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W. W. ROSTOW

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Theorists  
of  
Economic Growth  
from  
David Hume  
to the  
Present

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*With a Perspective  
on the Next Century*

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# Theorists of Economic Growth from David Hume to the Present

*With a Perspective on the Next Century*

W. W. ROSTOW

*Including a Mathematical Appendix by*

MICHAEL KENNEDY AND THE AUTHOR

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To the Economists of the Next Generation:  
in the hope that, without abandoning modern tools  
of analysis, they may bridge the chasm of 1870 and reestablish  
continuity with the humane, spacious, principled tradition  
of classical political economy.

# Preface

This is a book about theories of economic growth and the men and women who formulated them. It is also about the vicissitudes of the world economy over the past two and a half centuries as they helped shape those theories. And it has something to say about the future—the future of the world economy, of political economy, and of public policy. Thus, it begins in the middle of the eighteenth century with David Hume and ends with a look into the next century.

The first three parts discuss chronologically the contributions of the major thinkers who have shaped the evolution of theories of economic growth. The fourth part assesses some unresolved questions in growth theory and sets out a policy agenda that will not only determine the course of the world economy but also will influence profoundly the issue of war or peace in the several generations ahead. An introductory chapter provides a more detailed overview of the book and an exposition of the analytic approach brought to bear.

This book was written with an acute sense of the danger of the undertaking. For an economist, a review of the work of some of his most distinguished predecessors and contemporaries is an engaging exercise. The task proved so seductive to Joseph Schumpeter that he never got around to the synthesis of dynamic economics he had in mind when he began what proved to be nine years of labor on his *History of Economic Analysis*. Even at that, the historical section of the book was uncompleted when he died. My purpose in entering this beguiling but somewhat treacherous terrain is, at once, narrower than Schumpeter's and wider. It deals with fewer economists, but more economic history, and with some major present and foreseeable issues of public policy, as well.

I had long been planning a final, substantial work on economic growth, but the proximate impetus to begin and the ultimate structure of the book were affected by an experience that may be worth recording. It runs counter to a view held by many in the academic world that undergraduate teaching and research are competing rather than mutually reinforcing.

During the academic year 1983–84 I was invited to teach an upper-level seminar in Plan II at the University of Texas. Plan II is a vital liberal arts enclave—some 600 extremely talented undergraduate students in a university of more than 45,000—granted great flexibility but held to rigorous standards. I was asked to teach on a topic of my own choice. In a lighthearted mood, I created a course entitled “Historical Insights into the Present State of the World Economy.” I built the course around the following five questions:

1. Are we in the second, third, fourth, or fifth Industrial Revolution?
2. Are we in the Fifth Kondratieff Upswing or Fourth Kondratieff Downswing?
3. Will the gap between the rich and the poor nations narrow or widen?

4. Will that old devil Diminishing Returns get us in the end?
5. The quantity theory of money: philosopher's stone or misleading tautology?

Each question was dealt with on a triangular basis: relevant economic theory, historical background, and the current scene. With respect to the quantity theory, for example, the students read some Ricardo and Tooke, Friedman and Rostow; examined the sweep of historical price, interest rate, and monetary trends; and then looked at the curious goings on in the world economy since Bretton Woods was abandoned in 1971.

The course turned out to be a lively, cheerful exercise. The experience also drove home certain propositions that helped to shape this book. First, the extent to which economic theories are related to the time and place where they are first formulated. Second, the Faustian Bargain—to steal a phrase from David Landes—made by most mainstream economists after 1870 in which they traded away their capacity to deal endogenously with technological change as well as with the noneconomic dimensions of economic growth for the illusory elegance of partial and general equilibrium analysis. Third, the centrality and the wide-ranging consequences—economic and noneconomic—of the process by which latecomers to economic growth catch up with early comers. This proposition yields an odd result in the book's final chapter. David Hume is judged to have articulated better than any of his successors the problem likely to dominate the world scene over the next several generations; that is, the completion of the drive to technological maturity by what I call the Fourth Graduating Class. (See Figure 19.1, p. 446.)

Reflecting on the palpable challenges posed by the world economy over the next several generations, I became increasingly concerned with the poverty and substantial irrelevance of how we now teach economics to the young. One purpose of this book is to suggest to the next generation of economists and economic historians how rich a heritage lies behind them and how much was lost when mainstream economics abandoned the spacious tradition of classical political economy. Thus the dedication.

One further word about those who, from David Hume to the present, concerned themselves with growth theory. In writing this book I made a list of quotations that had impressed me in the course of this enterprise. Reviewing that list at the end, I stopped with this statement of David Ricardo's: "[T]he friends of humanity cannot but wish that in all countries the labouring classes should have a taste for comforts and enjoyments, and they should be stimulated by all legal means in their exertions to procure them. There cannot be a better security against a superabundant population." By and large, the men and women who move across this stage were driven less by Stephen Leacock's paraphrase of Adam Smith\* ("[S]elfishness was bound to pay, of all your doctrine that was the pith, wasn't it, wasn't it, wasn't it, Smith?") than by the opening sentence of *The Theory of Moral Sentiments*: "How selfish soever man may be supposed, there are evidently some principles in his nature, which interest him in the fortune of others, and render their happiness necessary to him, though he derives nothing from it, except the pleasure of seeing it." Taken as a whole, theorists of economic growth over these two and a half centuries belong among "the friends of humanity."

In writing this book I incurred many debts to colleagues. In large ways and small, they turned from their own work to help: Moses Abramovitz, Loring Allen, Francis Bator, William J. Baumol, Frank D. Bean, Woodrow W. Bledsoe, Herbert Block, Arthur F. Burns, Alexander Cairncross, Robert L. Causey, Sukhamoy Chakravarty, Hollis Chenery, Colin Clark, Harry Cleaver, A. W. Coats, Solomon Fabricant, C. H. Feinstein,

\**Hellements of Hickonomics* (New York: Dodd, Mead, 1936).



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Loring Allen and Bruce Larson graciously made available before publication manuscripts of their work on Schumpeter and Bickerdike, respectively.

The Swedish Embassy in Washington went to extraordinary lengths to track down an obscure, but necessary, piece of information.

Mrs. Mickey Russell typed the various drafts, ran down innumerable books and journal articles in the University of Texas library; but also spotted relevant materials on her own that enriched the text.

Timothy Martin, as manager of Project Mulhall—a computerized economic history data base—produced a good many useful tables and charts.

Victor Hauser labored on the reader's behalf with extraordinary devotion to correct minor errors and inconsistencies in the printed text.

Lois Nivens, my assistant in all manner of adventures since January 1961, coordinated the various facets of the project and, as always, served as a meticulous editor.

The Administration of the University of Texas made possible the valuable collaboration of Michael Kennedy in the appendix. IC<sup>2</sup> Institute—a research institute of the University, of which I am a Fellow—generously supported the study with research assistance and in other important ways. I wish, in particular, to thank Gerhard Fonken, Robert King, George Kozmetsky, and William Livingston, as well as the authorities at RAND who permitted Kennedy to divert a part of his time from other responsibilities.

My editors at Oxford University Press—Herbert J. Addison and Ann Fishman—were, simply, the ablest and most congenial I have encountered in publishing some thirty books.

Although she no doubt often felt I was bringing home an endless parade of professional colleagues—starting with David Hume—my wife, Elspeth Davies Rostow, backed the enterprise with amused enthusiasm and was at once my most unsparing and most constructive critic, as she has been for getting on to a half century.

*Austin, Texas*

W. W. R.

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**from David Hume to the Present**