## Review Questions

12.

What determines the demand for labor for a firm operating in a perfectly competitive output market?

13.

What determines the demand for labor for a firm with market power in the output market?

14.

What is a perfectly competitive labor market?

15.

What is a labor union?

16.

Why do employers have a natural advantage in bargaining with employees?

17.

What are some of the most important laws that protect employee rights?

18.

How does the presence of a labor union change negotiations between employers and workers?

19.

What is the long-term trend in American union membership?

20.

Would you expect the presence of labor unions to lead to higher or lower pay for worker-members? Would you expect a higher or lower quantity of workers hired by those employers? Explain briefly.

21.

What are the main causes for the recent trends in union membership rates in the United States? Why are union rates lower in the United States than in many other developed countries?

22.

What is a monopsony?

23.

What is the marginal cost of labor?

24.

How does monopsony affect the equilibrium wage and employment levels?

25.

What is a bilateral monopoly?

26.

How does a bilateral monopoly affect the equilibrium wage and employment levels compared to a perfectly competitive labor market?

27.

Describe how the earnings gap between men and women has evolved in recent decades.

28.

Describe how the earnings gap between Black and White people has evolved in recent decades.

29.

Does a gap between the average earnings of men and women, or between White and Black people, prove that employers are discriminating in the labor market? Explain briefly.

30.

Will a free market tend to encourage or discourage discrimination? Explain briefly.

31.

What policies, when used together with antidiscrimination laws, might help to reduce the earnings gap between men and women or between White and Black workers?

32.

Describe how affirmative action is applied in the labor market.

33.

What factors can explain the relatively small effect of low-skilled immigration on the wages of low-skilled workers?

34.

Have levels of immigration to the United States been relatively high or low in recent years? Explain.

35.

How would you expect immigration by primarily low-skill workers to affect American low-skilled workers?