
ROSTOW IN RETROSPECT

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Marvin Ott

EXISTIC UNITS	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	MAN	FAIRM	BUILDING	BUILDING GROUP	SELECT SMALL VILLAGES/TOWNS	SELECT MEDIUM VILLAGES/TOWNS	SMALL TOWN	TOWN	LARGE CITY	METROPOLIS	CONurbation	MEGALOPOLIS	GLOBAL REGION	GLOBAL CONTINENT	GLOBAL
GEOGRAPHIC LOCATION															
BASIC CLASSIFICATION															
PERIOD															
NATURE															
MAN															
SOCIETY															
NETWORKS															
SCALE															
ACADEMIC APPROACH															
EXISTIC CYCLE															
SOURCE															

ROSTOW IN RETROSPECT

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Of the many writings from the prolific pen of Walt Rostow, none has created as much interest as an article which appeared in the March 1956 issue of the *Economic Journal*. In it Rostow expressed his belief that the process of economic growth could best be understood as a series of stages centering around a brief decisive takeoff period. This idea immediately aroused a storm of controversy among economists and historians which has continued largely unabated to the present. As Rostow's thesis approaches its tenth birthday it is perhaps useful to look back at the issues which have been raised in this debate and try to draw up some sort of balance sheet.

Rostow's thesis, as he subsequently developed it, appears tremendously ambitious in scope. It is first an attempt to explain historically and analytically the entire process of economic development. Beyond that it purports to throw light on the entire spectrum of political, social, and cultural change that occurs in conjunction with economic development. Rostow has written, to use his own words, nothing less than a «theory of modern history as a whole»—«a non-Communist Manifesto».

The essence of this manifesto can be summarized in two basic principles: Unbalanced Growth and Discontinuous Growth. The term unbalanced growth indicates that economic growth does not proceed uniformly within a given economy. Rather it varies from one sector of the economy to another, with the result that certain sectors will show more rapid growth rates than others. If these growing sectors succeed in stimulating growth elsewhere in the economy, they are designated as «leading sectors».

The concept of discontinuous growth is the product of empirical studies by Arthur F. Burns, Simon Kuznets and others. They have revealed that the growth rates in any single sector of the

economy tend to follow a declining curve. The initial high rate of growth is usually sparked by a technological innovation that creates a new product for which there is high demand elasticity. This rate of growth soon begins to decline as: major technological innovations become more difficult, then demand becomes saturated, bottlenecks develop in complementary industries, financial institutions prove inadequate for increasingly large-scale operations, and competition develops from foreign producers as the technological knowledge spreads.

To supplement the concept of sectoral deceleration Rostow turns to the classical economists. In the early nineteenth century Malthus and Ricardo discovered that population growth and the depletion of natural resources are also decelerating forces—forces acting on the aggregate economy. Combining these ideas Rostow sees the problem of economic growth as that of overcoming the sectoral and aggregate forces of deceleration operating in the economy. Rostow finds the needed impetus for this task in the magic of technological innovation. Growth due to technology in one sector has a tendency to spread through backward, forward, and lateral linkages with other sectors. If this process becomes self-perpetuating and is of sufficient volume to overcome the forces of deceleration, «takeoff» will occur.

The takeoff marks a qualitative discontinuity in the pattern of growth. Around this discontinuity Rostow constructs his famous five stages: the traditional society which lacks even the concept of growth; the precondition stage when the foundations for takeoff are laid; the takeoff itself; the «drive to maturity» when modern technology is diffused throughout the economy; and the «age of high mass consumption» (more properly the «age of abundance»).

Having outlined the key elements in Rostow's schema we can now consider the testimony of the critics. What are the most important criticisms? Have they revealed a foundation of sand beneath the house that Rostow built?

Most of the criticisms can be placed in four general categories. The first of these states that the whole stage concept is an «heroic over-simplification» of the historical process. Rostow tends, the critics say, to depict all societies marching inevitably forward through the same stages in the same order to the same end. In actual fact, history is not a uniform linear process. Periods of progress may be followed by long periods of decline. Rostow lists Argentina and Turkey as having completed the takeoff, but in recent years the economies of both nations have shown signs of stagnation and even decline. Similarly, it is pointed out, conditions under which economic growth takes place vary widely from country to country. The historical cultural heritage, the degree of backwardness, differing political and social institutions, class structure, and ideology all affect the pattern of growth. This galaxy of non-economic factors, allegedly ignored by Rostow, must be considered in analyzing economic growth. In short, Rostow's five dramatic stages fail to do justice to the diversity and complexity that exist within each stage.

The critics in this instance are on rather weak grounds for they greatly oversimplify Rostow's position. Far from ignoring non-economic factors Rostow states in the introduction to his *Stages of Economic Growth* that «economic change is... the consequence of political and social as well as narrowly economic forces». A substantial part of that work is devoted to a consideration of interaction between economic and political, social, and cultural factors. There is slightly more validity in the criticism that Rostow fails to consider the diversity in conditions among particular states. While recognizing the presence of that diversity Rostow explicitly rules it out as a major concern of a work attempting to draw broad generalizations concerning the process of growth. He can be legitimately criticized for that decision, for as a result of it his work tends to imply a greater uniformity in the process of growth among different countries than he perhaps intended. Rostow also is somewhat vulnerable to the allegation that he fails to indicate that movement on the growth ladder can be down as well as up. In Rostow's defense it is pointed out that his concept of growth as involving tension between decelerating and accelerating forces implies the possibility of deceleration becoming dominant. However, because of the extent of the changes in the fabric of society wrought by the takeoff, this outcome is, in Rostow's view, unlikely. As a result his writing tends to give economic progress an air of inevitability.

A second major category of criticism of Ros-

tow's thesis is equally fundamental. According to Paul Baran and others, Rostow's approach, despite his references to an «analytic bone structure», is descriptive rather than analytic. The five stages, it is contended, are merely «unnecessary intellectual scaffolding». They describe certain surface characteristics of the growth process without explaining its inner dynamics—why and how it takes place. Rostow speaks of technological innovation, but what is the motive force behind such innovation? He refers to the motivation of «reactive nationalism», but surely, says Baran, this is not sufficient by itself. Baran finds the answer to his question primarily in the profit motive which, he maintains, is ignored by Rostow.

It is true that Rostow, in his desire to draw contrasts between his theory and that of Marx, tends to soft-pedal the profit motive as an engine of growth. But he does not ignore it. A large role is assigned to the entrepreneur, motivated by considerations of profit and loss as well as by the human proclivity to take risks and to find satisfaction in achievement and knowledge for their own sakes. Add to this the activities of government, motivated by nationalism and considerations of welfare, and one has a number of basic motivating forces for growth. While Rostow probably is not sufficiently explicit in enumerating these factors it is hardly fair to accuse him of ignoring them.

Simon Kuznets and others have aimed a third type of criticism at Rostow. They contend that for any stage theory to be valid there must be empirically testable characteristics which clearly set off one stage from another. Upon examining Rostow's stages, Kuznets finds only one such characteristic: the rise in the rate of investment as a percentage of national income. Other characteristics, such as changes in the «political, social, and institutional framework», are imprecise and untestable. In addition, Kuznets notes that such factors as the rise in agricultural and industrial productivity, the expansion of social overhead capital, and the emergence of a modernizing political elite are listed by Rostow as features of more than one stage.

Kuznets' point is well taken. It is true that most stage characteristics listed by Rostow are not subject to empirical test. Moreover, to the extent that features tend to overlap, the stage divisions are somewhat arbitrary. Despite this, Rostow has contended that Kuznets' criticism ignores the significance of sectoral analysis. If viewed in terms of leading sectors and the forces of deceleration and acceleration, the takeoff is an empirically distinct phenomenon. Nevertheless, Rostow admits that it is impossible to apply a statistical test to determine precisely and finally when takeoff occurs. Identifying the line between «the pre-takeoff decade» and takeoff must remain a matter

of judgment. Kuznets' criticisms take on more force with regard to the later stages of maturity and mass consumption. These stages are less clearly defined by Rostow and empirical tests become progressively more difficult.

There remains a final area of criticism originating from those who have done research into statistics of growth in various countries and have concluded that they do not bear out Rostow. Here we confront the inevitable problem of differing interpretations of statistics. Kuznets interprets statistical studies by Phyllis Deane on British growth, Walter Hoffman on Germany, Osten Johansson on Sweden, and Henry Rosovsky on Japan as showing the same general pattern: an investment ratio of over 5% at the beginning of Rostow's takeoff period followed by a slow growth. In no case does the investment ratio start below 5% or double over twenty years as envisaged by Rostow. Kuznets further concludes that rapid rates of growth in GNP implied in Rostow's analysis are not borne out by statistics which show a pattern of slow and steady growth.

It is difficult to determine the validity of Kuznets' judgment on this point. Rostow challenges his interpretation of the statistics and takes refuge in the position that when more statistical evidence is available it will support the takeoff concept. He further contends that the available statistics are not adequate for sectoral analysis. It is here rather than in rates of increase in GNP or even the investment ratio that the key to growth analysis lies. Rostow's argument seems to indicate a slight backing away from the significance he once assigned to a rise in the investment ratio from 5% to 10% during takeoff. At the same time he pushes resolution of the question into the future by calling for more complete statistical evidence.

Where, then, does the Stages of Growth thesis stand at present? From what has been said it is evident that the thesis has some real weaknesses and can be legitimately criticized on certain grounds. At the same time it would seem that some of the criticisms so assiduously urged against it are specious. There is a tendency to over-simplify and distort some of Rostow's ideas and then to

take potshots at the straw man thus created. The contention, for example, that Rostow is concerned only with production and fails to consider non-economic aspects of growth comes from ignoring much of what Rostow has written on the subject.

Rostow's contributions to economic theory are real. Despite its weaknesses the Stages of Growth is the nearest thing we have to a comprehensive theory of economic development. Even in opposition it provides a badly needed common frame of reference among economists. Furthermore, by viewing economic growth as historical, as unbalanced, and as discontinuous, Rostow has revived and integrated economic concepts which have been largely neglected in recent years.

In the more concrete area of government policy the Stages of Growth have had an important impact. They contribute, for example, to the conceptual framework which underlies the current U.S. foreign aid program. They seem also to have had an effect on policy abroad.

For the less-developed countries Rostow provides a highly dramatic, easily understood alternative to Marxist economic theory. To the leadership in these countries is held out the promise of development, but only at the price of a thoroughgoing modernization of their societies. There are great and inescapable choices that must be made: between guns and butter, xenophobia and international co-operation, consumption and capital formation, and demagoguery and pragmatism. Rostow presents the choices, but indicates only in a general way what the answers should be. Finally, it should be noted that the Stages of Growth, by holding out the promise of eventual achievement of economic maturity by the less-developed countries, helps bridge the massive conceptual gap between ourselves and these nations. Hopefully, the foundation for a new and fruitful dialogue is laid.

In short, the debate in the years since Rostow first offered his thesis has revealed its weaknesses—but that debate has also revealed its potential strengths. The Stages of Growth does not yet seem ready for the intellectual dust bin of history.