By Jason Fane

Prof. Everett E. Hagen said the theory that social overhead capital is the prerequisite to economic growth in underdeveloped areas is mostly a myth. In a lecture April 17, he said human initiative and small creative entrepreneurs are more important factors in fostering growth than social overhead capital.

Social overhead capital refers to "basic" facilities: railroads, power plants, steel, etc. The term was coined in the 1940's by Dr. Paul Rosenstein-Rodan of the MIT economics department. According to the social overhead theory, railroads and power plants be built on a large scale in order to be efficient. If a nation cannot get enough capital to build a large plant it faces a roadblock. Actually, Prof. Hagen says, a small power plant may furnish power just as well. Although the cost per kilowatt hour may be slightly higher than with large stations, it will still be low enough for the plants to help the economy. The same is true for roads, railroads, and other basic facilities.

To prove his points, Prof. Hagen cited 18th Century England as a nation that had large scale economic growth without any railroads, power plants, steel, etc. Without the benefit of any technology developed in other lands, England had the first Industrial Revolution.

To illustrate his contention that small facilities are adequate to do the job of initiating growth he showed slides of a small railway locomotive used on Colombia's first railroad. The locomotive is smaller than a modern automobile, and was carried over the mountains by teams of men serving as beasts of burden.

Dr. Hagen is a professor in the MIT economics department, and has studied intensively the factors that promote economic growth in underdeveloped areas and traditional societies. From 1951 to 1953 he was a consultant on economic growth to the government of Burma.

The lecture was sponsored by the Inter-American Program of the Civil Engineering Department. It was part of a series of weekly lectures given in 3-133 Tuesdays at 4:00.

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