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## The Wildcat and the Pigeons

Benito Legarda y Fernandez

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# Review Article

## *The Wildcat and the Pigeons*

Professor Rostow has indeed put an empirical wildcat among the theoreticians' favorite pigeons.—*The Economist*, 6 February 1960, p. 504.

### I

The sound and fury of international debate have heralded the publication of W. W. Rostow's slim (167 pages of text), non-technical (at least by the author's own description) yet challenging volume on the stages of economic growth.<sup>1</sup>

The thunder has come from both the left (Mr. Peter Wiles of Oxford in last December's *ENCOUNTER*) and the right (Prof. David McCord Wright of McGill University in last December's *FORTUNE*) in the West, as well as from the bristling ideological battlements of the Kremlin (Mr. Yuri Zhukov in *PRAVDA*). Mr. Wiles, after casting about somewhat inconclusively amid the shoals of historical material cited by Rostow, concentrates his fire on the alleged similarity of American and Russian economic growth — a thorny question that is far better left to experts on Soviet statistics. In subsequent

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<sup>1</sup> *THE STAGES OF ECONOMIC GROWTH: A NON-COMMUNIST MANIFESTO*, London: Cambridge University Press, 1960. The publishers have considerably made the book available in both cloth-bound and paperback editions.

correspondence with another publication, he appears to identify economic growth with industrial growth, without a word about agriculture. If there were a referee in this debate he would probably whistle Mr. Wiles out of the game on this count. (Incidentally, no one cites Japan's recent rapid rates of over-all economic growth, which seem an embarrassment to both friend and foe.) Prof. Wright, for his part, takes exception (in a querulous article which will surely not enhance his professional reputation) to the foreign policy implications of Rostow's theory which, however, take up only a small portion of the book. *Gospodin Zhukov* in PRAVDA of October 19, 1959 (as reported in THE ECONOMIST for November 7, 1959, p. 502) calls Rostow a shrill, squeaking snipe in the capitalist bog (an oblique reminder, perhaps, of the Charles River Basin at low tide?), and in between such choice epithets (fairly conclusive indications that Rostow has hit where it hurts) asserts (wrongly) that Rostow ignores "social formations" in his theory and (rightly) that he sets some store on non-pecuniary motives behind entrepreneurial behavior.

The central figure in the stages-of-growth, the take-off into self-sustained growth, is not a newcomer on the scene and dates back at least to Rostow's 1952 book, THE PROCESS OF ECONOMIC GROWTH (N. Y.: W. W. Norton, 1952, esp. pp. 102-106). But the full unfolding of its historical context, of the stages which conceptually and chronologically precede and follow it, has come only now. Mercifully, we are spared in the present work much of the technical jargon of the earlier book, especially the "propensities"—a Keynesian term whose claim to complete respectability has, at least for anyone with even the slightest sense of humor, never been quite the same since Sir Dennis Robertson's devastating little footnote on page 16 of ESSAYS IN MONETARY THEORY (London: Staples Press, 1940).

It would be obviously impossible to take up in an article like this one all the points raised by the wide range of topics covered in the book. Here we can only give a short summary, using the author's own words as much as possible; make

some comments on the book's significance for economic history, economic theory and policy (especially of developing countries), foreign policy, and other non-economic fields; go on to some considerations on Rostow and Marx; and conclude with an attempt to apply some stages-of-growth concepts to the Philippine experience.

## II

According to Rostow, the economic history of societies may, for certain purposes, usefully be regarded as a succession of five stages:

(1) the traditional society, where a ceiling exists on the level of attainable per capita output;

(2) the transition stage, where the preconditions for take-off are developed with the undoing of traditional society and its supplanting with one form or another of modern society, often under the impact of some external intrusion from more advanced societies ("reactive nationalism");

(3) the crucial stage of the take-off into self-sustained growth, which involves a rise in the rate of productive investment to the point where it exceeds population growth and thus yields a distinct rise in per capita output (say, from 5% or less of the national income to 10% or more), the development of one or more substantial manufacturing sectors with a high rate of growth, and the existence or quick emergence of a political, social and institutional framework which gives to growth an on-going character, all of which is generally crowded into a twenty-year period;

(4) the drive to maturity, when the now regularly growing economy drives to extend modern technology over the whole front of its economic activity, maturity being attained some forty years after the end of take-off; and

(5) the age of high mass-consumption, where the leading sectors shift towards durable consumers' goods and services.

These stages are not mere descriptions or historical generalizations but are rooted in a dynamic theory of production

which disaggregates sectors of growth; certain leading sectors have at early stages of their evolution a rapid rate of expansion which plays an essential role in maintaining the overall momentum of the economy from the side of both supply and demand.

The sectors of an economy may be grouped in three categories: primary and supplementary growth sectors which derive their momentum essentially from the introduction and diffusion of changes in the cost-supply environment, and derived-growth sectors which are linked essentially to changes in demand and thus characterize the stage of high mass-consumption.

At each stage, societies are confronted with the necessity of making decisions in the disposition of resources which, combined with a whole complex of social, political and economic factors, determine the specific content of the stages-of-growth for each society. Thus the system is not crudely deterministic.

After a digressive chapter in which he notes the similarity in growth patterns of the American and Russian economies, Rostow goes on to apply the stages-of-growth to the question of aggression and war, distinguishing three kinds of wars: colonial wars, regional aggression, and the massive wars of the present century. Admitting that the stages-of-growth offer only limited insight into the initiation of colonial ventures, he nevertheless states that they are related to the ability of colonial peoples to force withdrawal of the ruling power, since such ruling powers in organizing or modernizing the administration of colonies could not help but introduce some of the preconditions for take-off, as well as provoke reactive nationalism.

The other two kinds of wars are more directly related to the two dangerous periods in the stages-of-growth, the preconditions period and the period of maturity. Regional aggression is said to arise after the overthrow of traditional rulers or the expulsion of imperial powers, when the leaders of the new order, responsible for a turbulent transitional society, face three choices: to assert power and dignity on the world scene, to consolidate the power of the central government, or to mo-

demize society and the economy. It is tempting to undertake the first while carrying out the second and third choices, as the specter of an external enemy can conveniently be conjured up to mobilize domestic resources for the other two purposes. And the dangers to world peace are small, as these wars have limited objectives, being aimed at territories close to the new nation's borders.

The massive wars of the present century—World Wars I and II and the Cold War—are explained by the stages-of-growth hypothesis as the result of the uneven industrialization of northern Eurasia, with Germany, Japan and Russia completing their take-offs in succession, thus altering the balance of power, and leaving as dangerous vacuums Eastern Europe and China which had not completed the preconditions stage. The pursuit of Eurasian hegemony by these new powers attempting, singly or in alliance, to move into these soft spots drove France and the U.S. into alliance with Britain and set the stage for the wars of the first half of this century.

With the advent of the 1950's two things altered the situation: weapons (especially the H-bomb) were developed which grossly surpassed in destructive power anything which had gone before, and which could lead to world destruction, user and all; and the preconditions or the beginnings of take-off were accelerated in many underdeveloped countries, leading to a long-run diffusion of power over the world.

This diffusion of power can be rendered relatively safe or very dangerous, but cannot be prevented. Having arrived at a weapons stalemate and thus having to renounce any hope of world domination, it is to the interest of all the present world powers, the U.S.A. and the USSR included, to opt for the first alternative by joining in an effective system of arms control, and to assist developing economies to achieve their take-offs by larger and more stable programs of external assistance.

The concluding chapter is devoted to a comparison of the Marxian system with the stages-of-growth, and with a statement of values.

## III

What is the significance of all this? It may fairly be said that Rostow has made a valuable contribution to economic history, furnished some worthwhile insights to economic theory, economic policy and sociology, probably provided a needlessly complicated rationalization of foreign policy objectives, and given an answer to Marx that does not quite amount to a complete refutation and that slurs over much valuable work that has been done in this field.

So far as economic history is concerned, Rostow's concepts should prove extremely fruitful. The stages-of-growth may not provide the right answers to all questions, and he does not pretend they do; but they provide a framework not only for ordering facts but also for asking many of the right questions. They do not encompass all the phenomena of economic history, and he does not claim they do; but they do serve to widen the horizons of the economic history courses in the western world, which have been much too Europe-oriented until quite recently. At the same time, the book should stimulate increased monographic work on non-European areas, by non-Europeans, one hopes.

The usefulness of Rostow's concepts is such that they are not likely to be overthrown even by valid factual criticism. For example, Mr. Wiles (already mentioned) takes exception to the inclusion of the foreign policies of France's First Republic and First Empire under the label "reactive nationalism" associated with the transitional stage. However, after a few more nibbles at the factual base of Rostow's historical structure, he desists, apparently (and correctly) in the belief that no amount of such nibbling will suffice to bring it down.

But there are several questions which can and should be asked of the stages-of-growth, questions which are directed at clarifying or elaborating points contained therein rather than at subverting the whole system. For example, Rostow's stages-of-growth are both conceptual and, for the countries that attained economic maturity earlier, chronological. But we see

also that in countries that experienced their take-offs in more recent times, the conceptual stages no longer follow chronologically upon one another. Canada, for example, entered the age of mass consumption even before it attained maturity, although after achieving take-off; and Australia entered the age of mass consumption at the same time that it entered the take-off and before it achieved economic maturity. How valid then are Rostow's stages-of-growth for economies which are now attempting to take off? Would we not see a repetition or even an acceleration of this aspect of the Australian experience? Is it not likely that to-day's developing economies may try to jam the later phases of the preconditions stage and the last three stages—take-off, maturity and mass consumption—into one period? Would the unapplied back-log of technology, which grows over the years as scientific and economic progress is made in the already mature countries, not assist in this direction? Rostow says that one of the differences between developing countries of today and countries that developed at an earlier era in the world's history is that medical science has brought about a faster rate of population growth due to the rise of public health systems, and consequently there is a more pressing problem of unemployment in underdeveloped countries. Would this not constitute a demographic and social imperative to try and crowd several stages into one period? And if such is the case, what becomes of the concept of the take-off as "a surge in output in a relatively few sectors" (p. 62)?

Rostow himself somewhat blurs this concept when he observes: "The role of leading sector has been assumed, finally, by the accelerated development of domestic manufacture of consumption goods over a wide range in substitution for imports, as, for example, in Australia, the Argentine and, perhaps, in contemporary Turkey" (p. 56). Are we going to consider the "wide range" of import-substituting industries as meeting Rostow's self-imposed limitation of the take-off as being characterized by rapid expansion in a limited number of primary sectors? Would this not stretch the definition too broadly and make it nearly meaningless? More fundamentally, must take-off necessarily be limited to a few primary-growth



sectors? It would not seem so from some of Rostow's own examples, and this would offer greater hope for the countries that are attempting to take off under contemporary conditions, when import-substituting industries offer the readiest avenue for industrial development. (This is stressed, for instance, on p. 101 of the ECAFE Survey for 1959, reviewed elsewhere in this issue.)

Another serious question arises in the treatment of agriculture and the take-off. Rostow says: "Most of the presently underdeveloped nations, in the stage of preconditions or early take-off, must allocate much of their resources to building up and modernizing the three non-industrial sectors required as the matrix for industrial growth: social overhead capital; agriculture; and foreign exchange earning sectors, rooted in the improved exploitation of natural resources" (p. 139). He also says that in the take-off, there must be a shift in the control of income flows from the traditional sector to the modernizing sector. Now the dilemma that may arise is the following. In many countries, the traditional sector is the sector which is both agricultural and foreign-exchange earning. Since progress in these two lines is a prerequisite for the building up of industrial growth, how is one to build up these traditional sectors and at the same time shift income flows to the modern industrial sector? Is it merely a chronological question of first building up the traditional sectors, and then, once they are built up, shifting income flows to the modern sector? Or is there a more fundamental contradiction involved which could only be resolved by the intervention of the central public authority? Rostow recognizes that raw material and foodstuff exports can play the role of leading sectors in the take-off if they involve the application of modern processing techniques (as in Sweden and Denmark); but the instances he has in mind occurred in a less protectionist world than the present.

Finally, Rostow's system seems applicable mostly to modern history, roughly, from the second half of the eighteenth century on. As such, it may not provide the best possible framework for teaching general economic history, as some in-

structors in this subject may possibly be tempted to think. Under the stages-of-growth scheme, are we to sweep everything before the 18th century into the first stage and part of the second stage? It will be noted that only stages three and four are assigned a definite time period by Rostow—twenty years for the take-off and forty years beyond that for maturity. No time period is set for mass consumption, and beyond that Rostow refuses to go, claiming quite correctly that there are enough tasks to occupy us in the present without having to make provision for three-day week-ends, boredom, and the cultural trivialities of Prof. Galbraith's Affluent Society. (Or, alternatively, without having to ponder whether or not Lowell, Brockton and Fall River will repeat themselves elsewhere?) As mentioned earlier, and as Rostow himself would be the first to recognize, stages-of-growth are not all of economic history.

#### IV

In the field of economic theory and economic policy, especially of underdeveloped countries, some specific points are worthy of being singled out.

First of all, the distinction between the cost-supply-oriented sector and the demand-oriented sector is probably of crucial importance to economists and policy-makers in underdeveloped countries. Since World War II, many economists from developing countries have studied in western universities and come home with their kit bags full of shiny new Keynesian tools, only to find that they are reentering a Smithian world. The prescriptions they have read in books for depressed economies in advanced countries did not seem to work in the more primitive environment to which they were returning. Is economic activity to be stimulated by priming demand and to this end expanding credit or creating money? It seems deceptively simple, until it turns out that the net result of the application of such policies in underdeveloped countries is domestic inflation and balance-of-payments difficulties (except in countries which have been favored with exceptional inflows of foreign aid, such as Brazil; but in this case the outcome is

due to easy aid rather than to easy money, and the country has even then not been spared inflation and foreign-exchange difficulties). Closer attention to this distinction made by Rostow would probably help the economists and policy makers of developing countries avoid the monetary pitfalls into which so many of them have fallen without knowing why.

A second point emphasized by Rostow which should be of help to developing economies is the view that economics does not revolve primarily around the now familiar Keynesian aggregates of consumption, saving and investment, but should focus directly on the composition of investment and on developments within particular sectors of the economy. This is symptomatic of the current trend in economics toward disaggregation and dynamization.

This leads to a third point, which is whether or not the Rostovian system is enough to replace what has been called (sometimes with a justifiable sneer on the part of Soviet sympathizers) equilibrium economics. The answer is no, for reasons which will be taken up more fully in the consideration of foreign-policy aspects, but which can be briefly indicated here. The allocation of resources is not touched upon in the broad outline of Rostow's schema, and a little more precision is necessary if the problem of the allocation of resources is to be met squarely. In particular, this will have to be confronted in the question of preferential tariffs and in the distortions of resource allocation introduced by institutional rigidities in the more advanced countries (such as price supports, subsidies, etc.).

The long shadow of Keynes falls across much of the book. There seems to be a desire to break with Keynesian concepts which, subconsciously perhaps, Rostow seems to regard as fetters. Witness his disaggregated theory of production, the cost-supply orientation which he postulates for economies before the mass consumption stage, and even an explicit passage (page 89) in which he minimizes the importance of the Keynesian Revolution in creating full employment in the post-World War II decade, preferring rather to attribute this to the sustained

high prices of raw materials, the favorable terms of trade for raw material-producing countries, and the consequent maintenance of high demand for the products of industrial countries. Even to one who may not be particularly sympathetic to Keynes, this appears a little unjust for it is quite possible that the terms of trade moved in favor of the raw material-producing countries precisely because full employment policies were followed in the industrial countries. In fact this would seem to be the most relevant aspect of Keynesian policy prescriptions for developing countries, that is, to keep up activity in more advanced economies and thus to sustain demand for the products of developing countries, and consequently their foreign-exchange earnings.

If there is perhaps a little too much mention and consciousness of Keynes, there seems to be too little of a great contemporary of his, J. A. Schumpeter. In many fields with which Rostow deals—entrepreneurship, business cycles, Marxism, social classes, and imperialism—Schumpeter has made significant contributions, and wherever one goes in these particular fields, one is likely, to paraphrase the old saying about Plato, to meet him coming back. But the only acknowledgment is a footnote on page 151. Is this due to the Anglo-Saxon Keynesian tradition in which Schumpeter is regarded as being of little importance? If so, what a pity that such products of high level thinking should go uncoordinated with the work of those wrestling with similar problems.

## V

With regard to the foreign-policy aspects and some of the historical underpinning, it has been observed that Rostow opens up the possibility of an optimistic outcome of the present world situation, whereas most other interpretations give little hope of anything better than a freezing of Cold War battle lines. There could even arise a feeling of chumminess between the United States and the USSR, if they both view things as Rostow does. The casual reader of the book may also feel there should be no reason from now on why Russia and America should not get together. Indeed, there should

be no reason for not doing so on Rostow's grounds. However, this could occur only, as Rostow himself recognizes, after a decisive and protracted act of persuasion which seems to involve bargaining from strength and greater aid to the non-Communist developing countries of the world. This act of persuasion will not be easy, as attested to by the USSR's continued ideological interest in the Congo, Cuba and elsewhere.

Rostow's arguments for greater and more stable aid to underdeveloped countries appear to be an elaborate economic rationale for an essentially political decision. The decision would have been taken with or without Rostow's rationale, although his arguments lend strong support to a course of action determined on non-economic grounds.

"We must demonstrate," he writes on p. 134, "that the underdeveloped nations—now the main focus of Communist hopes—can move successfully through the preconditions into a well-established take-off within the orbit of the democratic world, resisting the blandishments and temptations of Communism. This is, I believe, the most important single item on the Western agenda."

What is this demonstration supposed to prove, that a non-Communist system is superior to Communism? Hardly, as may be inferred from some relevant magnitudes in one of Rostow's pet projects, India's Third Five-Year Plan. This plan envisages an annual dosage of about \$900 million or more in foreign economic aid for five years—at the end of which time the economy will still be needing similar amounts of foreign aid for the foreseeable future. Now, this annual level of \$900 million is equivalent to around 70 per cent of India's yearly exports. Any country that did not suffer from war—that, in fact, profited from it—and can look forward to a level of foreign economic (not military) aid equivalent to three-quarters of its exports for the indefinite future, should be able to achieve take-off without excessive trouble. But this would only prove that the West has more resources, not that it has a better system.

Thus Rostow moves directly into the cross-fire between Mr. Wilcs and Prof. Wright. The former believes in "the superiority of Communist growth", but adds that the new countries of Asia and Africa "are mature enough and idealistic enough to prefer freedom with slower growth". This takes the main focus of the ideological struggle away from the economic field. Prof. Wright, on the other hand, feels that what is important in the take-off is not aggregate investment ratios but a pre-existing culture in which the people are "self-reliant, energetic, ambitious, venturesome, democratic, and tool-minded..." He adds: "High-minded planners can sink vast sums into projects of doubtful economic value... Demands for aid may outstrip even the most generous potential of would-be helpers and the whole project will come crashing down... Wouldn't we in the long run be better off, and wouldn't the receiving nation have been better off, if it had been forced to live largely within its own means, feel its own way, and make its own mistakes without first whipping up extravagant expectations which will end in bitter disillusionment?" Rostow may get high marks for good-heartedness, but his critics on this score have the edge in logic.

This leads to more detailed questioning on the distribution of foreign aid. Rostow admits that there will be not enough aid to go around among all the countries that need it. Such aid must somehow be allocated. Is the allocation to be done on non-economic grounds? If so, this would confirm that the whole economic argument is simply an elaborate facade for political maneuvering. Is it to be given according to economic criteria? If so, what criteria do the stages-of-growth offer? Should priority be given to countries in the take-off that need to get over the hump, or should priority rather be given to countries that are just starting on the road to modernization and, therefore, are farther back in the growth process? The stages-of-growth provide no answer, and it seems that if such aid is to be allocated on economic grounds, then some old-fashioned economic criteria relating to the allocation of resources should be followed.

In particular, it would seem desirable that such aid at least be linked to the elimination of practices which distort resource allocation, such as discriminatory quotas and preferential tariff systems. They need not be linked initially to the elimination or lowering of trade and payments restrictions and protective tariffs, so long as these restrictions and tariffs are not discriminatory in nature. If, however, they are discriminatory, as exemplified by the British Commonwealth's Ottawa tariffs (reinforced in large part by the currency barriers of the Sterling Area) and by the current fad for common markets with "associated overseas territories", then *prima facie* they induce distortions in the domestic price levels of the countries which practise them and a wasteful use of foreign exchange consequent upon such price distortions. It cannot be alleged that these distortions help the underdeveloped countries as a whole: preferential tariff systems would seem to be more favorable to advanced industrial countries than to developing countries, whose main exports are primary products which would in most cases enter their trading partners' economies duty-free, in the absence of preferentially treated sources of supply.

The same considerations which dictate the application of economic criteria in the distribution of aid and the elimination of economically distorting practices would compel the donor countries to reexamine their domestic economic policies. The need of the developing countries for foreign economic aid would probably be less if the markets of the metropolitan countries were more open to the products in which the developing countries have a comparative advantage or a raw material base. Rigid price supports and subsidies in donor countries only distort resource allocation and create surpluses which compete with the products of the primary producing nations. The existence of processing facilities in metropolitan countries dependent upon raw materials from primary exporting countries has also induced the governments of these industrial countries to charge high tariffs and raise other barriers to the entry of processed or semi-processed commodities from the countries in which the raw materials originate. If foreign economic aid, therefore, is to be of optimum effect, then it seems that im-

portant preconditions are the elimination of discriminatory practices such as preferential tariff systems, a reexamination of the domestic economic policies of donor countries, and the equalization of customs treatment of both raw materials and processed goods coming from developing countries which have a raw material base for these goods.

The United States, because of its great influence in the world today, is in a position to organize international aid on the basis of these principles, although the U.S. itself is not free from criticism on these points. (It spends more on farm price supports than on foreign aid—and at least part of the latter, like Public Law 480, only seeks to undo the consequences of the former.) But such organization has to be done if the western powers are not to be vulnerable to the charge that foreign aid is being given simply to keep up foreign demand for their commodities.

A couple of other points may be mentioned in which it seems, to this reviewer at least, that Rostow has indulged in explanations of history which are also over-elaborate. The attempt to explain the Hundred Years' Peace (as the period between Waterloo and Sarajevo might be called) in terms of the stages-of-growth is such an explanation. Is this really necessary? Does it not suffice to observe that a politically-based concert of powers was in effect during this time?

Likewise, what is one to make of the discussion on the struggle for the Eurasian power balance (pages 114-118)? Is this the first veiled appearance of geo-economics? When anyone begins to talk of Eurasian power balances, the geographical discussions on the Heartland, which one assumed had simmered down in the past decade, suddenly come to life again, although perhaps in a slightly different form. It should be observed in all justice that it is not so much the political geographers who can be made to come into Rostow's system but rather that it is Rostow who on this point could be made to take his place in the current of thought started by Sir Halford Mackinder, if only because of the geographic nature of the primary concepts involved.



## VI

The last chapter in the book dealing with Marxism is much too short to do justice to the subject. Owing to the over-all length of the book it would not be appropriate to criticize it for its brevity. It could, however, especially in view of its non-technical nature, be criticized for not indicating where the reader could find a fuller evaluation of the Marxist system of thought. Marxian Fundamentalists since Marx's day have of course not made the task any easier by insisting on the validity not only of the strong points in Marx but also of the clearly untenable propositions (such as, for example, the theory of increasing misery). Rostow boils down Marxism to seven propositions, including the Leninist development of the theory of imperialism, and then proceeds to present the similarities of his system to those of Marx's as well as a rebuttal of those points in which they differ.

The refutation of the Marxist system is not of uniform quality, as was to be expected from a presentation of Marxist ideas which is also uneven in quality. For example, Rostow seems to lean to the idea that the economic interpretation of history in Marx means basically that "it is only in seeking, protecting and enlarging property and income that men are really serious" (p. 146). Now this will not command universal agreement and may involve us in the old and by now slightly tiresome game of trying to determine What Marx Really Meant. It is sufficient to point out here that Schumpeter in his *CAPITALISM, SOCIALISM, AND DEMOCRACY* (2nd ed., N.Y.: Harper & Bros., 1947, p. 10) categorically states that "the economic interpretation of history does *not* mean that men are, consciously or unconsciously, wholly or primarily, actuated by economic motives." A fuller discussion of this whole theory has been available for a long time in several works, but they are not indicated in this particular section of the book although Benedetto Croce's *HISTORICAL MATERIALISM AND THE ECONOMICS OF KARL MARX* is footnoted on the first page of the text. The point is that it is difficult to make a valid refutation of an over-simplified presentation of this theory, al-

though Rostow's remarks on the economic superstructure connected with it are excellent (p. 152).

On other points he is more successful. On the question of increasing misery, his discussion is passable without being particularly distinguished, but then this is one of the weakest parts of the Marxian structure and does not merit Rostow's or anyone else's detailed attention. On the question of monopolies and crises, the refutation is good. On the question of the class structure, the bipolarization of social classes postulated as an underlying tendency in history by Marx is visibly inferior to the richer and more valid postulates of the various classes in society that take part in modernizing economies in the Rostovian system.

It is on the question of imperialism that Rostow scores his most telling blows, not against Marx this time, but against his followers. He points out (page 156) "that, while colonialism is virtually dead, capitalism in the Western Hemisphere, Western Europe, and Japan is enjoying an extraordinary surge of growth. It is perfectly evident that whatever the economic troubles of the capitalist societies, they do not stem primarily from a dependence on imperialism. If anything, their vulnerability now derives from an unwillingness to concern themselves sufficiently with—and to allocate adequate resources to—the world of underdeveloped nations. Domestic demand is not so inadequate as to force attention outward: it is too strong to make it possible for governments to mobilize adequate resources for external affairs".

Equally relevant to the stages-of-growth in refuting the Marxist theory of imperialism is the argument advanced (curiously enough only in a footnote on page 110) that a more rational case could have been made for colonies in the 17th and 18th centuries, rather than in the late 19th century when industrialism had taken hold in Europe. Before the industrial revolution, the total supply of food-stuffs and raw materials could be regarded as finite so that what one nation had was a denial to others. But once modern technology had taken hold, supplies could become available by making arrangements

with sovereign nations like the United States. Technology could be applied to substitute domestic products for imports, or to produce exports which would permit the acquisition of colonial products without the necessity of conquest.

Of course, an explanation of colonialism based on stages-of-growth shares with the Leninist theory one fundamental disability. It does not explain all the manifestations of colonialism or, to use another term, imperialism. The Leninist theory, as interpreted by latterday Marxists, attempts to explain the outburst of colonial ventures in the 19th century. Rostow can carry us back only a little further. But neither of them can account for the persistence of imperialist phenomena all the way from ancient times down to the present. For some idea of how more general explanations of these expansionary phenomena could be made, one still has to turn to Schumpeter (*IMPERIALISM AND SOCIAL CLASSES*, H. Norden, trans., N.Y.: A.M. Kelley, 1951).

If one compares the Marxian and Rostovian systems on the broad question of stages-of-growth, the superiority of the latter cannot be doubted. Marx's division of history into Asiatic, ancient, feudal, modern bourgeois, and socialistic epochs nowadays sounds not only pig-headedly doctrinaire but is also somewhat offensive to Asian sensibilities, identifying as it does the Asiatic with the primitive and the barbaric, and forgetting that Asia had civilization long before Europe. However much one may question Rostow's traditional, transitional, take-off, maturity and mass-consumption stages, they are paragons of precision compared to the Marxian classification.

But two things can be said in Marx's defense, although they will not redeem this particular classification. First, he was trying to encompass the whole sweep of history, whereas Rostow really concerns himself only with the last two hundred years. Second, he did not have the advantage of modern research facilities, foundation grants, and a hundred more years of historical experience; he had to do his own research in straitened personal circumstances at a time when modern industrial society was just beginning to unfold. That his work

is so defective should therefore not be surprising; and that this same work should be so bold and so full of suggestive insight is all the more to his credit. Analytically, Marx did not succeed; but, according to Schumpeter, in failing he established both a goal and a method. "He was the first economist of top rank to see and to teach systematically how economic theory may be turned into historical analysis and how the historical narrative may be turned into *histoire raisonnée*" (CAPITALISM, SOCIALISM AND DEMOCRACY, pp.44).

Based on this point of view we get the ironic result that Rostow, who has come nearer than anyone else to synthesizing economic theory and history, is the best Marxist of them all, although his credentials to this title are paradoxically—or should we say dialectically?—non-Marxian. Only the ossification of Marxism into a quasi-religious creed prevents present-day Marxists from perceiving this.

What, however, about the quasi-religious nature of modern Marxism? Does Rostow's schema—humane, civilized, undogmatic—provide an answer to that? No, and rightly so. Marxism pretends to be an evangel of social evolution (transformed by Lenin into political revolution) in which there is no god but dialectical materialism, with Marx as its prophet. It is enough for economic historians like Rostow to knock this particular brazen idol off its pedestal, and to substitute for it in its historical and non-religious aspects a new framework of reference and a new program of positive action. For the rest, they can gratefully hand over to philosophers and theologians, preachers and artists, the job of filling the remaining void in men's souls and men's hearts.

## VII

An attempt will now be made very briefly to apply the stages-of-growth to Philippine economic history. The preconditions period may be regarded as that period before the Korean War extending roughly perhaps a century and a quarter in time. In the first phase of this period or during the waning years of the Spanish regime, the country was opened up to foreign trade, steam navigation started, the first commercial

and savings banks were founded, modern ideas were introduced, the first and still the major railroad was built, and the flame of nationalism burned brightly for the first time in the country and in Asia.<sup>2</sup> In the second phase of this period, corresponding to the American regime, the material advances were greatly expanded. Literacy spread widely, public health was promoted, a good highway system was constructed, harbors and airfields were built, the export commodities that had arisen in the Spanish regime registered an extremely rapid increase, public administration passed more and more into the hands of Filipinos, and despite the ravages of World War II political independence was finally attained.

With the advent of foreign-exchange difficulties consequent upon post-war inflation and reconstruction, the crucial weapon of the Philippine take-off was thrust into the hands of the central government by chance rather than design. Foreign-exchange controls, considered initially as a foreign-exchange conservation measure, came to be used as a tool for industrialization, development and Filipinization, helped along by other incentives like tax exemption. The premium on foreign exchange implicit in the system of controls, and the government's announced desire to use foreign-exchange allocation to favor the growth of new industries, acted as magnets to draw resources in entrepreneurship, capital, management, and labor into the wide range of import-substituting industries that Rostow says figured in the Australian and Argentine take-offs. The Philippines was one of four or five industrializing countries singled out for special attention in the *ECONOMIC SURVEY*

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<sup>2</sup> A protest must be made here about Rostow's two references to the Philippines. First, he refers to Theodore Roosevelt as the architect of its seizure (p. 75), clearly presupposing an act of premeditation: but then he says the United States "found itself to its surprise and discomfiture owning the Philippines after the Spanish-American War" (p. 111). Was it premeditation or accident? He also says the Philippines had not modernized its society at the time. Maybe not; but it had started, and was on the way. The one thing it did not need was external political domination.

OF ASIA AND THE FAR EAST 1958 (p. 137 ff.), and its industrial growth was regarded as eliminating excessive fluctuations in income characteristic of predominantly agricultural countries (p. 153).

There are, however, certain qualifications in the Philippine case. Although social overhead capital and foreign-exchange earnings were greatly increased in the second phase of the preconditions period, Rostow's third prerequisite, the modernization of agriculture, was hardly touched. This is being undertaken or should be undertaken concurrently with the present take-off, although a consolidation of holdings seems ruled out by social policy and, therefore, only action along the lines of cooperatives seems feasible. Secondly, the traditional sector in the Philippine economy is precisely the agricultural-export sector where paradoxically enough one industry (sugar) has shown the greatest advances in modern agricultural techniques. But the take-off did not come from this sector, and the shift of income to the more modern industrial sector left it behind. Recent events, such as the *de facto* devaluation (thinly clad in the fig-leaf of "decontrol") decreed by the government in April of this year, may be looked on as a counter-attack by these still powerful interests along both the ideological and legislative fronts. Whether or not this will make the present take-off another of Rostow's "ill-fated spurts" remains to be seen. The chances are that it will not, and that the economy will resume its forward progress after a period of retrenchment.

In closing, it is interesting to note that a minor flurry was caused about two years ago by a debate which took place between those who opined that the Philippines had entered the take-off stage, headed by Dr. Amado A. Castro of the University of the Philippines, and those who held that it had not, represented by spokesmen of the traditional sector. The term take-off first entered local economic terminology at that time in Castro's "Lessons in Economic Growth" (U.P. BUSINESS BULLETIN, I, No. 5, March-April, 1958) and his more widely read "The Changing Face of the Philippine Economy"

(COMMENT, No. 6, second quarter 1958, pp. 35-41), and has since enjoyed increasing currency even in non-professional circles. It is unnecessary to review the arguments in the debate here. Suffice it to say that as time goes on, evidence of a Philippine take-off becomes progressively stronger.

BENITO LEGARDA Y FERNANDEZ