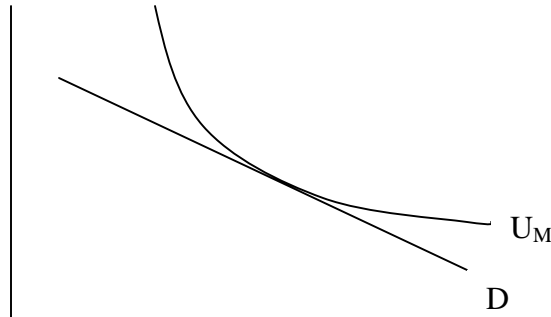


In-Class Exercise #11

Name:

1) In class we showed that a Union who acts as a monopoly on labor will pick the point on the demand curve that maximizes utility:



Add to this graph to show that with a more inelastic demand for labor, the union can bargain for a higher wage and higher-level of utility.

2) Show/Discuss the effects of:

a) A shift up in the union's resistance curve.

b) A steeper union's resistance curve

on strike duration, wage settlement and firm's profits.

3) An AFL-CIO publication stated, "There is accumulating evidence that unionized workers are more productive than non-unionized workers and that unionization raises productivity in an establishment. This suggests that employers and American society generally should take a more positive approach to unionism and collective bargaining." Discuss some reasons why we *should* expect to see higher output/worker in unionized firms compared to non-unionized firms.