Uneven development, income distribution, and technological change in a structuralist north-south model

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Abstract:

This paper extends Nakatani's (1997) North–South model by introducing a Marglin–Bhaduri investment function that depends on capacity utilization and the profit share. Within a framework where the North is demand-constrained and the South supply-constrained, the study analyzes how wage changes in both regions and resource-saving technological progress in the North affect growth and uneven development. In the short run, these changes have generally indeterminate effects on utilization, terms of trade, and growth due to interacting demand and distributional mechanisms. In the long run, the sensitivity of investment to the profit share becomes central in determining growth regimes. When this sensitivity equals the Northern resource input coefficient, wage changes no longer affect utilization, yet the economy remains profit-led because wage increases still reduce the profit share. The boundary between wage-led and profit-led growth cannot be uniquely determined from the model's structure alone and depends on additional parameter restrictions. The analysis highlights how structural asymmetries and investment behavior shape the feasibility of wage-led growth under globalization.