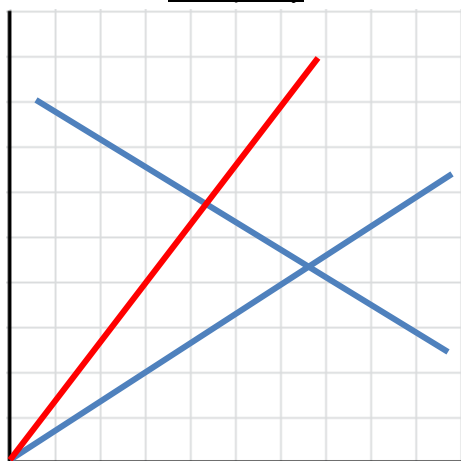


CONCEPT: MONOPSONY

- A **monopsony** is a market with a single _____. In the case of a labor market, there is only one _____
 - Example: A small town that exclusively produces lumber. A small town where Walmart is the main employer
 - A monopsony acts in many ways similar to a monopoly:
 - > Maximize profit by hiring the quantity of workers that make $MC_L = MRP$
 - > In a competitive labor market, $Wage = MC_L$. For a monopsony, $MC_L > Wage$
 - Hiring one more worker, monopsony must offer a higher wage, increase wage for all employees

Monopsony



- In a monopsony, a minimum wage law will cause the equilibrium wage and quantity to _____

Monopsony with Minimum Wage

