

CRITICISM OF ROSTOW'S STAGE APPROACH: THE CONCEPTS OF STAGE, SYSTEM AND TYPE

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Introduction

The publication of W.W. Rostow's *The Stages of Economic Growth: A Non-Communist Manifesto*¹ provoked many reactions in academic circles the world over. Frankly speaking, the critics proved rather severe. Some were critical to the extent of denying any significance to the theory. Others, while recognizing the author's constructive contribution in some respects, pointed out many defects and shortcomings in terms of theory and empirical evidence. The reasons why criticism was generally severe, though varied in nuance, seem to be found at least partly in the author himself. Rostow failed to propose his work in a manner which would have better met his ambitious attempt at bridging economic history and economic theory. Of course, no theory can be perfect to the point of resisting all criticism. Furthermore, it is often in the nature of a pioneer work that the author's vision is ahead of his tools. Nevertheless, Rostow should have elaborated more on the concept of "stage" the mean-

¹ W.W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge, Cambridge Univ. Press, 1960, 179 pp. (translated in Japanese by Takeyasu Kimura, Machiko Kubo and Tairyō Murakami, Tokyo, Daiyamondo-sha, June 1961.) See also by the same author: *The Stages of Growth*, Drafts of Lectures delivered at Cambridge, Michaelmas Term, 1958 (Mimeo.), 81 pp; "Rostow on Growth: A Non-Communist Manifesto", *Economist*, 15, 22 Aug. 1959, pp. 409-416, 524-531; "The Stages of Economic Growth," *The Economic History Review*, Second Series, Vol. XII, No. 1, Aug. 1959, pp. 1-16.

In addition, we should mention the following books and articles of Rostow closely related to his doctrine: *The Process of Economic Growth*, New York, W.W. Norton & Co., 1952, 285 pp. (translated in Japanese by Shōzaburō Sakai and Kazuo Kitagawa, Tokyo, Tōyōkeizai Shimpōsha, Feb. 1955.); "Trends in the Allocation of Resources in Secular Growth," *Economic Progress*, (Papers and Proceedings of a Round Table held by the International Economic Association), ed. by Léon H. Dupriez with assistance of Douglas C. Hague, Louvain, Institut de Recherches Economiques et Sociales, 1955, pp. 367-382; "The Take-Off into Self-Sustained Growth," *Economic Journal*, LXVI, March 1956, pp. 25-48; "Non-Economic Factors in Economic Development," *American Economic Review*, XLVII, 1957, pp. 28-41; "The Interrelation of Theory and Economic Policy," *The Journal of Economic History*, New York, Vol. 17, No. 4, Dec. 1957, pp. 509-523. Also Max F. Millikan and W.W. Rostow, *A Proposal: Key to an Effective Foreign Policy*, New York, Harper and Brothers, 1957, pp. 43-54. (translated in Japanese by Hisao Maeda, Tokyo, March 1958.)

ings of a "sequence of stages" and of "periodization", and attempted an effective application of the "dynamic theory of production" as an apparatus of stage analysis. Many critics attacked these aspects of his work.

In Japanese academic circles, the reactions to Rostow's theory amounted at first to little more than an objective presentation of the author's theory, and the questioning of one or other point.¹ Recently, however, several articles present a more penetrating and systematic criticism.² Some writings also try to use the Rostow model as a means to analyze empirically the development or growth of the Japanese economy in the pre- and postwar periods, thereby critically verifying its validity in practical application.³

¹ See: Prof. Takeyasu Kimura, "*Khrushchev Chōsen ye no Kaitō—Rostow Kyōju no 'Heiwa Kyōzon no Keizai-gaku'*" (An Answer to Khrushchev's Challenge—Prof. Rostow's 'The Economics of Peaceful Co-Existence', *Asahi Jōnaru* (Asahi Journal), Oct. 4, 1959, pp. 14-21; Mitsuru Konami, "*Rostow no Seichōron*" (Rostow's Theory of Growth), *Sekai Keizai* (World Economy), Oct. 1959, pp. 48-70; Yoichi Itagaki, "*Rostow Shikan ni okeru Sensō to Heiwa*" (War and Peace in Rostow's View of History), *Tōyō Keizai, Bessatsu* (Extra Issue of the Oriental Economist), quarterly, No. 2, New Year's Issue, 1960, pp. 29-36; Fumiko Seo, "*Rostow, 'Keizai Seichō no Shodankai,'*" (Rostow, 'The Stages of Economic Growth'), *Kansei Daigaku Shōgaku Ronshū* (Kansei University Commercial Papers), Vol. V, No. 3, Aug. 1960, pp. 64-82; Prof. Jirō Sakamoto, "W.W. Rostow, The Stages of Economic Growth" (Bibliographical Notes on Basic Literature), *Hitotsubashi Ronsō* (Hitotsubashi University's Collection of Theses), Oct. 1961, pp. 36-59; Prof. Kentarō Hayashi, "*Rostow no Rekishi Riron to Yuibutsu Shikan*" (Rostow's Theory of History and the Materialistic Interpretation of History), *Rekishi to Genjitsu* (History and Reality), Tokyo, Shinchō-sha, Oct. 1962, pp. 129-156.

² The most outstanding among critical review articles are: Prof. Shōzaburō Sakai, "*W.W. Rostow, 'Keizai Seichō no Shodankai' ni kansuru Ichi Hihan,*" (A Criticism of W.W. Rostow's 'Stages of Economic Growth'), *Nanzan Daigaku Keizai-Gakubu Sōsetsu Kinen Rombunshū* (Collected Papers Celebrating the Founding of the Economics Department of Nanzan University), Nagoya, Nanzan University, 1962, pp. 1-27. (The points Prof. Sakai makes by way of a methodological criticism of the Rostow theory are not only comprehensive but full of stimulating suggestions); Fumiko Seo, "*Bei-So Keizai Seichō no Mondaiten—Rostow Moderu o Megutte*" (The main Issues of the Economic Growth of the United States and the Soviet Union—In Reference to the Rostow Model), *Sekai Keizai Hyōron* (World Economic Review), April 1961, pp. 57-66; Prof. Sakae Tsunoyama, "*Rostow ni okeru Keizai Shigaku no Hōhō*" (The Method of Economic History in Rostow), *Shakai Keizai Shigaku* (Socio-Economic History), Vol. XXVII, No. 4, Feb. 1962, pp. 1-16.

³ One of these attempts is found in: *Rostow Riron to Nihon Keizai no Kindaika* (The Rostow Theory and the Modernization of the Japanese Economy), edited by Japan Cultural Forum, Tokyo, Shunjū-sha, 1962, 254 pp. This book includes, in the form of a symposium (Part II), a useful record of discussion to study how helpful it is to apply the Rostow model to analyzing the stages of Japan's capitalist development. Here Prof. Keinosuke Baba proposes an argument for revising Rostow's periodization by demonstrating that the stages of "take-off" and "drive to maturity" of the Japanese economy can be more appropriately assumed to be 1893-1912 and 1912-1951, respectively.

Without making any comprehensive reference to all this literature in and outside Japan, the present discussion is confined to certain articles directly relevant to the problems presented as key issues. It would clarify where the problem of the stage approach lies, and suggest the direction of future development.

I. CRITICISM OF ROSTOW'S STAGE APPROACH

Criticism of Rostow's stage theory of economic growth is varied. In order to put the major arguments in such order as would serve to clarify our theme below, we may sum them up as follows.

Seeking to understand the historical development of the modern world from the viewpoint of economic growth, Rostow regards the process of growth not as a homogeneous continuum but as a discontinuous course involving qualitative changes. This historical process of "continuity of discontinuity" is then "generalized" in a "sequence of stages."¹ Hence he defines the "stage" as a concept indicating the discontinuous aspect of growth, and the "sequence" as indicating its continuous aspect.

Another attempt is: Naomi Maruo, "*Keizai Hatten Dankai Riron to Nihon—Tenkai Ki ni aru Nihon Keizai*", (The Theory of Stages of Economic Growth and Japan—the Japanese Economy in Transformation, *Febian Kenkyū* (Fabian Studies), Vol. XIII, No. 11, Nov. 1962, pp. 1–18. Basing itself on the Rostow Model, it revises in some way the structure of the model in order to give an adequate understanding of the actual realities of the Japanese economy: along the course of its growth following the take-off, it regards its present stage as one of "transition (transformation) to maturity".

In his recent work, *Nihon Keizai Bunseki—Seichō to Kōzō* (An Analysis of the Japanese Economy—Growth and Structure)? Tokyo, Shunjū-sha, 1962, Prof. Kazushi Ōkawa analyzes the application to the Japanese economy of such Rostow's concepts as "take-off", "self-sustained growth", "technical maturity" and "high mass-consumption." Prof. Ōkawa draws also a clearcut distinction between the two concepts of "stage" and "phase (sub-stage)", and suggests that the stage approach should be established in terms of a "unified understanding of the two aspects of growth and structure". He advocates the following three stages as "a comprehensive theory of stages" of growth under capitalism: (1) "the formative, developing stage," (2) "the stage toward maturity" and (3) "the stage of maturity". According to this distinction, the Japanese economy stands at the starting point of the second, and it will probably need a few decades to reach the end of that stage. (Introduction and Part IV, Chapter I.)

From a different viewpoint, Prof. Kiyozō Miyata states that "the Japanese economy still stands essentially at the stage of maturity and has only partially stepped into the age of mass-consumption." See *Sangyō Kōzō Ron* (The Theory of Industrial Structure), Tokyo, Chikura Shobō, 1962, p. 216.

¹ W.W. Rostow, *The Stages of Economic Growth*, Cambridge, Cambridge University Press, 1960, p. 14.

Criticism came forth under two respects. Kenneth Berrill, for example, prefers to see continuity in history, and writes: "Nearly all the economies one looks at historically were in continuous flux."¹ He also states that although Rostow regards the stage of "take-off" as "the great watershed" indicating discontinuity, "'take-off' concentrates on"....."a complex at changes"; that the factors of these changes are inseparable; and that it is extremely doubtful whether one can divide the continuous flux of changes into stages. A.K. Cairncross, criticizing Rostow for unnecessarily exaggerating discontinuity, asks: "Is there a genuine discontinuity rather than a simple acceleration of growth?"² On the other hand, the concept of "sequence" as indicating continuity is criticized. Cairncross goes on to say: "Moreover, although Rostow draws attention to some of the characteristics of the successive stages of economic growth, he does not put forward any model of the interaction of the variables at each stage..... There are no definitions of the successive stages that admit of their identification by reference to verifiable criteria..... One of the great weaknesses of stage approach to history is that it provokes but cannot answer the question: what comes next?"³ In concluding, he admits that Rostow made clear a number of useful things with regard to industrialization, but after all he seems to deny any significance to the Rostow theory by this reproachful statement: "But it (the usefulness of his findings) is so, in my view, in spite of, rather than because of, the stage approach which he adopts."⁴

The question of whether one should regard the process of growth as a continuity or the "continuity of discontinuity" is thus fundamental to the success or failure of the stage approach. It is not without reason that criticism concentrates mainly on this point. Rostow regards the process of growth as a sequence of stages or the continuity of discontinuity rather than a continuum without a jump, because, as he himself emphasizes, "These stages are not merely descriptive. They are not merely a way of generalizing certain factual observations....." because "They have an inner logic and continuity. They have an analytic bone-structure, rooted in a dynamic theory of production."⁵ It must be

¹ Kenneth Berrill, *The Problem of Economic 'Take-Off'*, Paper presented to the Round Table of the International Economic Association on Economic Development with Special Reference to East Asia, (Mimeo) Gamagōri, Japan, April 1960, pp. 2, 5.

² A.K. Cairncross, "Essays in Bibliography and Criticism XLV.: The Stages of Economic Growth," *Economic History Review*, Utrecht, Vol. 13, No. 3, April 1961, p. 454.

³ *ibid.*, p. 451.

⁴ *ibid.*, p. 458.

⁵ Rostow, *op. cit.*, pp. 12-13.

duly appreciated that Rostow's concept of stages, understood in this sense, is greatly different from that of the German Historical School. His dynamic theory of production does not identify the process of economic growth merely in terms of "aggregates". It isolates by an "orderly disaggregation" "certain sectors, at early stages of their evolution, whose rapid rate of expansion plays an essential direct and indirect role in maintaining the overall momentum of the economy."¹ These sectors are called "leading sectors," and are grouped in a "changing sequence of leading sectors." Rostow attempts thereby to establish the technical foundation for his analysis of stages of growth; at the same time, by analyzing what he calls "leading sectors," he offers a justifiable theoretical basis to the concept of discontinuity.

Goran Ohlin has pointed out that the more Rostow's intention is acceptable, the greater is the problem it poses, because his leading sector analysis is not rightly applied to his stages-of-growth analysis. Even in Rostow's own analysis it is exceptional that new leading sectors are the chief backstage phenomena. The first stage (traditional society) serves merely as "a base line". The second (preconditions stage) is one of "cultural and institutional preparation". At the fourth stage (maturity) there is only "industrial differentiation". It is only in the third stage ("take-off") and the fifth stage ("high mass-consumption"), that Rostow's leading sectors emerge, and yet he refers to: "the semi-discontinuities of surging new sectors." Thus commenting on Rostow's stages, Ohlin continues: "In general the analytical foundation of the stage sequence seems rather less compelling than Rostow makes it out. Rostow did nothing to alleviate the tension between continuity and periodization in historical analysis."²

The above consideration bears also on the solution of the relationship between "stage discerning" and "periodization," and the problem

¹ Rostow, *op. cit.*, p. 14. Rostow gives three categories of economic sectors, as follows: (1) Primary Growth Sectors, (2) Supplementary Growth Sectors, and (3) Derived Growth Sectors. He defines the Primary Growth Sectors as leading sectors. (Rostow, *ibid.*, p. 52; see also "Trends in the Allocation of Resources in Secular Growth," *Economic Progress*, ed. by Léon H. Dupriez, Louvain, 1955, p. 373.) But Rostow himself admits that the processes of growth are basically characterized by interaction, and hence that these sectoral categories may be arbitrary as concepts and complex in application (*ibid.*, pp. 374, 375.) Nevertheless, it is fundamental to his argument to realize that "the rapid growth of one or more new manufacturing sectors is a powerful and essential engine of economic transformation." (Rostow, *op. cit.*, p. 58.)

² Goran Ohlin, "Reflections on the Rostow Doctrine," *Economic Development and Cultural Change*, Vol. IX, No. 4, Part I, July 1961, p. 649.

of whether the "sequential" process of growth should be interpreted as "historical inevitability" or "choice of policy".

As already mentioned, Ohlin refers to the former problem. Cairncross makes a similar point, stating that Rostow's theory generally lacks in criteria for discerning stages: there is no "standard pattern." "The important point is that there *is* a pattern and that this pattern can be defined in terms of invariable characteristics each capable of identification by prescribed tests. Now Rostow's stages are not of this kind." Only two stages can be identified as "standard pattern," the "traditional society" and the "modern industrial society"; it is highly doubtful that the intermediate stages, particularly high mass-consumption, can be properly identified. In fact, Rostow almost always calls the fifth stage an "age or era," and not clearly a "stage". This is suggestive, Cairncross says, and he points out how the indistinctness of the stage concept led Rostow to lose confidence with respect to the dating of the stages.¹

From a different viewpoint, Paul Baran criticizes Rostow, stating: "The first and most serious (weakness) is that his theory of 'stages' actually tells us nothing except that there are stages. The four other stages are implicit in the 'take-off', and add nothing to it. Given a 'take-off' there must obviously be a stage before it, but when the conditions for economic growth are not present another when the pre-conditions for the 'take-off' exist, and yet another following it when..... and yet another when..... "....." The Rostovian stage theory, despite its comprehensive historic and sociological claims reduces economic growth to a single pattern by classifying any and every country only in respect to its position on their stepladder, the middle rung of which is the 'take-off'..... It overlooks the obvious fact that, however universal the technical problems of economic growth may be, different social types of economic organization can, or must, solve them in very different ways."² Baran insists thus on the importance of introducing the concept of "economic system" into the problem of "stage discerning."

¹ Cairncross, *op. cit.*, p. 453.

² P.A. Baran, and E.J. Hobsbawm, "The Stages of Economic Growth," *Kyklos*, 14(2), 1961, pp. 235-236. The propriety of understanding Baran's "social type of economic organization" in terms of "economic system" comes from Paul A. Baran, *The Political Economy of Growth*, New York, Monthly Review Press, 1957. Judging from the logical consequence of Rostow's scheme, Baran also makes the point that the term of "high mass-consumption" is wrong for the stage that is characterized not by mass-consumption but by "abundance", and that at the present stage of the American economic development, the leading sectors of the economy are "armaments" more than anything else. (*ibid.*, p. 235. footnote)

The problem of whether the "sequence" of stages in economic growth should be regarded as a "historical inevitability" or a "choice of policy," was another focus of much critical discussion. As Rostow takes the position of challenging the Marxist materialistic interpretation of history, he stresses the notion of "balance among alternatives," rather than "a series of rigid, inevitable stages to history."¹ He looks at "the full mechanism of choice among alternative policies, including the political process—and, indeed, the social and religious processes—as independent arenas for making decisions and choices,..... patterns of choice made within the framework permitted by the changing setting of society."² He thereby defines his concept of stage as indicating a pattern of policy choice.

Bruno Knall, who authors the most comprehensive investigation of articles devoted to criticism of Rostow, raises a sharp question on this point. According to Knall,³ Rostow works with two completely opposed models. On the one hand, he determines "uniformities in the sequence of modernization" through the stage analysis; in this sense, he depicts regular development from a lower to a higher stage. On the other hand, he defies the automatism of inevitable regular development, and admits the possibility of choice among alternative policies, within the framework permitted by the different types of society, even at the same stage. This possibility of choice, however, does not exist at the first three stages; it begins only with the stage of maturity. Therefore, Rostow seems to assume, at least tacitly, more or less regular development for the first three stages. While admitting the possibility of choice after the take-off stage, Rostow is also expounding "ein quasi-automatischer Entwicklungsmechanismus" (a quasi-automatic mechanism of development) based on "compound interest," which does not exist in reality. To sum up Knall's criticism, Rostow's method of stage analysis represents an attempt at combining two incompatible models; and the attempt failed.

Ohlin on his part states: "Rostow's occasional disclaimers that he is not talking about 'rigid, inevitable stages of history' but only of 'patterns of choice' merely serve to underline the tension between a historical theory and a way of looking at things."⁴ Baran⁵ also writes:

¹ Rostow, *op. cit.*, p. 149.

² *ibid.*, pp. 150, 149.

³ Bruno Knall, "Wirtschafterschliessung und Entwicklungsstufen: Rostows Wirtschaftsstufentheorie und die Typologie von Entwicklungsländern," *Weltwirtschaftliches Archiv*, Bd. 88, Heft 2, 1962, (pp. 184-258), pp. 203, 223, 224.

⁴ Ohlin, *op. cit.*, p. 655.

⁵ Baran, *op. cit.*, p. 236.

"It (the Rostovian theory) simply fails to specify any mechanism of evolution which links the different stages." He adds that Rostow's theory cannot venture our explanation or a prediction without calling on considerations entirely irrelevant to the scheme of stages. For instance, while referring to "the inner logic" of stage analysis or "the inner structure"¹ of the take-off, Rostow acknowledges that the movement of variables was varied in the historical examples of take-off. Baran concludes: "Such explanations and predictions as Rostow attempts are therefore little more than verbiage which has no connection with his stages theory or indeed with any theory of economic and social evolution, being generally based on what might be charitably called coffee house sociology and political speculation."²

In the foregoing, major points of criticism have been summed up in order to investigate the methodology of the Rostovian stage approach. These writers have especially questioned the cumulative, automatic process after the take-off³ (including the concepts of "built-in," "compound interest," "automatism," "self-sustained growth," "normal," "regular," etc.), and presented statistical and empirical criticism of "dates".⁴ Rostow's misconception or misunderstanding of the Marxian theory and historical materialism has also come up for criticism.⁵

II. THE CONCEPTS OF STAGE, SYSTEM AND TYPE

Although all the severe criticism of the Rostovian stage approach should not be accepted as it stands, it brings to light basic problems that, in many ways, will call for reflection. This is partly because as mentioned earlier Rostow has from the outset failed to give full con-

¹ Rostow, *op. cit.*, p. 46.

² Baran, *op. cit.*, p. 236.

³ Almost all critics refer to this point, and it is on this problem that Checkland concentrates criticism. S.F. Checkland, "Theories of Economic and Social Evolution: The Rostow Challenge," *Scottish Journal of Political Economy*, Vol. 7, Nov. 1960, pp. 183-192.

⁴ The International Economic Association (I.E.A.) held a Round Table on "The Economics of Take-off into Sustained Growth," at Konstanz in September 1960. At this conference, Rostow himself made a report on "Leading Sectors and the Take-off." Simon Kuznets made critical comments in generalizing the discussion. A.K. Cairncross, P. Deane and H.J. Habakkuk reported on the take-off of England, D.C. North on that of the United States, W.G. Hoffmann on Germany, and Prof. Shigeto Tsuru on Japan. Special mention is made that the problem of Rostow's periodization was critically reviewed. (Knall, *op. cit.*, p. 206, footnote.)

⁵ Baran and Ohlin, *id.* Also see B.G. Gustafsson, "Rostow, Marx and the Theory of Economic Growth," *Science and Society*, 25(3), Summer 1961, pp. 229-244.

sideration to certain methodological weaknesses inherent in the stage approach itself.

It is well known that the "stage of development" presentation and the accompanying critical polemic are as old as, or older than, the German Historical School.¹ Its thorough criticism by Carl Menger,² Max Weber,³ Walter Eucken⁴ and recently Karl Popper⁵ seems to have buried such thinking. It is, however, significant that the controversies resulted generally in a transition from the "stage" to the "type" approach.

Originally, when the Historical School devised its stage approach, it intended to provide a bridge between economic history and economic theory, historical studies and theoretical studies. Accordingly, the stage concept had to be theoretical as well as historical. The historical concept points at the "uniqueness" of historical phenomena, whereas the theoretical concept is concerned with their "uniformities". By making the stage concept "historical and theoretical," the Historical School sought to overcome "*die grosse Antinomie*" (Walter Eucken) of both concepts. It proved, however, impossible to alleviate the antinomy of the "anti-naturalistic doctrines of historicism" admitting the uniqueness of historical phenomena, and the "pro-naturalistic doctrines of historicism" permitting their uniformity (Karl Popper). From Wilhelm Roscher, Karl Knies, Bruno Hildebrand and Gustav Schmoller to Karl Bücher, Werner Sombart, Max Weber and Arthur Spiethoff, the stage concept progressively lost its theoretical nature indicating the uniformities of historical phenomena or the regularities of successive shifts. It evolved into the concept of "*Gestalttypen*" indicating, as was the original historical concept, historical individuality and morphological character-

- 1 Hans Proeler in *Die Epochen der deutschen Wirtschaftsentwicklung*, (Nürnberg, Krusche & Co., 1927, pp. 18-39,) lists more than thirty kinds of stage theory ranging from Thucydides, Plato and Aristotle to Max Weber. The most outstanding methodological reflection on the development-stage theory of the Historical School is found in Gertrud Kalveram, *Die Theorien von den Wirtschaftsstufen*. Leipzig, Hans Buske, 1933.
- 2 Carl Menger, *Untersuchungen über die Methode der Sozialwissenschaften, und der Politischen Oekonomie insbesondere*. Leipzig, 1883; *Die Irrthümer des Historismus in der deutschen Nationalökonomie*. Wien, 1884. (*The Collected Works of Carl Menger*, ed. by the London School of Economics and Political Science, Vols. II, III, London, 1933, 1933.)
- 3 Max Weber, *Gesammelte Aufsätze zur Wissenschaftslehre*. Tübingen, 1922; 2. Durchgesehne ergänzte Aufl., Tübingen, 1951.
- 4 Walter Eucken, "Die Ueberwindung des Historismus," *Schmollers Jahrbuch*, Jg. 62, Heft 2, 1938, pp. 63-86.; *Die Grundlagen der Nationalökonomie*. 1. Auflage, Jena, Gustav Fischer, 1940; 6. durchgesehne Auflage. Berlin, Springer, 1950.
- 5 Karl R. Popper, *The Poverty of Historicism*, London, Routledge and Kegan Paul, 1957.

istics. It became "*das Wirtschaftssystem*"¹ of Sombart, or "*die Wirtschaftsstile*"² of Spiethoff. This transformation of the "stage" concept into the "type" concept meant that of the two components of the stage concept, "uniqueness" and "uniformity," the latter died out and the former alone survived. Thus the original scheme of the stage approach suffered a setback.

It may be said that Rostow attempts to bring the stage approach "back to a new life" and thereby provoke "a renaissance of the economic stage thinking" in the Twentieth century.³ Of course, Rostow does not intend to resuscitate the stage concept and approach in its original form. He rather intends to see "if we can link them (stages) to a modified corpus of conventional economic theory—and especially provide some definitions that are at least conceptually quantitative and permit reasonably accurate dating—we may generate something of intellectual power and utility."⁴ Rostow does not shut the eyes on the difficulty of this "synthesis," but is convinced of its usefulness and possibility.

A similar confidence was expressed by Herbert Giersch, who admitted "the potential analytical merits" of the stage approach applied to the problem of economic development. "As often in the history of economic thought, the ambitious proponents of the idea failed to see its limitations, while the critics failed to observe its usefulness for certain purposes..... It follows that the stage approach can be useful for our purposes only, if the sequence of stages is so devised, that it includes a number of relevant criteria and variables which necessarily change in the course of development. Whenever one of the criteria has undergone a substantial change, we may say that the economy has

¹ See Werner Sombart, *Die Ordnung des Wirtschaftslebens*, 2. verbesserte Auflage, Berlin, Julius Springer, 1927, p. 14; *Der moderne Kapitalismus*, I, 1: *Die vorkapitalistische Wirtschaft*, München, 1928, pp. 21–22; *Die drei Nationalökonomien: Geschichte und Systeme der Lehre von der Wirtschaft*, München, 1930, pp. 184, 206.

² See Arthur Spiethoff, "Die Allgemeine Volkswirtschaftslehre als geschichtliche Theorie: Die Wirtschaftsstile," *Festgabe für Werner Sombart*, München, 1933, pp. 58 f. 61, 79.

³ In the words of Bruno Knall, "zu neuen Leben erweckt" and "eine Renaissance des Wirtschaftsstufengedankens" ("Wirtschaftserschliessung und Entwicklungsstufen: Rostows Wirtschaftsstufentheorie und die Typologie von Entwicklungsländern," *Weltwirtschaftliches Archiv*, Bd. 88, Heft 2, 1962, pp. 186, 195.) In this article, Knall not only criticizes Rostow but reflects on and criticizes the development-stage theory of the German Historical School. It is an indispensable reading, for it is the most forcible criticism on Rostow written so far.

⁴ W.W. Rostow, "The Interrelation of Theory and Economic History," *The Journal of Economic History*, New York, Vol. 17, No. 4, December 1957, p. 521.

moved to a new stage with a different institutional set-up..... This failure is not a necessary result of the intrinsic features of the stage approach itself, but of the lack of analytical power on the part of those who made this first attempt. A fresh attack on similar lines can be more successful, since our present analytical apparatus is incomparably superior particularly in the sector of quantitative economics."¹

Rostow presented his stage approach by way of "a fresh attack." No matter how many defects remain, the stage approach itself will stand many tests and confirm its usefulness. In considering this "fresh attack," one could, however, not dispense with fundamental reflection on at least the following points.

The first point concerns the essence of the stage concept. What viewpoint and what criterion permit to distinguish one stage from another? The past confusion and abuse of the stage concept were rooted, in final analysis, in the lack of methodology. In Rostow's stage theory, too, confusion reigns. Proposing five stages, he selects as viewpoint "economic growth," and as criterion "leading sectors". But does the theory thus advanced deserve the name of "five-stage"? If it is of great significance that Rostow selects as viewpoint economic growth instead of mere "industrialization". If it is of even greater significance that economic growth is understood to mean stages of development involving changes in political institutions, social structures and value systems, then the stages should be distinguished on the basis of the socio-economic "system"! In that case, the five stages may be reduced to three: traditional society, transitional society and modern (industrial) society; or even to two stages, if the transitional society is left out on the ground that it has not experienced a real revolution of the system itself although inner changes took place. Another series is also possible: if "welfare society" is taken as a meaningful concept and applied to Rostow's high mass-consumption stage or to the next one that includes it, the five stages may be reduced to three: traditional society, modern industrial society, and welfare society.² In selecting his viewpoint, Rostow is aware of the importance of the "system," but does not give full consideration to the distinction and relationship between stage and system. Although there is the "great

¹ Herbert Giersch, "Stages and Spurts of Economic Development," *Economic Progress*, Papers and Proceedings of a Round Table held by the International Economic Association, ed. by Léon H. Dupriez, Louvain, 1955, pp. 194, 195.

² This point is discussed by Knall. (*op. cit.*, p. 208.)

watershed" in terms of system between the traditional society and the modern industrial society with the take-off stage as its climax, there is a mere shift of "phase" or "sub-stage" within the industrial system between the take-off, maturity and high mass-consumption stages, because a change of the system itself does not come into question. Rostow himself uses the terms of stage and phase, without determining the distinction and relationship between both. It is felt, however, that the use of the stage concept should be related to the "system".¹ The shift from one stage to another in the process of development must be identified with the shift from one system to another. The stage theory in historical materialism represents in this connection, the most typical example of uniting the concepts of stage and system.

It is therefore important to identify stage with system, distinguish and make clear the relationship between stage and phase. Both stage and system are historical concepts, but in view of the history of this terminology "stage" is as a "historico-practical" concept, whereas "system" is a "historico-theoretical" concept.² Though both indicate a *Strukturzusammenhang* (structural connection) of historical phenomena, "stage" emphasizes the aspect of *Gestaltungszusammenhang* (formative connection), and "system" that of *Gestaltzusammenhang* (morphological connection).

In order to determine the stage concept, the concept "system," which will enable to identify stages must be made precise. It means that the "correspondence" between the social organization in a broad sense, involving political institutions, social structure and the cultural values system on the one hand, and the economic organization as a social order of production and distribution on the other is grasped as a "*sinnvolle Einheit*" (meaningful unity).³ Although it is problematical whether this "meaningful unity" should be understood as "Realtypus"

¹ Sombart, considering the "economic system," did not connect it with the stage concept but with the concept of "economic period" (*die Wirtschaftsepöche*). (*Die drei Nationalökonomien*, p. 228; and *Die Ordnung des Wirtschaftslebens*, p. 30.) Dr. Shōzaburō Sakai of Nagoya University makes the same point in *W.W. Rostow 'Keizai Seichō no Shodankai' ni kansuru Ichi Hihan* (A Criticism on W.W. Rostow's 'Stages of Economic Growth'), Nagoya, Nanzan University, p. 15.

² Prof. Zenya Takashima considers the concept of "system" to be "aufheben" of the concept "stage", and understands it as the concept of "Strukturzusammenhang" (structural connection). See Z. Takashima, "Dankai Riron to Taisei Riron" (Stage Theory and System Theory), *Keizai Shakaigakusha to shite no Smith to List* (Smith and List as Economic Sociologists), Tokyo, Ochanomizu Shobō, 1953, pp. 335, 338-340.

³ Sombart, *Die Ordnung des Wirtschaftslebens*, p. 14.

or "Idealtypus," it is more or less an "Idealtypus," in the sense of Max Weber. By the concept "system," a certain stage of historical phenomena is discerned, and the practical, *gestaltende* (formative) character¹ of the concept "stage" is to determine the "gestaltende Wirkungszusammenhang" of relevant variables of the social and economic organizations which constitute the framework of the system. Through the implementation of policies based on this *gestaltende Wirkungszusammenhang*, the shift from one stage to another and from one system to another is made.

Important here are, of course, the "criteria" which decide "systemic variables" basic to each system, and the analytical model of interaction among "stage's variables" gathered within the context of the *gestaltende Wirkungszusammenhang* of each stage. In this connection, as Giersch maintains, "the variables and criteria to be included in this scheme must be co-operational."² It may be very difficult to meet such a requirement, but if this problem is solved in one way or another, it will be possible to establish, "an inner logic" of shift which explains "a sequence of stages," as intended by Rostow.

But a difficulty remains: Should the logic of shift be understood as a "historical inevitability" or as a "policy choice". As mentioned above, the Historical School originally preferred the method of stage theory, because the naturalistic way of looking at things was objected to, and hence an inevitable law of historical phenomena could not be accepted. In fact, however, it was impossible to be logical about "historical relativism" in knowledge; even Karl Knies warned severely against slighting the significance of solving the problem of how to establish *die Entwicklungsgesetze der Volkswirtschaft* (laws of development of the national economy).³ Nonetheless the Historical School failed to solve the problem, as was to be expected since it did not resort to historical naturalism. The stage approach based on historical materialism succeeded in establishing the laws of development,

¹ The author has expressed, elsewhere, the view that the stage concept should be of practical, formative nature. A distinction was made between "the stage concept for a theoretical knowledge of historical, genetic nature (*Gestalttypen*) and "the stage concept for a practical knowledge of historical, formative nature" (*Gestaltungsstufen*) in order to bring forth the intrinsic value of the concept. See Y. Itagaki, *Seiji-Keizai-gaku no Hōhō* (Methodology of Political Economy), Part II, Chap. 3 (The Problem of Theories of Stages in Historical Perspective), Tokyo, Nihon Hyōronsha, 1942, pp. 377-404.

² Giersch, *op. cit.*, p. 196.

³ See W. Eucken, *Die Grundlagen der Nationalökonomie*, 1 Aufl., Jena, Gustav Fischer, 1940, p. 47.; 6. Aufl., Berlin, Springer, 1950, pp. 38-39.

because it adopted a sort of historical naturalism, and sought in dialectics a basis for the inner logic of shift. A stage theory not based on dialectics, as the one attempted by Rostow, does not lead to "a series of rigid, inevitable stages of history, but to patterns of choice made within the framework permitted by the changing setting of society."¹ It has no other choice than considering "the full mechanism of choice among alternative policies."² It is thus fully understandable that his theory concentrates on setting up a "pattern and mechanism of choice" among policies and strategies.

In this case, however, Rostow provoked as mentioned above, unnecessary confusion and misunderstanding among the critics, by missing the important conceptual distinction between "stage" and "phase," as well as between "policy" and "strategy." In our understanding, in the case of shift from one stage to another, we face the problem of "pattern and mechanism of choice among policies;" in the case of shift from one phase to another, the problem is the "pattern and mechanism of choice among strategies." The policy choice concerns the stage, whereas the strategy choice concerns the phase. We are inclined to stress the importance of strictly defining policy and strategy as two different concepts, because it is expected that clearer distinction between stage and phase may come forth. "Strategy" is a sort of action designed to ensure the most effective shift from one phase to another within the framework of a certain system; "policy" on the other hand is a different sort of action designed to achieve the most effective shift from one stage to another by changing the system itself. Although the two concepts of stage-shift and phase-shift commonly involve that of "discontinuous jumps," they are different from one another in that strategy stands for the "system of technical judgment," whereas policy stands for the "system of values," both from the viewpoint of practical choice. The system of values however embraces that of technical judgement, and the goal of strategy is determined by policy objectives. We think that such a correlation between strategy and policy can be defined, because in the historical process³ the stage, arena of policy, can always be taken as a concept of a broader dimension than the phase, arena of strategy.

¹ Rostow, *The Stages of Economic Growth*, p. 149.

² *ibid.*, p. 150.

³ See Y. Itagaki, "Strategy and Policy of Economic Development in Underdeveloped Countries: Significance of the Stage Theory," *Hitotsubashi Journal of Economics*, Vol. 2, No. 1, Sept. 1961, p. 9.

By making clear distinction and relationship between stage and phase, it is easy to grasp the significance and scope of what Rostow calls "the pattern and mechanism of choice". What he calls "five stages" is not based on any strict conceptual definition but is actually a combination of stages and phases. The Rostovian "dynamic theory of production" based on leading-sector analysis does not represent a theory of "pattern and mechanism of choice" among policies for stage-shift. It can be valid only as a theory of choice among strategies for phase-shift. Unbalanced economic growth, centred on the leading sectors, is irrelevant to discontinuity in the system, and represents a problem of strategy which concerns only the discontinuity of phases within given system. Accordingly since Rostow's stages of take-off, maturity and high mass-consumption are not "stages" in the proper sense of the term but "phases," the strategy theory of phase-shift comes into consideration. Here, the dynamic theory of production can be effective as a theory of pattern and mechanism of strategic choice. From the viewpoint of the system, the question of shift from traditional to modern industrial society needs precisely the policy theory of stage-shift, rather than the dynamic policy of production which by itself cannot play the role of a theory of pattern and mechanism of policy choice. In order to solve this problem of stage-shift in conformity with historical precedents, Rostow often tries to explain by introducing the factor of "reactive nationalism".¹ Since this factor is entirely irrelevant to the dynamic theory of production, he acknowledges implicitly as pointed out by a number of critics the limitations of the dynamic theory of production.

Rostow's stage approach has thus a weighty significance, though it remains open to controversy with regard to what we called the strategy theory of phase-shift. He does not present, however, any positive, systematic scheme in the form of a theory, with regard to the policy theory of stage-shift. To a certain extent, he may be said to have outlined a pattern of policy choice, but could not outline a mechanism of policy choice. In this respect, the Rostovian doctrine labours under a fundamental defect, though it could be considered as a problem left to be solved by a future stage approach. It would have the challenging task of presenting a uniform system integrating the policy theory of stage-shift and the strategy theory of phase-shift. It will be no doubt difficult to solve this problem. At a time when we enter a "Renaissance of stage thinking" (Knall) and when expect-

¹ Rostow, *The Stages of Economic Growth*, p. 26.

tations are set on "the potential, analytical merits of the stage approach" (Giersch), it would be defeatism to give up "a fresh attack" on the stage theory and retreat to the safe position of the type approach. The questions of economic development in underdeveloped countries especially could not be properly answered without relying upon the stage approach. Rostow makes us conscious of the problem with his ambitious attempt at a unified understanding of the process of historical development, from the viewpoint of economic growth applying to advanced as well as underdeveloped countries. Among the stages, the take-off is presented as vital. The shift to the stage of take-off is important to all countries, but it is, in particular, a pressing economic task for underdeveloped countries. For the latter, it raises the most crucial problem of how with the take-off stage as "great watershed," they shift from the stagnation stage of the traditional society, through "the preconditions stage for take-off" of the transitional society, to the stage of "self-sustained growth" of the modern industrial society. Under what impulses, by what forces, through what process, when and how does the take-off occur?¹ This is the very basis of Rostow's problem-consciousness. The transitional society, which Rostow rightly or wrongly devised as a stage, is particularly significant, if taken as an evidence that he laid emphasis on the problem of transitional shift. And the key to this problem cannot be sought elsewhere than in the stage approach.

In this light, Rostow's critics may well be content with discussing defects of his approach, and point toward difficulties in solving its problems. But if, denying any significance to the stage approach, they turn to the "type approach" for solution, it means a mere evasion. We cannot approve for example Bruno Knall's criticism if in conclusion he turns from the stage to the type approach (though we have been impressed by his sincere attitude in criticism and his prudence in argument). Knall classifies into orders a variety of "economic" and "systemic" factors in the political, social and cultural (value attitude) spheres of less developed countries, from the viewpoint of "development chance" (*die Entwicklungschancen*). On the other hand, he devises two "types of development" (*Entwicklungstypen*) with regard to developing countries: the "predominantly active society" (*Entwicklungsländer mit vornehmlich aktiver Gesellschaft*) and the "predominantly passive society" (*Entwicklungsländer mit vornehmlich passiver Gesellschaft*); each of these two basic types connotes several sub-types. He

¹ Rostow, *op. cit.*, p. 2.

thus unfolds a sort of "Typologie,"¹

From the viewpoint of Rostow's stage theory as well as ours, Knall's scheme is not designed to be connected with a theory of stage-shift which would call in question the "mechanism" of policy choice; it may however be useful to a degree for identifying the "pattern" of policy choice. We do not deny significance to the type theory itself,² but deny, if we remain faithful to our problem, that sort of type approach that replaces and nullifies the stage theory. Recently, Prof. Hoselitz using the method of Talcott Parsons, presented a theory on "patterns of economic growth". Also from the viewpoint of economic development theory for underdeveloped countries, he reviewed the development-stage theories of the German Historical School and, fully displayed the depth of his clear comprehension and the pertinence of his evaluation of various theories. At the same time, he suggests views that would help his growth-type theory to develop into a growth-stage theory.³ Since Hoselitz is superior to Rostow in methodological insight, we may expect better results.⁴ It was also made known that the Harvard group led by Prof. Parsons is moving from the previous theory of social system to "a theory of stages of social systems."

In conclusion, we call for a fresh approach to the stage theory, in order to unify our knowledge of theory, history and policy by distinguishing and relating at the same time the key concepts of "stage," "phase," "system," "type," "policy" and "strategy".

¹ Knall, *op. cit.*, pp. 228-255. Prof. Salin, who attempts a typological approach for the conceptual definition of underdeveloped countries, notes the relevance of economic system and economic stage ("Unterentwickelte Länder: Begriff und Wirklichkeit," *Kyklos*, Vol. 12, Fasc. 3, 1959, pp. 402-427.)

² It is noticeable among other things that Prof. Simon Kuznets, while referring to the three tasks of theory, attaches importance to a dynamic theory aimed at a model dealing with the pattern and mechanism of the spread of the industrial system throughout the world. But he only warns against a serious danger involved in such an ambitious theoretical orientation as Rostow's, because he lays much more emphasis on "the primacy of empirical evidence." (*Six Lectures on Economic Growth*. Glencoe, Ill., Free Press, 1959 —Lecture VI—pp. 109-122.)

³ Bert F. Hoselitz, "Economic Policy and Economic Development," *The State and Economic Growth*, ed. by Hugh G.J. Aitken, New York, Social Science Research Council, 1959, pp. 325-352; *Sociological Aspects of Economic Growth*. Glencoe, Ill., Free Press, 1960 (especially chapters 1 to 4); "Theories of Stages of Economic Growth," *Theories of Economic Growth*, ed. by Bert F. Hoselitz, Glencoe, Ill., Free Press, 1960, pp. 193-238.

⁴ Hoselitz, *Theories of Economic Growth*, p. 238.