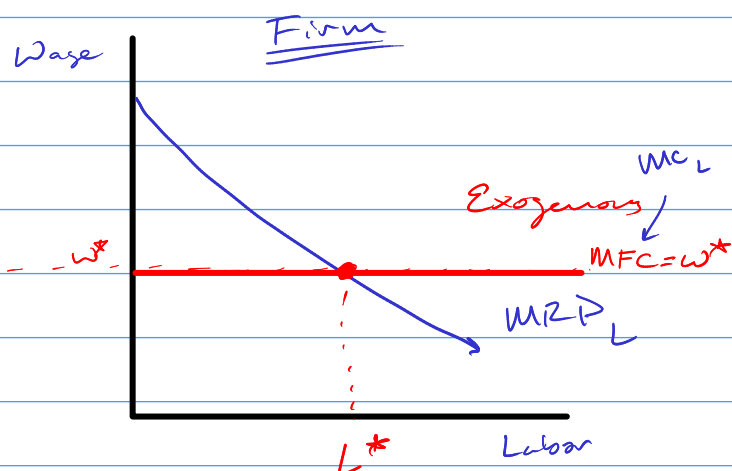
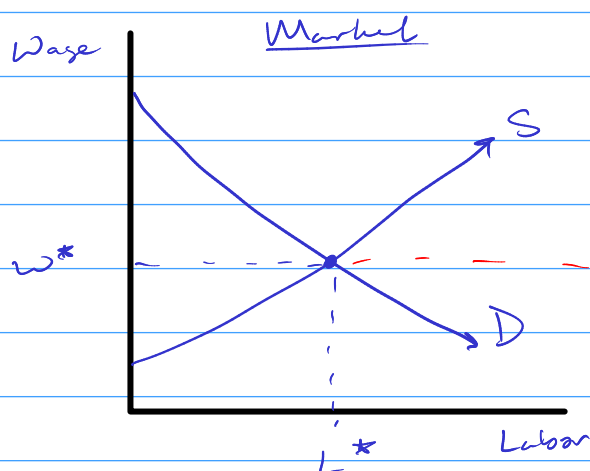
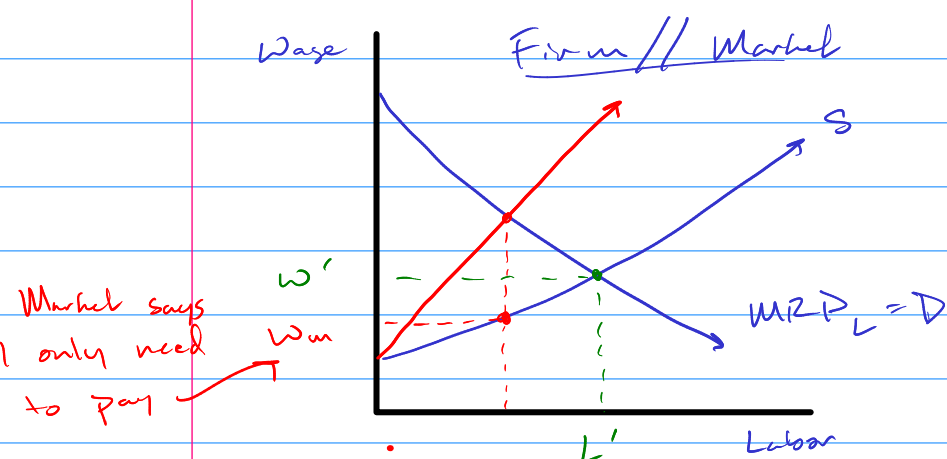


Monopsony Notes

Perfect Competition



Monopsony



Why isn't (L', w') our equilibrium?

Before wages were given. Every additional worker had the same wage

Now, when we want to hire more labor, we need to increase the wage. And we can't just increase the wage for the additional worker; we need to raise it for all workers.

MC_L is increasing 2x as fast as P_L

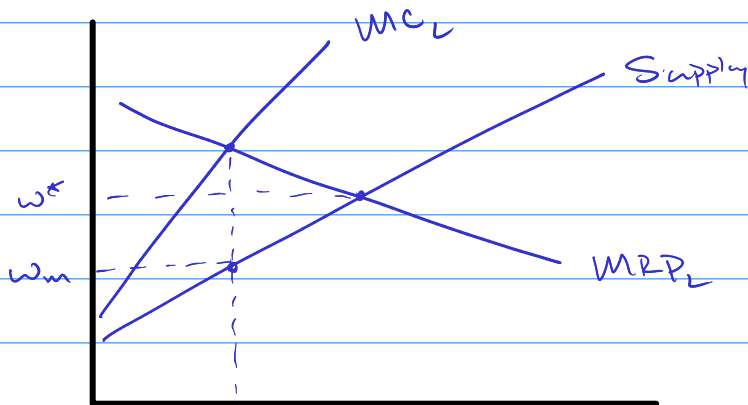
Q_L	P_L	Total Labor cost	MC_L
0	-	-	-
1	3	3	-
2	4	8	5
3	5	15	7
4	6	24	9

Rational L^* ?

Keep hiring more people until as long as MRP_L for each incremental unit is higher than the MC_L

Monopsony & the MW

Monopsony Employer



Why does this happen?

Incremental hires do not raise the wages.

Who loses? Firms lose Surplus