STAGES OF DEVELOPMENT & STRUCTURAL CHANGE

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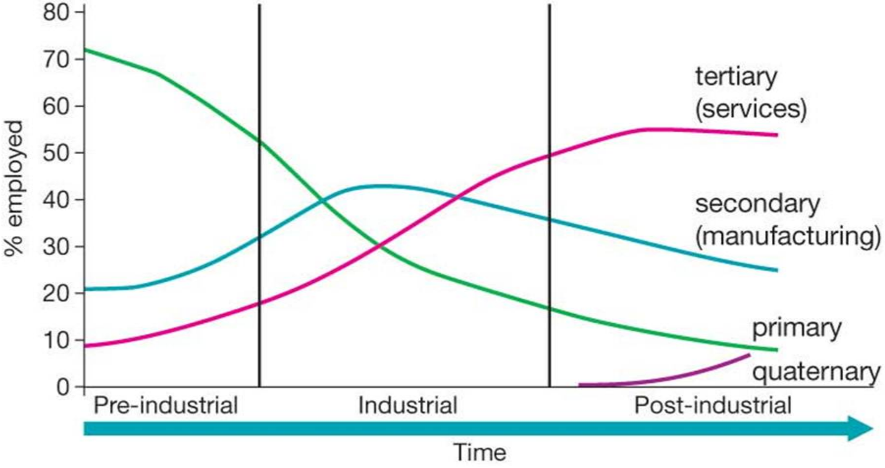
Introduction

Countries pass through certain phases during the course of development and that by identifying these phases, according to certain characteristics, a country can be deemed to have reached a certain stage of development

SECTOR THESIS OF FISHER & CLARK

Fisher (1939) and Clark (1940), employed the distinction between primary, secondary and tertiary production as a basis of a theory of development. Countries are assumed to start as primary producers and then, as the basic necessities of life are met, resources shift into manufacturing or secondary activities. Finally, resources move into service or tertiary activities producing 'commodities' with a high income elasticity of demand.

Diagram

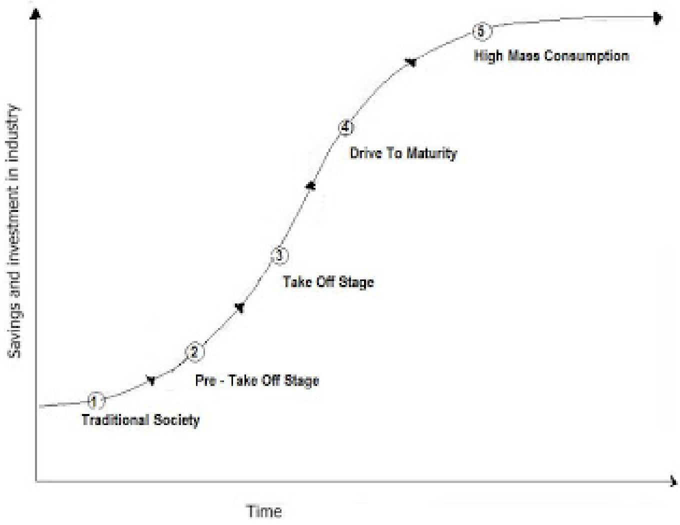


% employed
80
70
60
50
40
30
20
10
0
tertiary (services)
secondary (manufacturing)
primary
quaternary
Pre-industrial
Industrial
Post-industrial
Time

ROSTOW'S STAGES OF GROWTH

- Walt Rostow, The Stages of Economic Growth (1960),
- An attempt to provide an alternative to the Marxist interpretation of history.
- Rostow presents a political theory as well as a descriptive economic study of the pattern of the growth and development of nations.
- He distinguishes five stages: traditional, transitional, take-off, maturity and high mass consumption.
- Traditional societies are characterised by a ceiling on productivity imposed by the limitations of science. Traditional societies are recognisable by a very high proportion of the workforce in agriculture (greater than 75 per cent), coupled with very little mobility or social change along with great divisions of wealth and decentralised political power

- The stage between feudalism and take-off Rostow calls the transitional stage.
- The main economic requirement in the transition phase is that the level of investment should be raised to at least 10 per cent of national income to ensure self-sustaining growth.
- The take-off stage is a short stage of development, during which growth becomes self-sustaining. Investment must rise to a level in excess of 10 per cent of national income in order for per capita income to rise sufficiently to guarantee adequate future levels of saving and investment.
- The stage of maturity, is the period when society has effectively applied the range of modem technology to the bulk of its resources. During the period of maturity new leading sectors replace the old.
- Ultimately, every nation will reach the stage of high mass consumption


Savings and investment in industry
High Mass Consumption
Drive To Maturity
Take Off Stage
Pre - Take Off Stage
Traditional Society
1
2
3
4
5
Time