

Chapra Bangalji Mahavidyalaya
Department of Geography

Class : Semester-III (Honours)
Course : Core Course (CC) -8

**GEO/H/CC/T/08: (Theory): Regional Planning and
Development [6 Credits]**

**Topic : Rostow's Model of
Economic Growth**

Teacher : Jishnu Sar

In an attempt to identify a framework by which the economic development of nations can be analysed, [W. Rostow](#) proposed a **five-stage** model which tried to show how, over a period of many decades, nations develop from a traditional society to one of high mass consumption.

Rostow based his model on studies of many countries and their economic and social history.

The model suggests that the **low technology** and **agricultural 'traditional society' (stage 1)** would, through external influences, gradually increase investments in its infrastructure (such as roads, water supply, etc.) and develop its agriculture and extractive industries in a new social and political framework in **stage 2**, as **pre-conditions for economic 'take-off'** to occur (**stage 3**). From this point on investment and economic growth become self-sustaining with manufacturing industries developing. The impetus of this leading to **'economic maturity (stage 4)**. Finally, with the consumer durable industries supplying the needs of a wealthy population who have a **high level of consumption**, the economy is seen as being fully developed (**stage 5**).

Thus, according to Rostow, development proceeds in five stages :

STAGE-I : THE TRADITIONAL SOCIETY

Rostow uses this term to define a country that has not yet started a process of development. A traditional society contains a very high

percentage of people engaged in agricultural and a high percentage of notional wealth allocated to what Rostow calls "nonproductive" activities, such as the military and religion.

Characteristics:

- i. Less developed society in terms of science and technology;
- ii. Limited production function
- iii. Industry activity shows a tendency to grow, but the progress is constrained by the inadequacy in scientific knowledge.
- iv. Labour productivity is low
- v. Predominance of agriculture leads to hierarchical social structure
- vi. Concentration of political power
- vii. Conventional techniques.

STAGE-II: THE PRECONDITIONS FOR TAKE-OFF

According to Rostow, the process of development begins when an elite group initiates innovative economic activities. Under the influence of these well-educated leaders, the country starts to invest in new technology and infrastructure, such as water supplies and transportation systems. These projects will ultimately stimulate an increase in productivity.

Characteristics:

- i. Societies are in a process of transition, building up conditions which, in course of time, enable them to take-off;

- ii. Rise in rate of savings and investment;
- iii. Brodened outlook of people;
- iv. More emphasis on trade
- v. Development of transport and communication.

Rostow noted history provides two different patterns of transition from the traditional society :

- Changes in fundamental nature in the socio-political structure and in the production techniques. This pattern was observed in Europe, Some parts of Asia, Middle east and Africa;
- Change in economic and technical dimensions. This pattern observed in America, Australia and New Zealand.

According to Rostow :

- Agrarian society should attempt to transform itself into industrial society;
- Trade and commerce should not remain localized
- Society should attempt to enlarge the area of its commercial activities;
- Surplus of income to be used to create more industries and developed infrastructure.

STAGE-III : THE TAKE-OFF STAGE

Rapid growth is generated in a limited number of economic activities, such as textiles or food products. These few take-off industries achieve technical advances and become productive, while other sectors of the economy remain dominated by traditional practices.

Characteristics:

- i. In this period, growth becomes a normal condition of the society;
- ii. Begins with some sharp stimulus from political revolution, innovation
- iii. Investment rises 5-10% of the national income
- iv. Substantial manufacturing sectors became developed, leading to high growth rate
- v. More complex economy

requirements of take-off:

- Rise in rate of investment and savings (>10%);
- Development of one or more substantial manufacturing sectors, with a high rate of growth.

Rostow groups the sectors of economy in following three categories:

Primary growth sectors, where possibilities of high growth rate exists and activity in them sets in motion expansionary forces elsewhere;

Supplementary growth sectors, where rapid growth takes place in direct response to progress in primary sectors.

Derived growth sectors, where growth materializes in some steady response to increases in real income, population, etc.

STAGE-IV : THE DRIVE TO MATURITY

Modern technology, previously confined to a few take-off industries, diffuses to a wide variety of industries, which then experience rapid growth comparable to the take-off industries. Workers become more skilled and specialized.

Characteristics:

- i. Changes in the character of labour force (more organized, increased wages)
- ii. Changes in the character of entrepreneurship
- iii. Increase in investment from 10-20% of National income
- iv. Old methods are replaced by new technology
- v. Increase in exports
- vi. Less dependent on other countries
- vii. Increase in standard of living

- viii. Increase in per capita income
- ix. Development of new sectors, because of linkage efforts, which can be forward* or backward**

Note :** A **forward linkage is created when investment in a particular project encourages investment in subsequent stages of production. A **backward linkage**** is created when a project encourages investment in facilities that enable the project to succeed. –Hirschman*

STAGE-V : THE AGE OF MASS CONSUMPTION

A society approaches maturity. The economy shifts from production of heavy industry, such as steel and energy, to consumer goods, like motor vehicles and refrigerators.

Characteristics:

- i. Attention shifts from problems of production to problems of consumption;
- ii. Consumption of comforts and luxuries increase.
- iii. Rate of investment rises above 20% of National Income
- iv. Society assumes the role of a **welfare state***
- v. Migration of population from village to cities
- vi. Increase in financial security
- vii. More employment opportunity

- viii. Extensive use of durable consumer goods like automobiles and household instruments
- ix. Progressive and prosperous society in which *“hunger is something one reads about and poverty a memory”*

***According to Rostow, there are three important ways to allocate the resources to achieve welfare :**

- Allocation of resources for military and foreign policy requirements;
- Redistribution of income through progressive taxes;
- Expansion of consumption levels beyond the basic necessities of life (food, shelter, clothing) like, education, health, infrastructure etc.

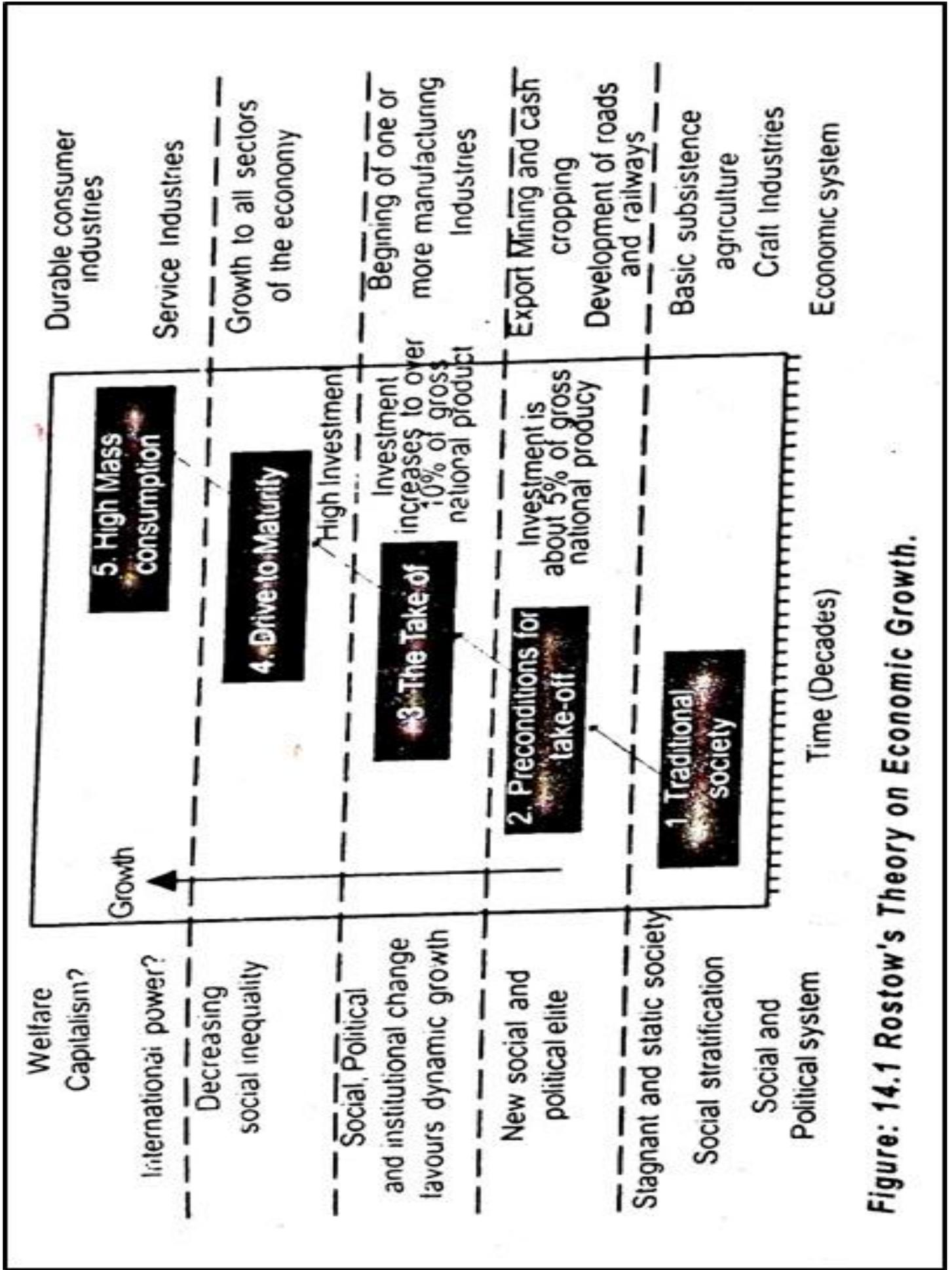


Figure: 14.1 Rostow's Theory on Economic Growth.

According to Rostow's model, each country is in one of these five stages of development.

- More developed countries are in stage 4 or 5;
- less developed ones are in one of the three earlier stages.
- The model also asserts that today's developed countries have already passed through the early stages.

Example of USA: The United States, for example, was in stage 1 before independence, stage 2 during the first half of the nineteenth century, stage 3 during the middle of the nineteenth century, and stage 4 during the late nineteenth century, before entering stage 5 during the early twentieth century.

A country that concentrates on international trade will benefit from exposure to consumers in other countries. To remain competitive, the take-off industries must constantly evaluate changes in international consumer preferences, marketing strategies, production engineering, and design technologies. This concern for international competitiveness in the exporting take-of industries will filter through less advanced economic sectors.

Rostow's optimistic projection for development was based on two factors.

First, the developed countries of Western Europe and Anglo-America had been joined by others, notably Japan. If Japan could become more developed by following this model, why not other countries?

Second, many LDC_s contain an abundant supply of raw materials sought by manufacturers and producers in developed countries. In the past, European colonial powers extracted many of these raw materials without paying compensation to the colonies. In a global economy, the sale of these raw materials could generate funds for LDCs to promote development.

Merits

Rostow based his model on studies of many countries and their economic and social history. His ideas provide a useful framework against which to consider the current or past state of a nation's economic and social standing.

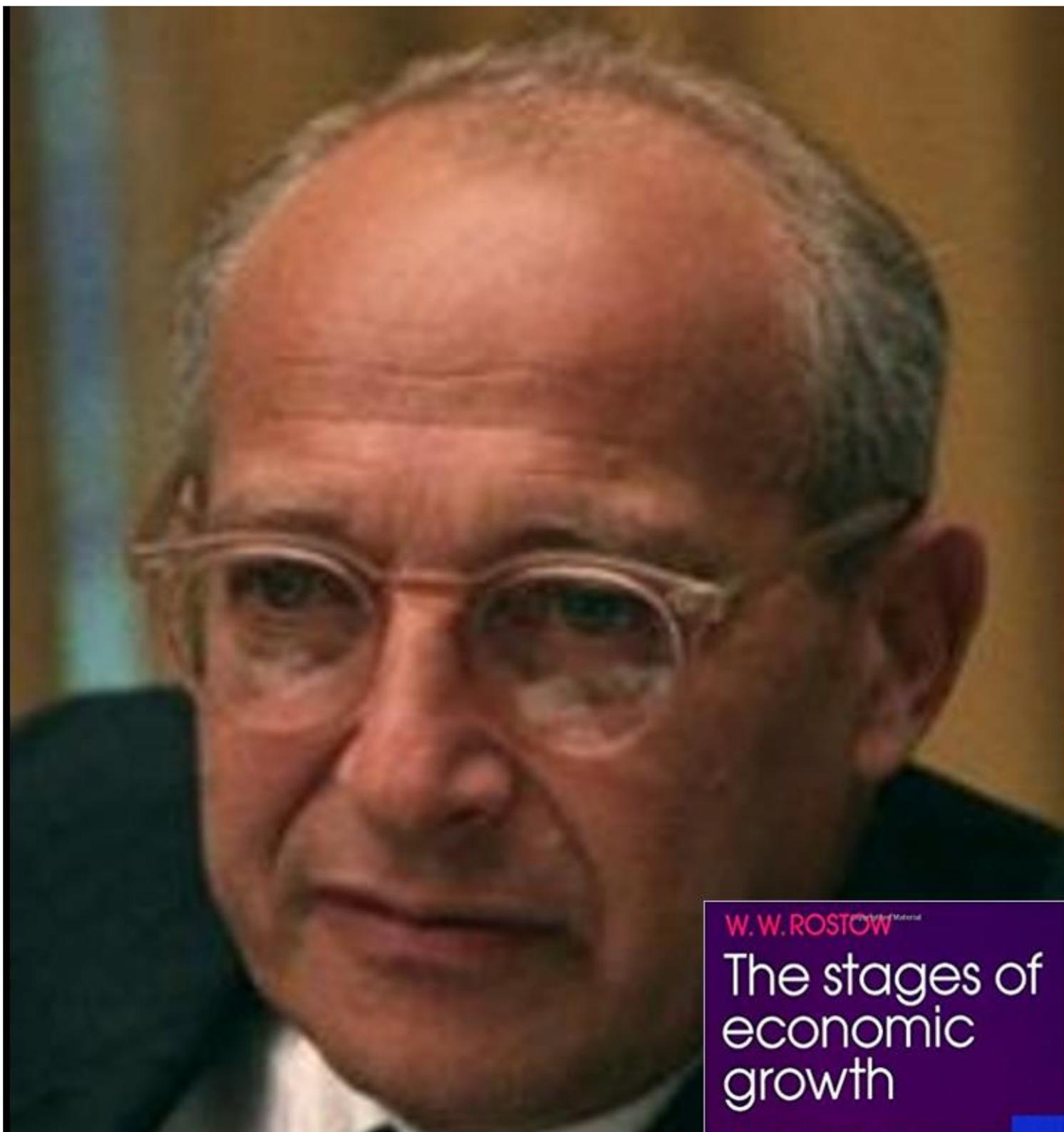
Inadequacies

It may be argued however that Rostow's model has a number of inadequacies, the major ones being that:

- i. A number of nations such as USA, Canada, New Zealand were born free from traditional societies and they derived pre-conditions from Britain, which was already advanced;
- ii. Pre-condition is not necessary before take-off to come, The development in agriculture continues in the take-off stage too;
- iii. it does not define major specific criteria to measure a nation's performance or place it in any one of the five stages shown in the model (such as the level of earnings or proportion of workers in various sectors);
- iv. the stages themselves may be said not to exist separately from each other (the 'drive to maturity' for example can, in fact, coincide with an age of 'high mass consumption')
- v. the degree of investment suggested by Rostow at the 'take-off stage was not in fact present in the histories of the developed nations of today.

Conclusion

Despite these imperfections Rostow's model remains one of the best-known formulations of nation's economic and social development, and the concept of 'economic take-off' is an enduring one, and one which it may be said the less developed countries of the world are striving to achieve.



Walt Whitman Rostow (1916-2003)
American economist
7th United States National
Security Advisor (1966 –1969)

