

LECTURE SESSION THREE

THEORIES AND PATTERNS OF DEVELOPMENT

Lecture Outline

- 3.1 Introduction
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- 3.4 Explain Rostow's stages of development
- 3.5 Discuss types of economies; capitalism, communism, socialism
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3.1 Introduction

Welcome to this third lecture in theories of development. In this lecture, we shall explain the meaning of a theory and the implications. Finally, we shall learn Rostow's stages theory as well the various types of economies; capitalism, communism and socialism.



3.2 Learning Outcomes

At the end of this lecture, you should be able to:

- i. Explain Rostow's stages of development
- ii. Discuss types of economies; capitalism, communism, socialism

3.3 Rostow's stages of development

Let us start our discussion by asking ourselves this question.



Question 1: Try to reflect on your whole/ stages of life from childhood, highlight what you would consider as major stages/events in your life.

Wonderful! I believe some funny vents happened during your childhood and as you grew up, there were some improvements on those occurrences. In the past, social economists like Rostow came up with theories to explain the stages of development.

W. W. Rostow was an American economist who presented stages of growth model of development. According to Rostow, the process whereby all the developed industrial nations of the world transformed themselves from backwardness to prosperity can be described in terms of a series of stages. These stages of economic growth are: -

- i) The traditional society
- ii) The pre-condition to take-off
- iii) The take-off
- iv) The drive to maturity
- v) The high mass consumption

i) Traditional society

The traditional society is one whose production functions are based on pre-Newton science and technology. This unchanging technology places a ceiling on productivity. In this society a higher proportion of resources is devoted to agriculture. Man is valued on family basis, not on the basis of his capabilities. The ranges of possibilities for grand-children are the same what they were for grand-father. The society is ruled by those who owned or controlled land. These landlords used to have a long chain of servants and soldiers. This society was available during the Medieval Ages in Europe.

ii) Pre-condition to take-off

It is a period of transition where the conditions for take-off are developed. Historically, it was due to invasion of advanced societies which destroyed the culture of traditional society. This paved the way for the emergence of new ideas. In this way, when the new ideas develop, people start thinking

about economic progress which could provide a better life for the present and future generation. Once the changes set in, they feed on themselves. It is the education which broadens the mental outlook of the people, and it induces the people to accept new challenges. In this way, the new entrepreneurs come forward to take risks.

According to Rostow, the transition is a multi-dimensional phenomenon. A country with 75% of its population in agriculture will have to be shifted to industry, trade and commerce. The view to have more children will have to be replaced by less children. The income will have to be shifted from feudal to those who will spend it on productive items. The man will be valued on the basis of his competence.

iii) Take-off

The take-off stage is a breakthrough in the history of the society. The take-off stage remains for more than two or three decades. In this stage, three conditions must be satisfied: -

- The rate of investment must rise from 5% to 10% of Gross National Product (GNP).
- The development of one or more substantial manufacturing sector with high growth rate.
- The existence of social, political and institutional framework which could give impulse to modern sector expansion.

iv) Drive to maturity

According to Rostow, 40 years after the take-off stage, there is a long interval. During this interval, the economy experiences a regular growth and modern technology is extended over to a bulk of resources. On the basis of entrepreneurial and technological development, everything is produced which is desired. There may be a shift in emphasis from coal, iron and heavy engineering to machine tools, chemicals and electrical equipments. Germany, France, UK and US passed through this period during the end of 19th century. 10% to 20% of Gross National Product (GNP) is ploughed in investment and output grows more than increase in population. The goods which were earlier imported, now they are produced at home. In short, the economy becomes a part of international economy.

v) The age of high mass consumption

According to Rostow, as societies achieved maturity in the 20th century, real income rose and the people became aware of as well as anxious to have a command over the consumption of the fruits of mature economy. The leading sectors of the economy produce consumer durables like TV,

fridges and automobile. Here the society pays more attention on social welfare and social security than on economic growth.



Take Note

A theory is a scientifically acceptable general principle or body of principles offered to explain a phenomena .

We have completed the lecture on Rostow stages of development well , now we shall shift our attention and ask ourselves the following question



Activity

Identify the stages of development according to Rostow.

Having looked at the stages of development by Rostow, we shall now turn our attention to the various types of economies and how they operate.

3.4 Types of economies

3.4.1 Capitalism

This is a type of economic system which is characterized by private ownership of property, freedom of enterprise with its accompanying profits and competition and freedom of choice by individual consumers.

Historical Background:

Forms of capitalism have been in evidence from very early times. Ancient Egypt, Babylonia, Carthage, Greece and Rome afford abundant examples of societies based on private property and

individual enterprise. The course of economic history in general shows no sharp break anywhere, but rather a slow and continuous transformation

It was only in the latter part of the medieval era in Europe that outstanding rudiments of capitalism as a system began to appear — the rise of towns and a money economy signaled the decline of feudalism. Mercantilism, the name applied to the economic policies of then newly emerging nations (states) of Western Europe, bridged the period between the end of the medieval era (16th century) and the emergence of modern capitalism and the concept of LAISSEZFAIRE (freedom from government interference in economic affairs) in the 18th century and 19th centuries. By a process of evolution capitalism generated the industrial revolution, which in turn has been succeeded by what may all too loosely be termed as finance or mass production capitalism.

To Adam Smith, another one of the most influential works on economics ever published, "The Wealth of Nations" (1776), capitalism was apparently unknown: socialist theoreticians have, in fact, been credited with first having used the term. Smith wrote, of the natural order of Liberty standing in the fore-front of the first important organized movement to liberate the productive force of the individual man from the shackles of public authority. Relying upon the theory of natural harmony in economic matters, he maintained with fellow liberals of his day that if economic laws, as he viewed them, were allowed to operate unchecked under a common standard of ethics, maximum production and a general state of well being would be the result based upon this all-important doctrine of individual self-interest and free enterprise, the liberalism of Adam Smith's time has become one of the cardinal doctrines of modern capitalism.

It was with the onset of the Industrial Revolution in the 18th century, however, that modern capitalism indicated maturity. In the span of a lifetime, 1770, to 1840, development occurred which replaced the practice of previous centuries with the rush and roar of contemporary civilization.

Defects of capitalism:

Critical supporters of capitalism are aware, however, that within the virtues of capitalism lie also its evils and dangers as by-product of human frailties. The individual producer and trader in the past faced dangers and responsibilities that only the courageous and ingenious would dare to meet. Production and trade were not only ventures but adventures. The latter term, indeed, was the title applied to the activities of those who risked their financial security in purchasing stock in companies which promoted English colonization of other countries. In protecting their investments, individual producers or traders resorted to means which sometimes led to gross astutices of strategy and tactics similar to those essential in military warfare. The story of capitalism is to a large degree the drama of conflict by free producers, free traders, and free individuals for survival.

Nature of capitalism:

In the early days of the Industrial Revolution, the Laissez-faire policy of Adam Smith was adopted in England, cradle of individual liberty, common law. Result of social changes under this policy made necessary the intervention of governments in the interests of individuals and workers. Since then, the ever growing integration, under dependence and complexity which the age of invention has thrust upon national economics has seemingly produced an order in the United States which perhaps may best be designated as controlled and regulated free enterprise. The free-enterprise system in reality has become a hybrid item, a mixture of private ownership and government control on a prodigious scale. That has come to pass is largely the result of the excess of businessmen themselves, of the work of social reformers, and of the activities of organized labour. Though competition in its various manifestations is a basic rule, monopolistic control in some business and

labour organization has grown apace in recent years. Monopolistic prices, as well as government controlled prices tend not only to be high but also irresponsible to changes in economic conditions.

Government controls:

The tendency towards centralization in government, furthermore, has piled control upon control. Few things have seemingly a greater capacity for growth than government agencies and bureaucrats. Each sector established by government controls tends to become a dynasty and automatically to erode the remaining area of free economy.

One understandable factor however, is the fact that every country, must somehow organize itself in order to cope with its economic problems. In some way or other decisions must be reached as to how people, available labour and resources shall be best employed. What for instance shall be produced and how much, and where and by what methods are questions that press for answers by free individuals themselves or by planners.

The crucial differences between socialism, communism and fascism are on the one hand and capitalism on the other, here manifests itself. Capitalism may use as much of a planned economy as its rival economic systems, but with one vital distinction — that production, and consumption are not completely controlled by authority imposed from above but by the interaction of individual relations and prices in a free market place according to law. Consumers make their wants known to producers by their purchases.

In general, all producers, including wage earners, tend to adjust their output to the consumer market and to produce whatever can be sold to the best advantage. Consumer demand at times influenced by advertising, determines which several purposes shall be served by management, labour, land, building and materials available for production.

In this manner, economic activity under the capitalist exchange and price system is automatically regulated. Of such significance, in fact, is the role of individual judgment in the making of most fundamental decisions that modern capitalism is correctly known as the system of free enterprise and, in the United States as the American system of free enterprise. Such a description, however, is not wholly accurate. There always have been, and there are today services which cannot be run as efficiently by private enterprise without some government regulation. Nothing is more obvious in a survey of economic history, than the conclusion, that certain individuals and organizations have existed which at times threatened the foundation of the economy. Capitalism is in no way a thing exclusive of government, it is, and in certain instances, must be subject to the government.

3.4.2 communism

It is a social system and a modern political movement and ideology. A communist or a communal social system is based on the ownership of property by the community and not by individuals with the benefits of the system distributed in accordance with the common good. Numerous attempts have been made to establish communist societies in various parts of the world. Communism as a political movement received its impetus during World War 1, when followers of modern communist ideology seized power in Russia and attempted to build a world communist society. Modern ideology may conveniently be divided into two main parts. The first consists of theory of knowledge - Dialectical materialism and a theory of human society - historical materialism. Both were essentially the work of Karl Marx, although he of course delivered much of it from earlier philosophers and from earlier socialist thinkers. He also assisted in his work by his close friend Friedrich Engels.

The second portion of communist ideology consists of theory about the seizure and exercise of power and about the remolding of society. This essentially is the work of Vladimir Ilyich Lenin, the leader of Russia. Communist Revolution, but has been developed to an extent (but there is disagreement among the communists themselves) by Lenin's disciples Joseph Stalin, Mao Tse tung and Nikita Khrushchev. The movement is world —wide and is conducted by communist parties which profess the principles of Marx and Lenin, and are organized on the model of discipline and leadership as the communist party of the Soviet Union. This article will not discuss at length the theories of Karl Marx or the doctrine of dialectical materialism. The main emphasis will be brief record of the communist movement. However, it is necessary to say something about the theory of historical materialism and its relationship to worldwide communist action.

Historical Materialism:

Communists believe that historical materialism provides a scientific explanation of the development of human society. They believe that the study of history, if undertaken in the knowledge of Marxist — Leninist reveals laws which are scientific in the same sense in which the laws of Chemistry are scientific.

According to communist theory, human society moves, inevitably through certain stages, distinguished from each other by the nature of economic production. The principal stages are:

- 1) Private communal society.
- 2) Slavery.
- 3) Feudalism.
- 4) Capitalism.
- 5) Socialism.

3.4.3 socialism

It is an economic and social order under which essential industries and social services are publicly and co-operatively owned and democratically controlled with a view to equal opportunity for all.

Early Socialists:

The early socialists, frequently called "utopians" developed concepts of ideal societies to be attained through the spread of education and the establishment and expansion of cooperative colonies. The word "utopia" meaning "nowhere" was taken from the work of that name published by Sir Thomas More in 1516, in which Utopia was the name of an imaginary island that enjoyed approximate perfection in politics, laws etc.

Prior to the issuance of the communist manifest in 1848, the Utopia socialists were the prevailing schools of socialist thought. The leading Utopians were the French writers and social crusaders Comte Henri de Saint — Simon (1760 — 1852) and Charles Fourier (1772 — 1837) and the British businessman and Philanthropist Robert Owen (1771 - 1858).

In addition to more's Utopia such earlier writings as "The Republic" of Plato, 427 - 347 and the "New Atlantis" of Sir Francis Bacon, 1561 - 1626, provided much inspiration to these reformers.

View of Human Nature:

Utopia socialists, like later advocates of socialism, condemned the inequalities and injustices they saw as prevailing under the system of private ownership of the means of production and distribution and advocated various forms of social ownership. In general they contended that man was by nature good and capable of developing to the highest perfection. However, misery and suffering was seen on every side. The reason for this was that man had tampered with the original perfect constitution of human society, which in essence provide for the common ownership of

property. Such devices as private property had destroyed society's natural harmony. Mankind thus had a duty of reconstituting the "natural order" among men.

This would be done through the spread of knowledge concerning the laws underlying the natural order as the acquiring of such knowledge would assure its practical application. Mankind, when it once knew the truth, would naturally assist in mankind needed changes. The new doctrines would be preached to the rich, who also suffered from the existing order, as well as to the poor. Indeed, special effort should be made to convert the rich and the powerful for their conversion would help materially in reaching the masses.

We have discussed the various types of economies. We shall now shift our attention and ask ourselves the following question



Activity

What type of economist system is used in Kenya? Justify your answer.

We have completed the lecture well, now we shall shift our attention and ask ourselves the following question



3.5 Summary

We have come to the end of lecture three. This lecture laid the background for this unit course by explaining the stages of development and their implication on trajectories of development. We have also discussed the various types of economies; capitalism, communism and socialism



3.6 Review Activity

1. Explain the various stages of development according to Rostow
2. Discuss the following types of economies; capitalism, communism and socialism



3.6 References and Further Reading

1.Sowell, T. (2015). Wealth, Poverty and Politics: An International Perspective. New York: Basic Books. ISBN-13: 978-0465082933.