globalization and refers to specific processes such as segmented labour markets as part of global value chains.

Rather than uncritically praising globalization or condemning its results, it is essential to learn more about the *terms of integration* of different strata and segments in layered and sequestered capitalism. What explains the longevity and the revival of these asymmetries in some cases and their mutation and flux in other cases?

One hypothesis is that asymmetric trends are related to ethnic and cultural difference and political representation. In brief, as cultural heterogeneity rises, political representation falls. Research in the US indicates that as cultural diversity rises, support for public spending falls. 'About half the gap between Europe and the United States in public spending on social programs could be explained by America's more varied racial and ethnic mix' and much of the rest results from stronger left-wing parties in Europe (Alesina and Glaeser, 2004, quoted in Porter, 2007). In India cultural heterogeneity includes caste and communalism. By this reasoning, then, contemporary globalization benefits from straddling different economic and cultural zones because cultural heterogeneity weakens political representation. To be precise, what matters is not cultural or ethnic difference *per se* but how it is represented, coded, put into discourse. Thus research in the US also indicates that 'ethnic diversity doesn't inevitably reduce spending on public goods. Rather, spending tends to fall when elected officials choose to run and govern on platforms that heighten racial and ethnic divisions' (Porter, 2007).

After the chilling of the American housing market, the subprime mortgage lending crisis and the ensuing credit confidence crisis in 2007, the dollar is not what it used to be. This also affects the relationship between the dollar economy and the rupee economy. The rupee has proved to be a steady currency and tourists are now asked to pay for entering tourist sites such as the Taj Mahal not in dollars but in rupees. Yet, since the dollar's decline in value occurs mainly in relation to the euro rather than Asian currencies, the overall equation of the dollar economy and the rupee economy remains intact.

An understanding of globalization that doesn't include the dark side of 'Shining India' is not complete. A proper understanding of globalization

must include the rupee economy as one of the lowest rungs of global value chains. This includes the creativity and resilience of the rupee economy and the global poor. Without its lowest rungs the ladder of globalization would not stand up.

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