Jorg Lingens

Union Wage Bargaining and Economic Growth

Springer

Contents

Part I Introduction

Part II Bargaining Theory

1 Static Bargaining Models . . . 13
1.1 The Nash Bargaining Solution . . . 13
1.1.1 The General Idea . . . 13
1.1.2 An Application to Wage Negotiations . . . 15
1.2 The Rubinstein Solution . . . 16
1.2.1 The General Idea . . . 16
1.2.2 An Application to Wage Negotiations . . . 19
1.3 Rubinstein vs Nash . . . 20

2 Dynamic Wage Bargaining . . . **23**
2.1 The General Idea . . . **24**
2.2 Appendix . . . **27**

Part III Unions and Capital

3 Unions and Investment . . . 31
3.1 Unions and Investment-The Two Period Case . . . 31
3.2 Unions and Investment-The Infinite Horizon Case . . . 35

4 Unions in a Solow Type Growth Model . . . 41
4.1 The Model of Kemp and Van Long (1987) . . . 42
4.1.1 The General Case . . . 42
4.1.2 The CES Case . . . 49
4.2 The Palokangas Model (1989) . . . 52

5 Unions in a Diamond Type Growth Model 61
5.1 The Basic Model 61
5.2 Union Wage Bargaining 63
5.3 Appendix 68

6 **Unions in an AK Model** 69
6.1 The Basic Model 70
6.2 Union Wage Bargaining 71

7 Summary **75**

Part IV Unions and Creative Destruction

8 The Growth Model 81
8.1 The Economy 81
8.2 The Steady State Rate of Growth 84

9 Union Wage Bargaining 85
9.1 The right-to-manage Case 85
9.1.1 The Employment Effects of the Labour Union 88
9.1.2 The Growth Effects of the Labour Union 89
9.2 Efficient Bargaining 92

10 Appendix **95**

Part V Unions and Expanding Product Variety

11 One Sector Bargaining 101
11.1 The Basic Model 101
11.2 The Unionised Economy 105
11.3 Appendix 115

12 Tax Policy 117
12.1 The Basic Model 120
12.2 Tax Reforms 125
12.2.1 Ex-Ante Revenue Neutrality 126
12.2.2 Ex-Post Revenue Neutrality 130
12.3 Appendix 137

13 Simultaneous Wage Bargaining 139
13.1 The Growth Model 140
13.1.1 The Consumption Good Sector 140
13.1.2 The Intermediate Good Sector 141
13.1.3 The Research Sector 142

13.1.4 Households . . . 142
13.1.5 Steady State Equilibrium . . . 143
13.2 The Unionised Economy . . . 145
13.2.1 Wage Bargaining in the Intermediate Sector . . . 146
13.2.2 Wage Bargaining in the R&D Sector . . . 147
13.2.3 General Equilibrium . . . 148
13.3 Equilibrium Unemployment . . . 152
13.4 Growth Effects of the Wage Bargain . . . 155
13.5 Appendix . . . 160
13.5.1 The Bargained Wage in the Intermediate Goods Sector . . . 160
13.5.2 The Bargained Wage in the Research Sector . . . 161
13.5.3 Coefficients of the Linearised Equilibrium Conditions . . . 162

Part VI Unions, Labour Productivity and Dual Labour Markets

14 An OLG Model with Growing Labour Productivity . . . 167
14.1 The Basic Model . . . 167
14.1.1 Production . . . 167
14.1.2 Households . . . 168
14.1.3 Equilibrium . . . 169
14.2 Union Wage Bargaining . . . 172
14.3 Appendix . . . 174

15 An Infinite Horizon Model with Growing Labour Productivity . . . 177
15.1 The Basic Model . . . 178
15.2 Union Wage Bargaining . . . 180
15.3 Appendix . . . 184

Part VII Summary and Conclusion

References . . . 195