

Environmental Pollution, Urban Unemployment and Privatization*

Tohru Naito[†]

The University of Tokushima

Graduate Schools of Integrated Arts and Sciences

1-1 Minamijosanjima-cho Tokushima, 7708502 JAPAN

Phone: +81-88-656-7103, Email: naito@ias.tokushima-u.ac.jp

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Abstract

The purpose of this paper is to analyze the effect of privatization on unemployment under the dualistic economy where the manufactured goods sector in urban area is the mixed duopoly and the agricultural goods sector in rural area is competitive. Moreover, we consider that the manufactured goods sector emits any pollution in the production process of manufactured goods. The public firm owned by domestic government competes with the private firm owned by foreign country in the domestic economy. As the result of analysis in this paper, the optimal privatization level of public firm in urban area depends on the environmental damage rate or the productivity of agricultural goods sector in rural area. Moreover, those parameters affect the unemployment rate in urban area, too.

Key words : mixed duopoly , privatization , urban unemployment , environmental pollution

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[†]naito@ias.tokushima-u.ac.jp