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Application of W. W. Rostow's Stages of Growth Theory to Economic Development in Japan and South Korea

A Comparative Approach

Topic and Research Question

This master's thesis examines to what extent Walt W. Rostow's "Stages of Growth" model serves as a suitable framework for comparing the economic development of Japan and South Korea. Both countries represent remarkable cases of rapid economic transformation in the twentieth century: Japan was the first non-Western nation to achieve modern industrial growth after World War II, while South Korea rose from one of the poorest countries to a technologically advanced state within a few decades.

These striking development trajectories have attracted considerable attention from scholars and policymakers, especially in developing countries seeking effective growth models. Rostow's theory, which outlines five stages of development, offers a structured and historically influential perspective on economic progress. However, it has also faced criticism for its linear and universal assumptions. Against this background, the central research question of this thesis is:

Is W. W. Rostow's Stages of Growth theory a good choice for comparing the economic development of Japan and South Korea?

State of the Art

Various theories of economic development have emerged since the mid-20th century, with classical modernization theory playing a central role.

One of its key contributions is Rostow's "Stages of Growth" model (1960), which presents development as a linear process in five stages: from traditional society to preconditions for take-off, take-off, drive to maturity, and finally the age of high mass consumption. The theory is based on Western industrialization and reflects Cold War ideology. It assumes that capitalist growth, supported by investment and foreign aid, leads to mass consumption and modernization.

Although Rostow's theory became one of the most influential growth models during the Cold War, it has been criticized for assuming a universal path to progress and for overlooking cultural and political dimensions.

Other approaches, such as the Harrod-Domar model and Kuznets' theory of structural change, offer alternative perspectives by focusing on capital

accumulation and sectoral shifts. In East Asia, scholars like Johnson (1982), Woo-Cumings (1999), and Chang (2003) highlight the role of the developmental state, Confucian values, and state-led industrial policy in explaining Japan's and South Korea's exceptional growth – factors that Rostow's model largely overlooks.

Methodology and Approach

The thesis uses a comparative case study to examine how well Rostow's five stages of economic growth apply to Japan and South Korea.

To enable a structured comparison, an analytical framework was developed based on Rostow's theory. Each of the five stages was broken down into specific, observable criteria – such as levels of domestic investment, workforce transformation (e.g. from agriculture to industry), the emergence of leading sectors (like steel or electronics), and access to foreign capital and technology. These indicators allowed for a structured comparison and made it possible to identify when and how each country fulfilled the conditions of a particular stage. The framework was then applied to each case by analyzing key historical developments – including policy strategies, foreign aid, war, cultural factors, and geopolitical dynamics.

The research is primarily based on qualitative sources, including academic literature, historical analysis, and development reports. Where appropriate, statistical data was used to support the comparison.

The aim was not to test economic performance through numbers, but to assess whether Rostow's model meaningfully reflects the development paths of Japan and South Korea – or if its limitations outweigh its usefulness.

Main Facts

Japan and South Korea are often cited as East Asia's most successful development cases – but their historical starting points were very different.

Japan began its industrialization already in the late 19th century during the Meiji Restoration. It built strong institutions, developed key industries early, and emerged from World War II with a foundation for rapid reconstruction. The U.S. occupation (1945–1952) and high military demand during the Korean War helped fuel

Japan's economic recovery and transformation into a major industrial power.

South Korea, by contrast, was one of the poorest countries in the world after the Korean War (1950–1953). Its economic take-off began in the 1960s under authoritarian president Park Chung-hee. Key factors included U.S. financial and military support, Japanese reparations from the 1965 normalization treaty, state-led industrial policy, and export promotion.

Despite different timelines and strategies, both countries moved from low-income, war-torn economies to global high-tech leaders within just a few decades.

Results

The analysis shows that both Japan and South Korea broadly followed Rostow's five stages – but in different ways and with important deviations from the model.

Japan reached its take-off phase earlier, during the Meiji period, without foreign aid, and relied on imperial expansion and early industrialization. After World War II, U.S. support and the Korean War accelerated its transition into mass consumption.

South Korea, by contrast, remained underdeveloped until the 1960s. Its take-off came through strong state control, Cold War alliances, Japanese reparations (1965), and U.S. military and economic aid, especially during the Vietnam War.

A key limitation of Rostow's theory is its failure to adequately account for the role of war and geopolitics. War and Cold War alliances acted as catalysts for economic expansion – phenomena that lie outside Rostow's neat, linear model.

Moreover, the theory assumes that economic development is primarily driven by private markets. However, the experiences of Japan and South Korea highlight the decisive role of the state. Japan's Ministry of International Trade and Industry (MITI) actively guided industrial policy and protected key sectors, while South Korea under Park Chung-hee implemented five-year economic plans, controlled credit allocation, and compelled large conglomerates to focus on exports. The strong state role in both countries contrasts sharply with the free-market capitalism Rostow envisioned.

Cultural and institutional factors also challenge Rostow's assumption of cultural neutrality in development. East

Asia's Confucian values – emphasizing education, discipline, hierarchy, and social stability – underpinned the formation of strong institutions and long-term planning capabilities. These cultural foundations supported economic growth, but not through the democratic or liberal market mechanisms Rostow implied. Instead, growth occurred within authoritarian contexts that prioritized bureaucracy and social order.

What do these findings reveal? Rostow's model remains useful as a broad framework to categorize stages of development. However, it overlooks critical real-world drivers such as war, strategic state intervention, and cultural context. The cases of Japan and South Korea show that growth is not solely market-driven, but shaped by historical context, political power, and geopolitics. Consequently, development paths are diverse and context-specific rather than universally replicable.

In conclusion, while Rostow's Stages of Growth provide a helpful conceptual structure, they simplify the complex and multifaceted nature of development – particularly in East Asia. Japan and South Korea followed unique trajectories shaped by factors largely absent in Rostow's theory. Their experiences remind us that development is not a one-size-fits-all process, but deeply context-dependent.

References

All references can be found in the full version of the MA thesis available at

<https://theses.univie.ac.at/detail/74559/>

About the Author

Bernadette Gigler holds a BA in Geography and has a passion for travel. Alongside her academic career, she works as an accountant and runs a publishing house for theatre plays.

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