Models of Development

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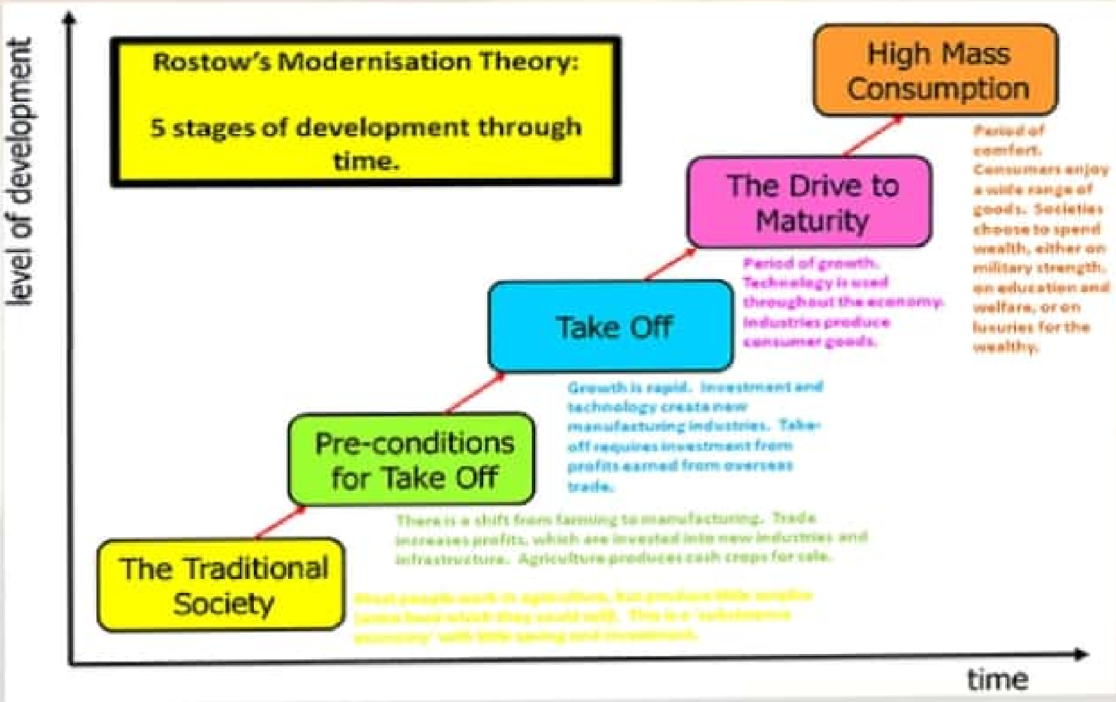
- How do countries develop?
- If we can understand how development occurs, strategies can be adopted to help countries to develop
- Number of approaches:

Rostow - Stages of Growth

The first theory (Rostow) sees a path to progress that countries simply have to follow.



The model is outdated (produced in 1960) and oversimplified.

The model assumes that all countries start at the same level and with the same resources, population, climate etc.

While capital is needed to advance beyond the 'traditional society' often this only arrives in the form of development aid. Debt repayments can delay/prevent a country reaching take off.

Rostow - Stages of Growth

- **The work of American Walt W. Rostow**
- **Rostow is an economic historian**
- **Countries can be placed in one of five categories in terms of its stage of growth**:

Rostow’s Stages of Growth

Rostow's Stages of Economic Growth model is one of the major historical models of economic growth. It was published by American economist Walt Whitman Rostow in 1960. The model postulates that economic growth occurs in five basic stages, of varying length.

This model is applicable to all societies, but viewed from a Market Economy Perspective.

Countries can be placed in one of five categories in terms of its stage of growth:

Rostow - Stages of Growth

Village in Losotho. 86% of the resident workforce in Lesotho is engaged in subsistence agriculture.

1. Traditional Society

- Characterised by
  - subsistence economy – output not traded or recorded
  - existence of barter
  - high levels of agriculture and labour intensive agriculture

Rostow - Stages of Growth

The use of some capital equipment can help increase productivity and generate small surpluses which can be traded.

2. Pre-conditions:

- Development of mining industries
- Increase in capital use in agriculture
- Necessity of external funding
- Some growth in savings and investment

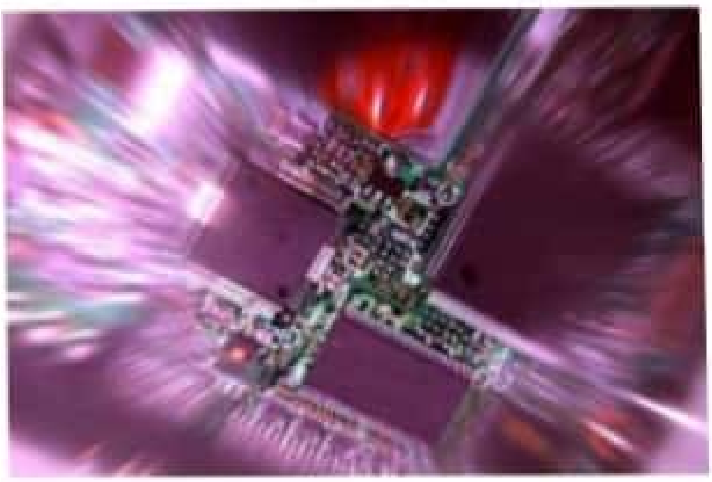
Rostow - Stages of Growth

At this stage, industrial growth may be linked to primary industries. The level of technology required will be low.

3. Take off:

- Increasing industrialisation
- Further growth in savings and investment
- Some regional growth
- Number employed in agriculture declines

Rostow - Stages of Growth



As the economy matures, technology plays an increasing role in developing high value added products.

4. Drive to Maturity:

- Growth becomes self-sustaining – wealth generation enables further investment in value adding industry and development
- Industry more diversified
- Increase in levels of technology utilised

Rostow - Stages of Growth

Service industry dominates the economy – banking, insurance, finance, marketing, entertainment, leisure and so on.

5. High mass consumption
   - High output levels
   - Mass consumption of consumer durables
   - High proportion of employment in service sector

CRITICISMS:

- Inadequate empirical base. (CAIRNCROSS)
- Stages are not identifiable precisely: no distinction between the stages of pre-condition to take-off and the take-off. (SIMON KUZNETS)
- At no stage economic growth is automatic. Kuznets disagrees that growth becomes automatic process during the drive to maturity.
- Historical experience of UDCs contradict rostow's theory.