LINEAR STAGES GROWTH MODEL THEORIES

PRELUDE

- The linear stages of growth model theory were proposed by American economic historian *Walt Rostow* in the early 1960s. As a vigorous advocate of free market capitalism, Rostow argued that economies must go through a number of developmental stages towards greater economic growth. He argued that these stages followed a logical sequence; each stage could only be reached through the completion of the previous stage

- The linear stages of growth model are an economic model which is heavily inspired by the Marshall Plan which was used to revitalize Europe's economy after World War II. It assumes that economic growth can only be achieved by industrialization. Growth can be restricted by local institutions and social attitudes, especially if these aspects influence the savings rate and investments. The constraints impeding economic growth are thus considered by this model to be internal to society.

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- According to the linear stages of growth model, a correctly designed massive injection of capital coupled with intervention by the public sector would ultimately lead to industrialization and economic development of a developing nation.
- The Rostow's growth model theory is the most well-known example of the linear stages of growth model. Walt W. Rostow identified five stages through which developing countries had to pass to reach an advanced economy status:

FIVE STAGES OF GROWTH

- Traditional society, dominated by agriculture and barter exchange, and where science and technology are not understood or exploited.
- Pre-take-off stage, with the development of education and an understating of science, the application of science to technology and transport, and the emergence of entrepreneurs and a simple banking system, and hence rising savings.
- Take-off, with positive growth rates in particular sectors and where organised systems of production and reward replace traditional methods and norms.
- The drive to maturity, with an ongoing movement towards a diverse economy, with growth in many sectors.
- The stage of mass consumption, where citizens enjoy high and rising consumption per head, and where rewards are spread more evenly.

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- He argued that economic development could be led by certain strong sectors; this is in contrast to for instance Marxism which states that sectors should develop equally.
- According to Rostow's model, a country needed to follow some rules of development to reach the take-off:
- (1) The investment rate of a country needs to be increased to at least 10% of its GDP,
- (2) One or two manufacturing sectors with a high rate of growth need to be established,
- (3) An institutional, political and social framework has to exist or be created in order to promote the expansion of those sectors.

- Rostow’s work, like many other accounts of growth, points to the significance of the accumulation of savings to achieve take-off – in this case as a necessary condition for the movement
  from *traditional* to *developed* societies.

FLAWS OF ROSTOW MODEL

- The Rostow model has serious flaws, of which the most serious are:
- (1) The model assumes that development can be achieved through a basic sequence of stages which are the same for all countries, a doubtful assumption;
- (2) The model measures development solely by means of the increase of GDP per capita;
- (3) The model focuses on characteristics of development, but does not identify the causal factors which lead development to occur. As such, it neglects the social structures that have to be present to foster development