Chapter Three: A Review of Economic Development Theories.

The Theory of Strong Push

This theory argues that development should occur in the form of strong leaps that propel the economy forward with momentum and strength, generating further growth. It opposes the theory of gradual economic development because overcoming economic recession requires a strong and unified push in all sectors of the national economy. The economist Rostow is the proponent of this theory. To apply the development model presented by Rostow, which is based on the Theory of Strong Push and is suitable for developing countries, the following considerations must be taken into account: 1- Large amounts of capital should be available, mainly from external sources, as the domestic economy alone cannot finance development operations. 2- This model should also include the establishment of light and consumer industries that employ a large number of workers. 3- Heavy industries with high expenses and numerous requirements should be avoided as much as possible, based on the principle of international division of labor, which ensures that developing countries are supplied with the heavy industry they need from advanced industrial capitalist countries. Rostow states, "If we take a step on the path of growth, we cannot reach a result because development requires a strong push that surpasses the incremental steps." According to this theory, it becomes clear that it relies on external capital and avoids heavy industries, which form the productive basis for industrial progress and, consequently, development. This implies the dependence of underdeveloped countries on advanced nations and their perpetuation in their current situation. Supporters of this theory often liken the situation of underdeveloped countries to that of an airplane taking off from the ground. Just as an airplane needs to exceed the minimum ground speed before it can take off, a developing country must exert a minimum developmental effort to overcome existing obstacles and embark on the path of self-sustaining growth.

The essence of what has been presented is that underdeveloped countries do not have the choice between gradual slow growth and a strong push, but rather between embarking on development or not embarking on it at all. In other words, they have to choose between economic development and continued stagnation and backwardness, which are synonymous. The inevitability of a strong push appears to be a necessary condition for the success of economic development for two reasons that can be attributed to the lack of divisibility and external economies. Divisibility primarily refers to the large minimum requirements of capital, both economic and social, as shared projects in energy, transportation, housing, and other essential structures and services (which are indispensable) for development and increasing the productivity of the economy as a whole, as well as at the sectoral and project levels, due to the external economies they achieve and the impossibility of establishing them gradually. These are projects that should account for 40% of total investments in developing countries, according to Rostow.

In addition, the lack of divisibility or demand integration is manifested in the fact that investment projects support each other. This idea gained increased attention after "Nurkse" relied on it in his theory of balanced growth, which implies that while the risks of investing in a single project or industry increase in underdeveloped countries due to the narrowness of their domestic markets and the inability of each individual project or industry to create sufficient demand to absorb its products, the risks of market narrowness decrease or disappear, and the incentive to invest increases when a large number of projects or integrated industries are established simultaneously. Each industry creates a market entry for other industries, and Nurkse considers it one of the most important forms of external economies in the process of economic development. He also emphasizes the importance of balance between industry and agriculture in development programs, so that the backwardness of one does not hinder the growth of the other.

Regarding the lack of divisibility of savings, it is noted that the large minimum required investments necessitate a level of savings that is difficult to manage in underdeveloped countries with low per capita incomes. The only way to address this is by increasing the propensity to save, which can be achieved through an increase in national income in the initial stage of development. Here, the lack of divisibility of savings becomes apparent, meaning that while savings in underdeveloped countries are characterized by inflexibility regarding interest rates, they are highly flexible regarding changes in income.

Lastly, tackling the prevailing phenomenon of population explosion in underdeveloped countries greatly magnifies the development effort required for them to achieve a significant increase in per capita real income. An increase of 2.5% in population in a particular country requires an annual net investment rate of 10% of its national income just to maintain the current level of per capita income. This implies a capital-output ratio of 4. Additionally, increasing the national income in this country by 5% annually, as targeted by the first United Nations Decade for Economic Development, requires allocating half of it to address population growth and the other half to raise the level of per capita income. This would require an annual net investment of 20% of national income with the same capital-output ratio. Hence, the high population growth rate justifies the necessity of a strong push as a necessary condition for launching underdeveloped economies into a stage of self-sustained growth.

Evaluation of the Theory

The strong push theory can be evaluated as follows:

- Some consider the strong push theory, under government guidance, to be one of the most important theories of economic development that combines both capitalist and socialist approaches. It relies on the economic reality that has actually occurred in the last fifty years, where there has been regular government intervention in economic affairs worldwide. States began intervening in shaping and directing economic activities, believing that it would lead to growth. The increasing state intervention in the economic affairs of developing countries has given rise to modern theories that support this intervention and provide the scientific and technical foundations to regulate it in a way that maximizes the benefit for these countries, raises the living standards of their people, especially when it is associated with achieving social justice and satisfying social needs. In this case, the strong push carried out by the state becomes essential for development.
- One of the criticisms directed towards the strong push theory is that it assumes the need for massive amounts of capital to establish basic infrastructure, integrated projects, and sufficient technical and administrative capacities to manage those projects in the initial stage of development for underdeveloped countries. These countries inherently suffer from capital scarcity and insufficient technical and administrative skills at all levels. Hence, this assumption is seen as unrealistic.
- Another criticism directed towards the strong push theory is that it assumes that underdeveloped countries start the development process from scratch, which contradicts reality. Development builds upon existing economies that reflect their past achievements and growth. This criticism also applies to the balanced growth theory.

- As mentioned earlier, the strong push theory, like other capitalist development theories, emphasizes the need to rely on foreign capital due to the lack of domestic capital. Given the small size of the market, it also leads to a deviation from productive industries (which are the material basis of any development) towards consumer industries. Although it includes certain state supervision and an increasing role for the state in economic and social life, its proponents argue that it gives importance to individual organizers and that state intervention serves these organizers.
- Some argue that the idea of a strong push theory does not align with the philosophy of economic freedom but rather requires active and mandated intervention by the state to mobilize the necessary resources and put them into production. It is not expected that relying primarily on individual initiative and market incentives in underdeveloped countries will effectively manage the resources needed to drive development. This was discussed in the first point of this evaluation.