

## I. FROM ROSTOW'S THEORY...

Among theories of economic development, theory of developing stages is considered as a way of explaining based on activities of economic subjects. Although it was discussed in many works of Weber, Durkheim, Spencer, F.List, B.Hilebrand, K.Bucher, W.Sombart from late 19th century until the turn of the 20th century, but this theory actually took shape in the 1950s when many countries had to recover from the effects of World War II or long-lasting colonialism.

The theory of developing stages considered the economic development as a process of transiting from under-developed stage to developed one, from a low-level development to a higher one. The number of stages varied with concepts of different authors. Hoselitz

factors in the developing process. In the 1960s, Rostow's theory has become a manifesto of capitalist economic development.

According to Rostow, the process of developing included five successive stages for all societies. These stages are:

- The traditional society.
- The preconditions for take-off.
- The take-off.
- The drive to maturity.
- The age of high mass-consumption.

He said that the most difficult stage for under-developed countries was the take-off. Passing this stage, the development could become self-sustained, that is, the dynamic of development would be maintained depending on the accumulation of various forces in the previous stages.

ment. In other words, we should think of development basing on realities in Vietnam.

One of the most common question is: When will Vietnam take off? As we know, one nation can only reach the stage of taking off when all of obstacles to development have been solved, the process of development has been institutionalized and had a positive effect on structuralization of the society, all forces of economy development have been maintained for a long time and could produce a big push in order to send the economy to the stage of taking off. The take-off could last for 20, or 30, years and require the following conditions:

- Gross investment should account for at least 10 per cent of the national income, so do the saving rate. In stage of pre-taking off when the

# DEVELOPING STAGES OF THE VIETNAM ECONOMY

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said that there were two stages, traditional and modern. Lerner stated that there were three stages while Parsons and Rostow said five. The main problem is to explain what dynamic has caused the transition from one stage to another, what factors have constituted that dynamic and among these factors, which one is the most important. On the other hand, the rule of this process of development should be discovered.

The theory of W.W.Rostow is the most influential and controversial one among them. It made its first appearance in his *The Stages of Economic Growth*, published in the 1960s, but up till now it's still a topic for discussion of economists. Rostow not only explained historical changes, but also predicted some economic and politic trends of the world. It's not a pure economic theory. On the contrary, Rostow wanted to discern the relations between economic and non-economic

## II. ... TO REALITIES IN VIETNAM

Is Rostow's theory of great value to every developing country, especially to Vietnam? Has our present development gone according to theories of developing stages, especially Rostow's one? The general theory of development in recent decades said that there were no development theory which could embrace all of complex and abundant characteristics of "ever-developing world" (which included both developing and developed countries).

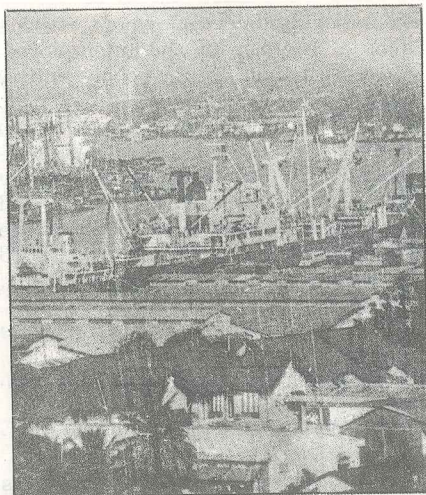
On the other hand, entropy (degree of uncertainty) of socio-economic matters is always bigger than that of natural phenomena and this allows nobody to build a "hard" theory of absolute value. So we had better consider Rostow's theory as one of development theories which we can consult in order to find out our own characteristics on the way to develop-

national income is low, foreign investment could play an important role and present a large percentage in the gross investment.

- The key industries should be expanded considerably and become pacemakers to other industries. Income from these pacemakers should be invested in building hi-tech industry or service industry. This will cause a domino effect on the economy as a whole. At the same time, a new generation of talent businesspersons should be formed, the private sector should be developed and contribute remarkably to the economic development.

- The agricultural revolution is also a necessary condition. The process of modernizing a country will be unstable if the agriculture is backward and a large percentage of labor force is still employed by this primary sector.

- The social, political, educational and legal institutions should be also



modernized and have strong effects on the development.

proved gradually. In 1989, the percentage of poor households was 55 per cent, but in 1993, it reduced to 19.9 per cent (according to Bureau of Statistics).

This stage, however, is a period of transition (a half-and-half situation): many factors belonging to the old mechanism haven't died completely yet, and the new factors haven't rooted firmly in the socio-economic life. This situation could easily lead to social evils.

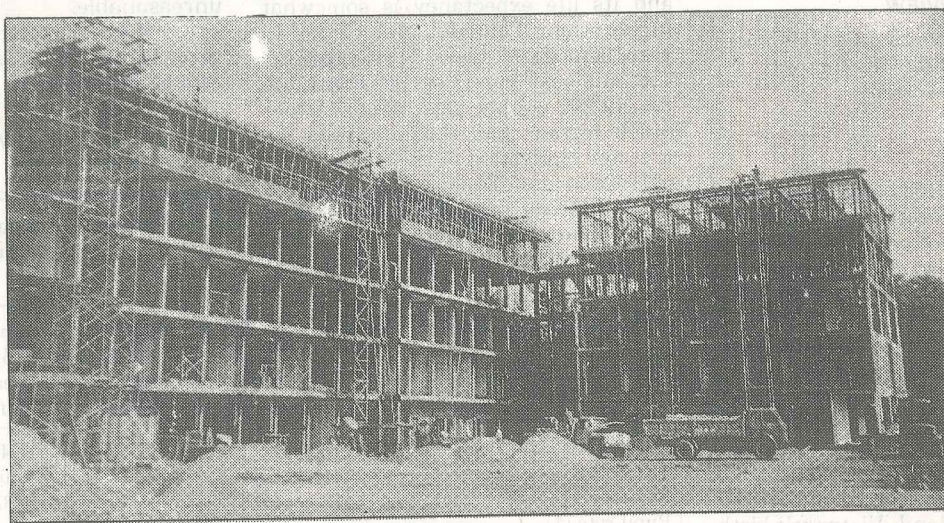
## 2. Pushing forward with the renovation (1995-2000)

This is a stage of important meaning to the renovation policy. In this stage, we are facing the danger of falling farther behind surrounding countries, and the gap tends to become larger and larger. We are confronting a new challenge: either Vietnam economy will catch up with neighbor-

Just because of acceleration, the economy could be "heated": after a long time of being kept under 10 per cent, the inflation rate could regain its speed. This is a necessary inflation. Our economy could meet some difficulties, but in the long term, new forces of development will be formed.

The main targets of this stage and the previous stage are all the same. The government should accelerate the reformation in the public sector, give top priority to improving the infrastructure and the human resources, because a good infrastructure and well-trained human resources will attract foreign capital and technology. In this stage, the private sector will become more and more important and have remarkable meaning to the process of development.

## 4. Adaptation (2007-2012)



If these conditions are considered as our targets in future, our process of development could be divided into four stages as follows (naturally, what are presented here are only forecasts):

### 1. Renovation (1989-1994)

In this stage, the centrally planned economy was put to an end and the socialist-oriented market economy was formed. In spite of many existing obstacles and challenges, Vietnam has, step by step, passed the crisis which lasted for a long time. Its GDP grew at rather high rate in successive four years (6 per cent in 1991, 8.6 per cent in 1992, 8.1 per cent in 1993, 8.75 per cent in 1994). A higher growth rate in 1995 is expected. In the period between 1986 and 1988, the inflation rate used to reach 400 or 500 per cent per year, this rate reduced to around 10 per cent now. This is an important result produced by policy of economic renovation in this stage.

The living standard has been im-

ing countries and start to take off, or it will grow irregularly and fall into chronic crises.

The most important target in this stage is to change the structure of industry by modernizing and industrializing the economy. Our way to this target is none other than pushing forward with the renovation in order to reach a new qualitative development. We know that encouraging achievements gained in the past few years resulted from renovation of the mechanism, not from a modern and high-tech economy. The phenomenon of "false prosperity" will last for many years before our economy could take off with its own wings.

### 3. Acceleration (2001-2006)

If there is no major change in international affairs and if our developing institutions are formed sufficiently and they can combine together to work well, the growth rate will be between 9 and 12 per cent.

After three stages of development, the economy becomes flexible and could adapt itself easily to the world and regional economies. The economy integrates into the flows of development in the world and the image of a new Asian tiger could be seen. Naturally, difficulties and obstacles (predictable or unpredictable) still exist and continuous adjustment is needed in this decade, but for the first time in our history, a modernized Vietnam will be a dream come true ♣

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