The Growth Pole Theory

Questions:

1. Define a ‘Growth Pole’. (2 marks)
2. What are the salient features of Perroux’s theory? (2 marks)
3. Mention the influence of Schumpeter’s theories on Growth Pole Theory. (2 marks)
4. Mention the role played by the large scale firms in the growth pole theory. (2 marks)
5. Mention the salient features of dynamic propulsive firm. (2 marks)
6. Mention the salient features of leading propulsive industry. (2 marks)
7. What do you mean by forward linkage and backward linkage? (2 marks)
8. How does innovation encourage industrial production? (2 marks)
9. What are the two bases of Perroux’s Growth Pole Theory? (2 marks)
10. How did Boudeville modify the Growth Pole Theory according to Geography? (2 marks)
11. Name and discuss the external economies that become available in the area constituting the growth poles of a region. (4 marks)

Definition of Growth Pole:

GROWTH POLE REFERS to the concentration of highly innovative and technically advanced industries that stimulate economic development in linked businesses and industries. These concentrations of industries often affect the economies of geographical areas outside their immediate regions.
Terminal flow of the growth pole

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Above mention figures-A shows that initially any single growth pole started and then its dependent terminal started clustering near that parent or growth pole. And then due to that cluster peoples started migrating nearer to that so it creates an agglomeration near that.

Same way figure-B shows that due to the growth of that primary pole, another growth pole also started over that region it is called secondary growth pole. This may connect with the primary terminal. And then it will grow like primary growth pole.
The concept of a growth pole was developed by the French regional economists, particularly François Perroux, in 1955.

Perroux was basically concerned with the phenomenon of economic development and with the process of structural change that accompanied this phenomenon. In his theory of growth poles, he attempted to explain how modern process of economic growth deviated from the stationary conception of equilibrium growth. In doing this he based his argument heavily on Schumpeter’s theories of the role of innovations and large-scale firms.

In Schumpeter’s analyses, development occurs as a result of discontinuous spurts in a dynamic world. Such ‘discontinuous spurts’ are caused by the innovative entrepreneur whose activities generally take place in large-scale firms.

This large scale firms are able to dominate their environment in the sense of exercising reversible and partially reversible influences on other economic units by reason of their dimension, negotiating strength, and by the nature of their operations.

The close relationships between scale of operations, dominance, and impulses to innovate become the most impotent features of Perroux’s theory and lead to the concepts of dynamic propulsive firm and leading propulsive industry.

The characteristics of a dynamic propulsive firm are that it is-

(i) relatively large,
(ii) has a high ability to innovate,
(iii) and belongs to a relatively fast growing sector,
(iv) and the quantity and intensity of its interrelations with others sectors of the economic are important enough for the induced effects to be transmitted to them.

The characteristics of a leading propulsive industry are also similar. Such an industry has –

(1) highly advanced level of technology and managerial expertise,
(2) high income elasticity of demand for its products,
(3) marked local multiplier effects, and
(4) strong inter-industry linkages with other sectors.

Such linkages can be of two types-

1. Forward linkage and
2. Backward linkage.

In the case of a backward linkage an industry encourages investment in the earlier stages of production by expanding its demand for inputs (which are the outputs of industries in the earlier stages of production).

In the case of a forward linkage an industry encourages investment in the subsequent stages of production either by transmitting innovation or effects of innovations forward.
One possibility is that as a result of innovations, costs of production in the industry decline. This could lead to a fall in the price of its output. If this happens, the demand for this industry’s output by those industries which use its output as input, will increase. In addition to this possibility, there are many other ways in which innovations or effects of innovations can be transmitted forward.

Thus, there are two cornerstones on which Perroux bases his theory

1. Schumpeterian theory of development, and
2. Theory of inter industry linkages and industrial interdependence.

According to him, “growth does not appear everywhere and all at once; it appears in points or development poles, with variable intensities; it spreads along diverse channels and with varying terminal effects to the whole of the economy. This concept of growth pole is closely related to Perroux’s idea of an economic space as a field of forces consisting of centers (or poles or foci)" from which centrifugal force emanate and to which centripetal force are attracted. Each centre, being a centre of attraction and repulsion, has its proper field, which set in the field of other centre “

Perroux’s conception of space was essentially an abstract one. It was Boudeville who gave it a regional character and a specific geographic content. Consequently it was with Boudeville that the growth pole theory received a specific geographical and regional importance. He (Boudeville) defined a regional growth pole as a “set of expanding industries located in an urban area including further development of economic activity throughout its zone of influence.”

The place where this ‘expending ‘ or ‘propulsive’ or ‘dominate’ industries are located in the region becomes the pole of the region and agglomeration tendencies are promoted. Such tendencies arise because of external economies and result in polarization of economic activities around that pole. The external economies that become available in the area constituting the growth pole of a region are basically of the following three types:

1. **Economies internal to the firm:** These are the lower average costs of production resulting from an increased rate of output. These are the economies which any single firm by its own organization and effort can enjoy.

2. **Economies external to the firm but internal to the industry:** These are associated with localization of industry, on account of close locational proximity of linked firms, as industry expands at a particular location, cost per unit of output to a firm declines.
(3) **Economies external to the industry but internal to the urban area:** These can be termed urbanization economies. They include development of urban labour markets, access to a larger market, and provision of a wider range of services.

In his theory of unbalanced growth, Albert O. Hirschman emphasizes that because of these external economies there is a tendency among investors to concentrate in (and around) the growth poles. According to him, “what appears to happen is that the external economies due to the poles, though real, are consistently overestimated by the economic operators”. Thus, a sort of ‘dualism’ in the economic progress of nations develops – a country is split up into developed and backward areas.