- The Linear Stages of Growth Models:

The first generation of economic development models was formulated in the early years after the World War II.

These early models focused on the utility of massive injections of capital to achieve rapid GDP growth rates. The two famous models are Rostow’s stages growth model and the Harrod–Domar model

Theorists of the 1950s and early 1960s viewed the process of development as a sequence of historical stages. This view was popularized by Rostow (Ingham 1995). Building on the historical pattern of the then developed countries, Rostow (1960) claimed that the transition from underdevelopment to development would pass through five stages: the traditional society, the preconditions for take-off, the take-off, the drive to maturity and the age of high mass consumption.

The decisive stage is the take-off, through which developing countries are expected to transit from an underdeveloped to a developed state. Increasing rate of investments is considered to be necessary to induce per-capita growth. Like Rostow's stages growth model, the Harrod–Domar model emphasized that the prime mover of the economy is investments (Ghatak 2003). Every country therefore needs capital to generate investments.

Developing countries commonly used the principal strategies of development from the stage approach in the early post-war years.

With a target growth rate, the required saving rate can then be known. If domestic Savings were not sufficient, foreign savings would be mobilized. Although Rostow (1960), Harrod (1948) and Domar (1947) were right about the important role of investments that is most closely correlated with the economic growth rate, this is not the only condition for a country to develop.

The key weakness of these models lies in their simplifying assumptions. A single production function issimply assumed for all countries

Every economy is assumed to have the same necessary conditions and would pass through the same phasing ,stage by stage. But that economic growth path, which historically had been followed by the more developed countries, is not the only one pathway. The development process is actually highly nonlinear (Chenery 1960; Chenery and

Countries may pursue distinct development paths (Morris and Adelman 1988). Economies may miss stages, or become locked in one particular stage, or even regress depending on many other complementary factors such as managerial capacities, and the availability of skilled labor for a wide range of development projects

- **Structural Change Models:**

During most of the 1960s and early 1970s, economists generally described the development process as structural change by which the reallocation of labor from the agricultural sector to the industrial sector is considered the key source for economic growth. Two well-known representatives of this approach are the two-sector model (Lewis 1954), and the structural change and patterns of development

In Lewis' (1954) two-sector model or theory of surplus labor, labor increasingly moves away from the agricultural sector to the industrial sector. However, with unlimited supply of labor from the traditional sector, these transferred workers continually received only subsistence wages. The excess of modern sector profits over wages and hence investments in the modern sector continued to expand and generate further economic growth on the assumption that all profits would be reinvested. Both labor transfer and modern sector employment growth were in turn brought about by output expansion in that sector.

This process of modern sector self sustaining growth and employment expansion facilitated the structural transformation from a traditional subsistence economy to a more modern developed economy to take place. Like the Harrod–Domar model, the Lewis model considered savings and investments to be the driving forces of economic development but in the context of the less developed countries. However, several Lewis' assumptions are not valid such as those relating to rural surplus labor, and the proportional rate of expansion in capital accumulation in the modern sector

Although promoting the roles of savings and investments, the structural change and patterns of development analysis extended in comparison with the Lewis model.

The analysis identified that the steady accumulation of physical and human capital is among conditions necessary for economic growth, apart from savings and investments. Moreover, the structural changes occurred not only in the two sectors but also in all economic functions, including the change in consumer demand from an emphasis on food and basic necessities to desires for diverse manufactured goods and services, international trade and resource use as well as changes in socioeconomic factors such as urbanization and the growth and distribution of a country's population

The most significant explanation of this approach was provided by Chenery (1960), Chenery and Taylor (1968), Kuznets (1971) and Chenery and Syrquin (1975). By focusing on the pattern of development rather than theory, the structural change models may mislead policy-makers. Since the reallocation of labor from the agricultural sector to the industrial sector is considered the engine of economic growth, many developing countries implemented policies that often promote the industry and neglect agriculture.

But the negative effects of policies that turned against that vital sector have come to be widely recognized (World Bank 2000). Criticisms of these

models were reinforced by the fact that in many developing countries, poverty was prevalent. Following the pattern recommended by structural change economists, in the late 1960s, the attention of policy-makers began to shift towards an emphasis on human capital, i.e. education and health