ROSTOW'S THEORY

Presented By :- Neetu Verma
Assistant Professor of Economics
Government College For Girls, Ludhiana

WALT WHITMAN ROSTOW

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STAGES OF GROWTH

ROSTOW'S THEORY- CONTEXT

Rostow's Stages of Growth model is one of the most influential development theories of the twentieth century. It was grounded in the historical and political context in which he wrote. Stages of Economic Growth was published in 1960, at the height of the Cold War, and with the subtitle "A Non-Communist Manifesto". Rostow was fiercely anti-communist and right-wing; he modeled his theory after western capitalist countries, which had industrialized and urbanized. As a staff member in President John F. Kennedy's administration, Rostow promoted his development model as part of U.S. foreign policy. Rostow's model illustrates a desire not only to assist lower income countries in the development process but also to assert the United States' influence over that of communist Russia.

CLASSIFICATION OF ROSTOW'S STAGES OF ECONOMIC GROWTH

1. The Traditional Stage
2. Pre-conditions of take-off
3. Take-off
4. Drive to Maturity
5. High Mass Consumption

THE TRADITIONAL STAGE

The traditional stage is characterized by a subsistent, agricultural based economy, with intensive labor and low levels of trading, and a population that does not have a scientific perspective on the world and technology. In the beginning, every economy is in the traditional stage.

FEATURES

- **Predominance of agriculture-** A high proportion of workforce (75% or more) are devoted in the production of agricultural goods. High proportion of resources are also devoted in the agricultural section.
- **Political power-** Political power remains concentrated with certain traditionally dominant social groups in the society. In most cases, it is in the hands of land owners.
- **Scientific knowledge-** This stage is limited with inadequate scientific knowledge and technology. That is why this is called Pre-Newtonian Stage.

- **Per capita-** Within a limited range of limited technology there is a low ceiling per capita output.
- **Significance of family and caste system-** the social set-up in this stage is based upon family and caste system. Family and caste of the individual determine his social acceptability as well as status. Competence of the individual is of relatively less significance.

PRE-CONDITIONS OF TAKE-OFF

In this stage a society begins to develop manufacturing and people start thinking about growth. Social and capital overhead start developing. But all these works proceed at a slow pace. Thus, overall productions remains low in the economy. This stage lasts for nearly 100 years.

FEATURES

- **Investment-** In this stage, machinery rate and per capita capital formation in the economy increases. The gross investment lies between 5-10%.
- **Infrastructure-** *As* different industries were established in different parts of the country, automobiles, roads, railways, ports were required. So infrastructure was built all over the country.
- **Decline in birth rate-** In this stage, demand for workers starts declining. Thus, people are less desirous of enlarging their family size. Hence, decline in birth rate.

- **Agriculture-** Compared to the traditional economy, there is less dependence upon agriculture in this stage of growth. Different other services start developing like industry, trade and transport.
- **Personal skill-** In this stage an individual starts depending upon his personal skills instead of depending upon his social or religious status.
- **Foreign trade-** in this stage export- import starts. Finished and capital goods are imported and raw-material and semi-finished goods are exported.

The Take-off Stage

This stage is an important stage of economic development. It is a short period of intensive growth. Here the economy becomes self-dependent, i.e, it no longer depends on other countries. It progresses without external assistance. New industries establishes, investment rate improves and new innovations take place.

Take-off stage of some of the countries in the world:

COUNTRY	TAKE-OFF
Great britain	1783-1802
France	1830-1860
USA	1843-1860
Sweden	1868-1890
India	1952

CONDITIONS OF TAKE-OFF STAGE

- **Rate of investment over 10%-** In order to stabilize per capita income at a high level, it is essential that growth rate of national income exceeds the growth rate of population. For this, rate of investment should be over 10% of the GNP.
- **Development of the Leading Sectors-** In this stage, some leading sectors are developed in the economy. These are divided as follows:

  1) Primary growth sector
  2) Supplementary growth sector
  3) Derived growth sector

FEATURES

- **Reinvestment-** Entrepreneurs reinvest their profits for higher gains leading to increase in the rate of investment.
- **Development of technology-** New techniques of production are used and are widely adopted in all the fields of production.
- **Availability of capital-** Redistribution of income, reinvestment of profits, changes in the monetary and fiscal structure of the country, all contribute to the availability of capital.

DRIVE TO MATURITY

This stage takes place over a long period of time, as standards of living rise, use of technology increases, and the national economy grows and diversifies. This stage is the outcome of Take-off stage. It is reached after the 40-60 years of the Take-off stage. The country becomes self-dependent in technologies as well as institutional parameters of growth.

FEATURES

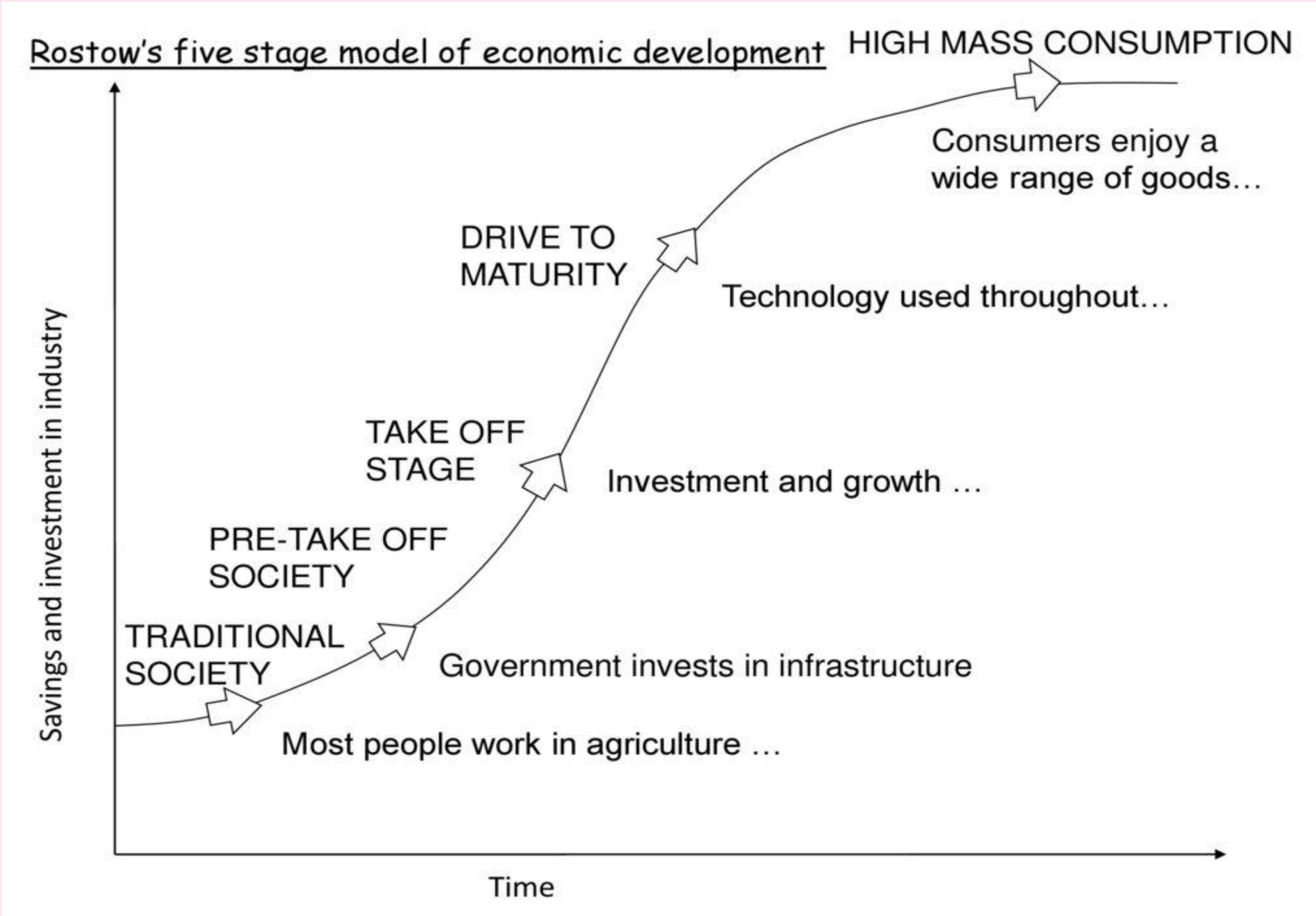
- **Shift in the occupational distribution-** Conditions of employment change noticeably. Dependence upon agriculture considerably reduces. Labourers become more self-sufficient and better-off.
- **Improvement of country's infrastructure-** New political and social institutions are established in the country.
- **Continuous growth of investment-** Investment rate rises to 10-20% of GNP production, thus, happens to increase faster than population.

THE STAGE OF HIGH MASS CONSUMPTION

In this stage, a country's economy flourishes in a capitalist system, characterized by mass production and consumerism. There is considerable increase in production. Income of the individual is very high and consumption of comforts and luxuries become a common feature.

FEATURES

- **Increase in comfort level -** Consumption of comforts and luxuries tend to rise in this stage. Standard of living of people rises.
- **Increase in employment level-** In this stage, status of employment improves significantly and labour becomes organised.
- **Welfare administration-** The government tries to establish welfare administration progressive means.
- **Rise in investment level-** Rate of investment rises well above 20% of GNP.


Rostow's five stage model of economic development
HIGH MASS CONSUMPTION
Consumers enjoy a wide range of goods…
DRIVE TO MATURITY
Technology used throughout…
TAKE OFF STAGE
Investment and growth …
PRE-TAKE OFF SOCIETY
Government invests in infrastructure
TRADITIONAL SOCIETY
Most people work in agriculture …
Savings and investment in industry
Time

Criticisms of Rostow's Stages of Economic Development

- Traditional society not essential for development
- Pre-conditions may not precede the Take-off
- Overlapping in the stages
- Criticism of the Take-off
- The stage of dive to maturity Puzzling and Misleading
- Lack of a good theory
- lack of logic
- Lack of basis
- Uncertainty

THANK YOU