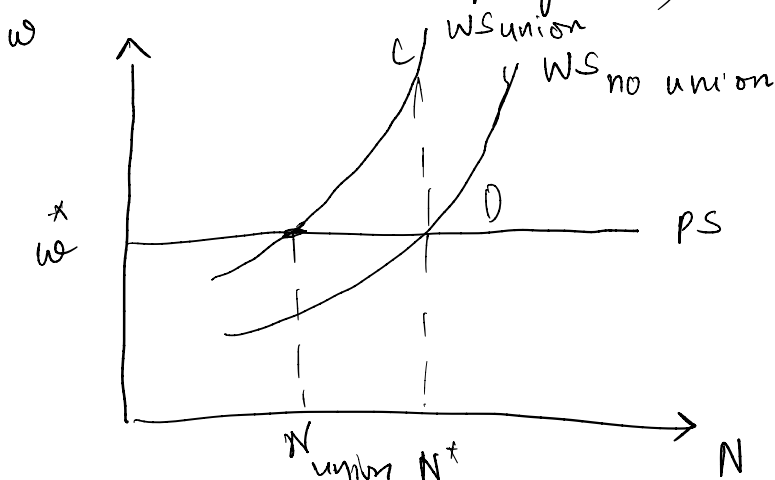
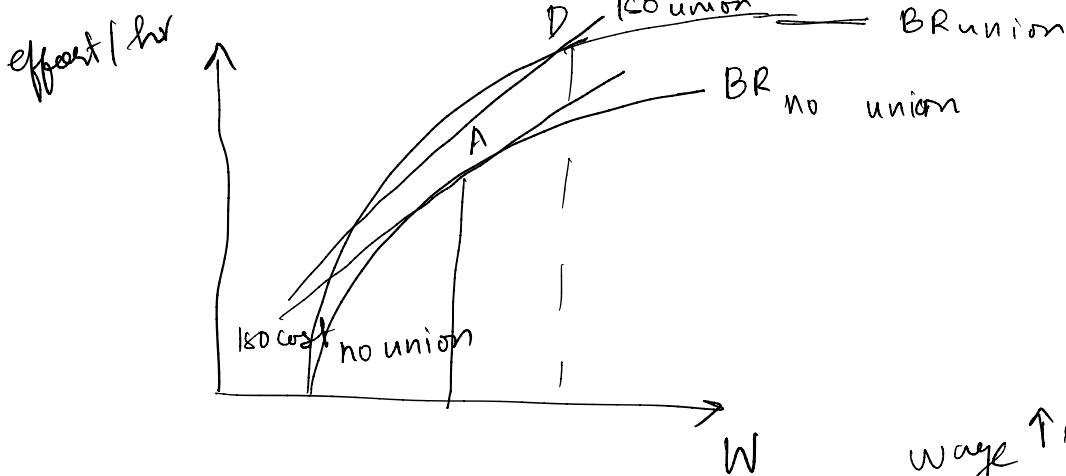


Labor union  $\rightarrow$  unemployment,  $W \uparrow$

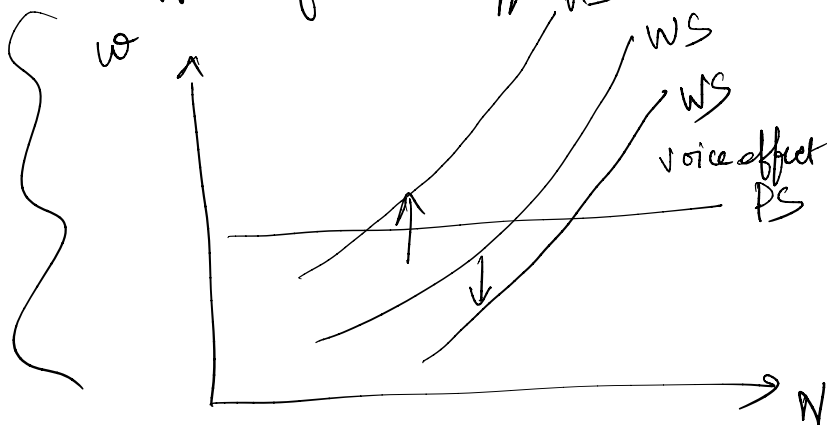


$$\mu = \frac{P - MC}{P}$$

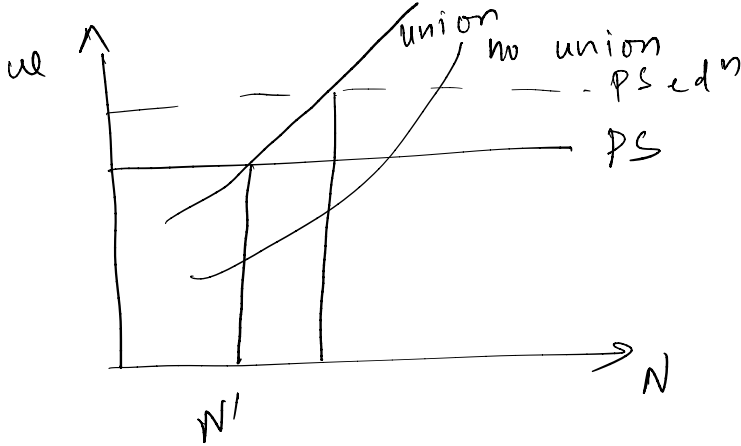
Voice effect  $\rightarrow$  workers are changing a higher real wage + work/effort consistent with the new real wage rate



What is effect of voice effect



wage  $\uparrow$   
employment rate  $\uparrow$   
effort  $\uparrow$



$W = \$40$       subsidy 10%

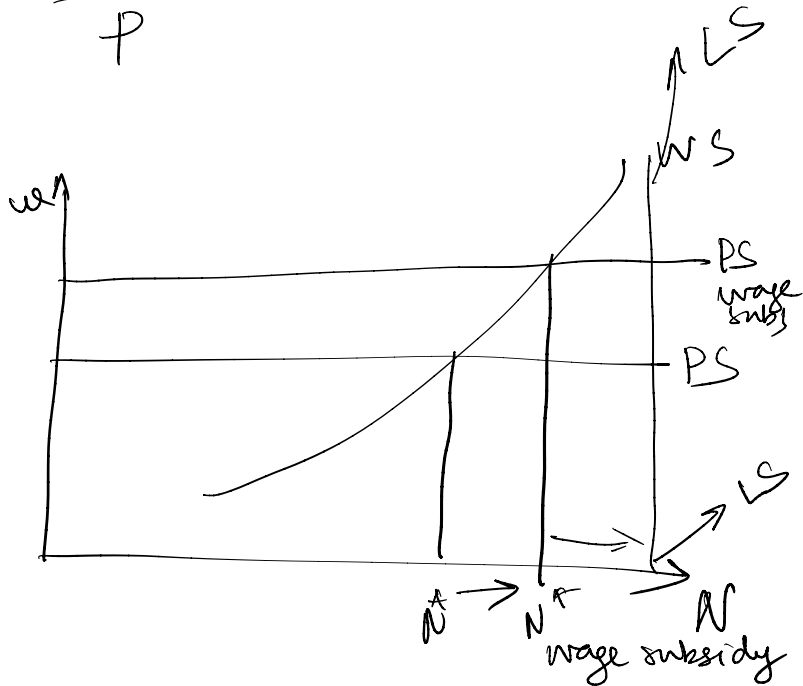
Net wage = \$36

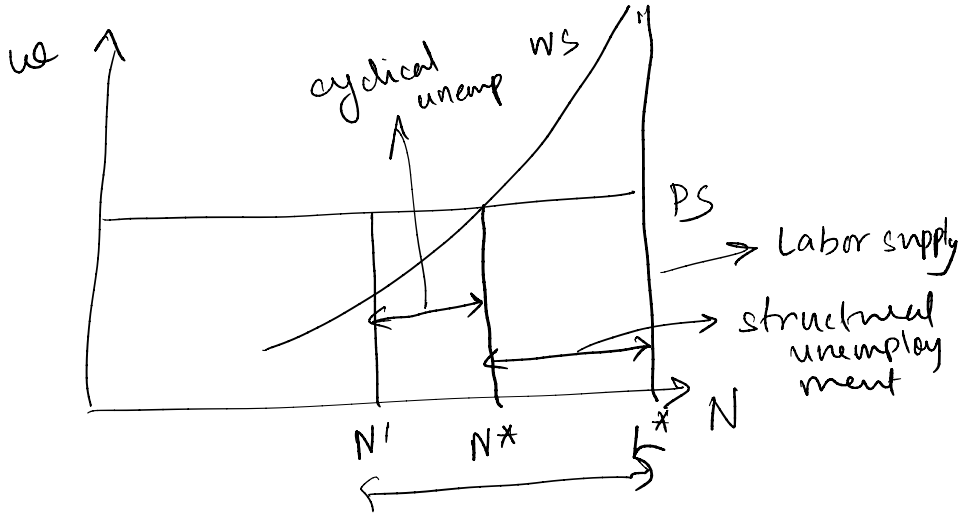
$\mu = \frac{P - MC}{P} \downarrow$

$P \downarrow$

$\frac{W}{P} \uparrow$

PS curve shifts up





Disguised unemployment

