

Econ 2156
Sample Questions

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- 1) For union-nonunion wage differentials to be viewed as compensating differentials, there must be heterogeneity among, both, the workers and the firms as to how they view being unionized.
Derive a model where the union has no monopoly power, but there exists in equilibrium a positive wage differential.
- 2) Compare and contrast Rubinstein's solution to a bargaining problem and Nash's solution to bargaining problem.
In your answer mention the assumptions for each.
- 3) Derive the set of efficient wage-employment combinations between a union and a firm.
Show how this set can be framed as a bargaining problem.
- 4) Why may the union-nonunion wage differential not reflect the impact of unions on the wages of their members relative to what their wage would be in the absence of unionism?
- 5) Since a monopolist is the only producer of its output consumers cannot substitute other outputs, and hence the demand for the product produced by the monopolist is price inelastic. Therefore the monopolist must employ more labour than if the industry was competitive.
Discuss.
- 6) Give three possible explanations of why strikes occur between unions and firms. Discuss each of these.