ABSTRACT

The existing theoretical literature on rural-urban migration and the urban unemployment problem is static. The problem has been analysed in a two sector general equilibrium framework and the effect of development policies have been analysed through the comparative static exercises. The present thesis plans to analyse the urban unemployment problem resulting from rural-urban migration in a dynamic model of investment planning and capital-accumulation when capital-stock, once installed in a particular sector, is non-shiftable.

The chapter 1 of the thesis reviews the existing static literature and emphasizes on the need for a dynamic analysis. A dynamic model is built up in chapter 2 in the spirit of Marglin ('66), Dixit ('68), Stern ('72) etc. The model is based on the Harris-Todaro migration mechanism. It solves the problem of the choice of technique and the allocation of income between consumption and savings in the urban sector in a time-minimization problem of attaining a full employment state as well as in a utility-maximizing Ramsey problem. However, the problem of investment allocation between the rural and the urban sector is not considered in this chapter, and the chapter 3 extends the model in this direction. In order to focus on the marketable surplus problem of a less-developed economy, specialization
of production and the product-wise interdependence between the rural and the urban sector is introduced in the dynamic model built in chapter 4. The analysis of the dynamic models in these chapters suggest that there is no contradiction between a programme of urban development and the solution to the urban unemployment problem. It is expected to be interesting as it differs from the conclusions of the static models, who find the solution to the urban unemployment problem does not lie in a policy of urban development.