

# International Trade, Technology Gaps and Uneven Development

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## Abstract

In North-South long-run equilibrium analysis, asymmetries in saving propensities are introduced as an explanatory factor behind the uneven distribution of income among countries and the concentration of wealth in the North. In this paper we use a simulation model in order to see whether analogous patterns of uneven development emerge in an evolutionary process with productivity asymmetries. The basic mechanisms of the model are price competition and labour saving technical change. To develop the argument, the paper presents a multiple-sector, multiple-firm simulation model in which trade and capital flows take place between two countries. The short-run dynamics of this model characterized by differences in efficiency at a firm level produces results that resemble in some respects those that emerge in the long-run dynamics of uneven development. Superior technological performance appears as a key factor for the countries' more aggressive accumulation pattern that is behind the uneven distribution of wealth and income. A simulation exercise is used to show how a country can be negatively affected by the pressure of the competitive struggle in the international market.

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