The Endogenous Decisions of Unionization and International Trade in General Oligopolistic Equilibrium

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Abstract

This paper develops a multi-sector general oligopolistic equilibrium trade model in which unionized and non-unionized sectors interact. We assume that the proportion of unionized sectors as an endogenous parameter. We show that the proportion of unionized sectors depends on such exogenous parameters as population and union cost. As a result, the increase in population size raises the proportion of unionized sectors and lowers the competitive wage, whereas the increase in the number of firms and the increase in the union cost lower the proportion of unionized sectors and raise the competitive wage. We also show that trade openness between symmetric countries raises the competitive wage and lowers the proportion of unionized sectors, whereas the effect on the welfare is ambiguous.