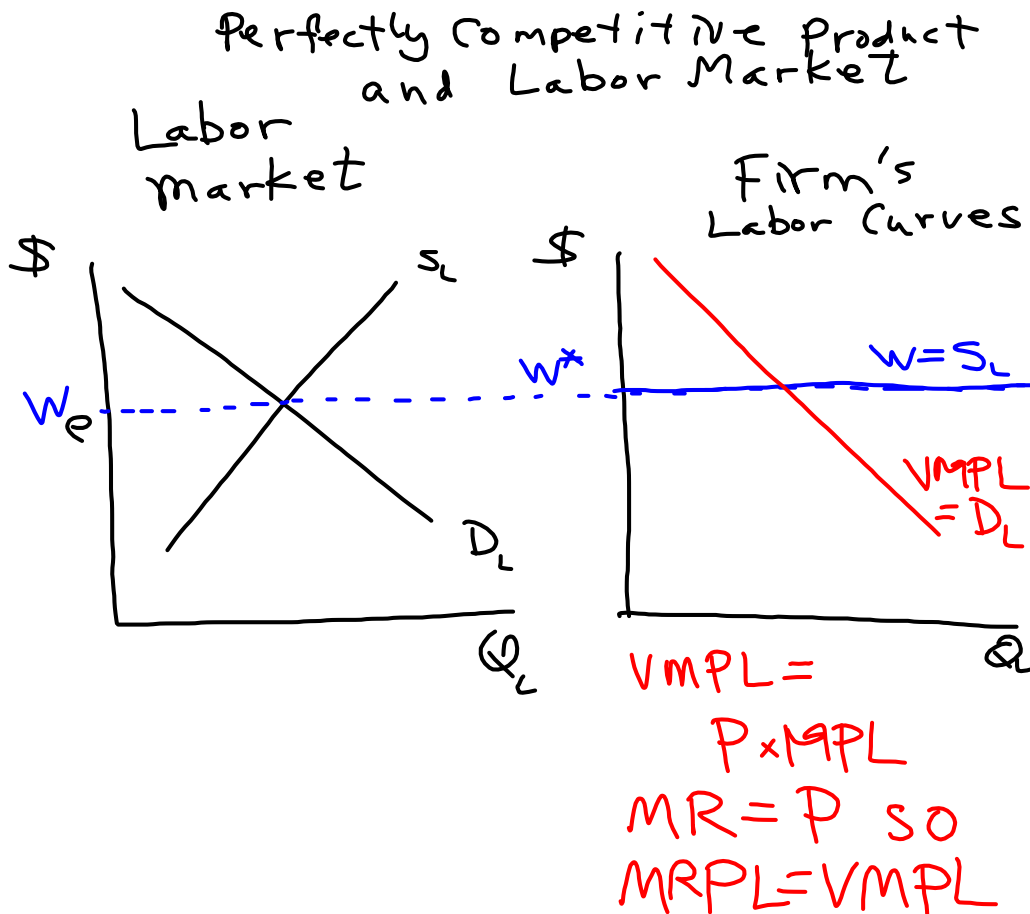
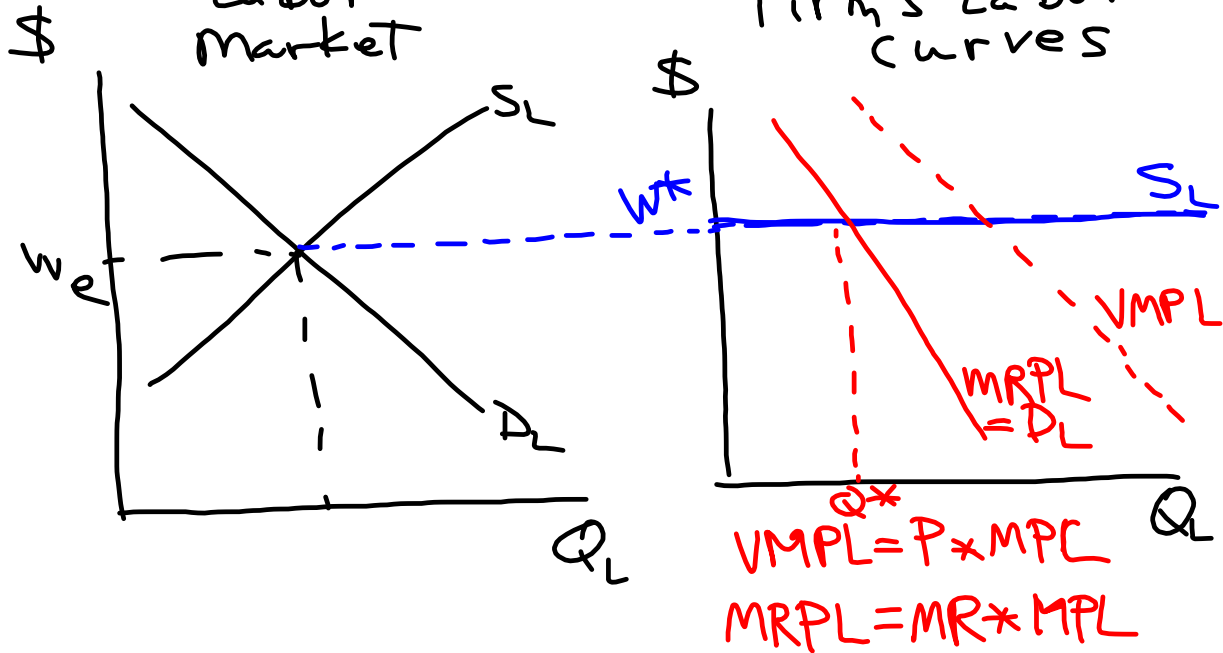


Monopsony: single purchaser of a product.

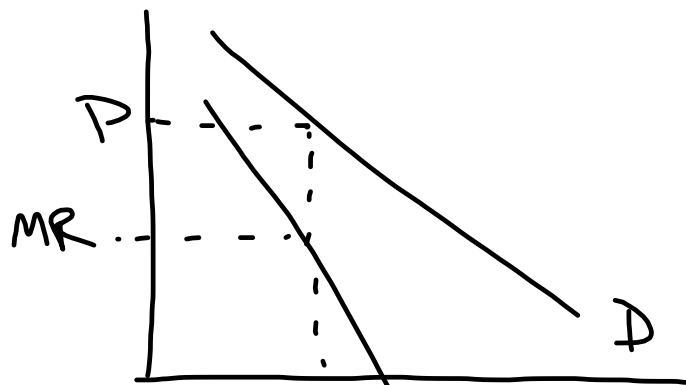
Monopsony for Labor - one firm faces the entire labor supply curve



Imperfectly Competitive Product Market, Perfectly Competitive Labor Market
 Firm's Labor Curves

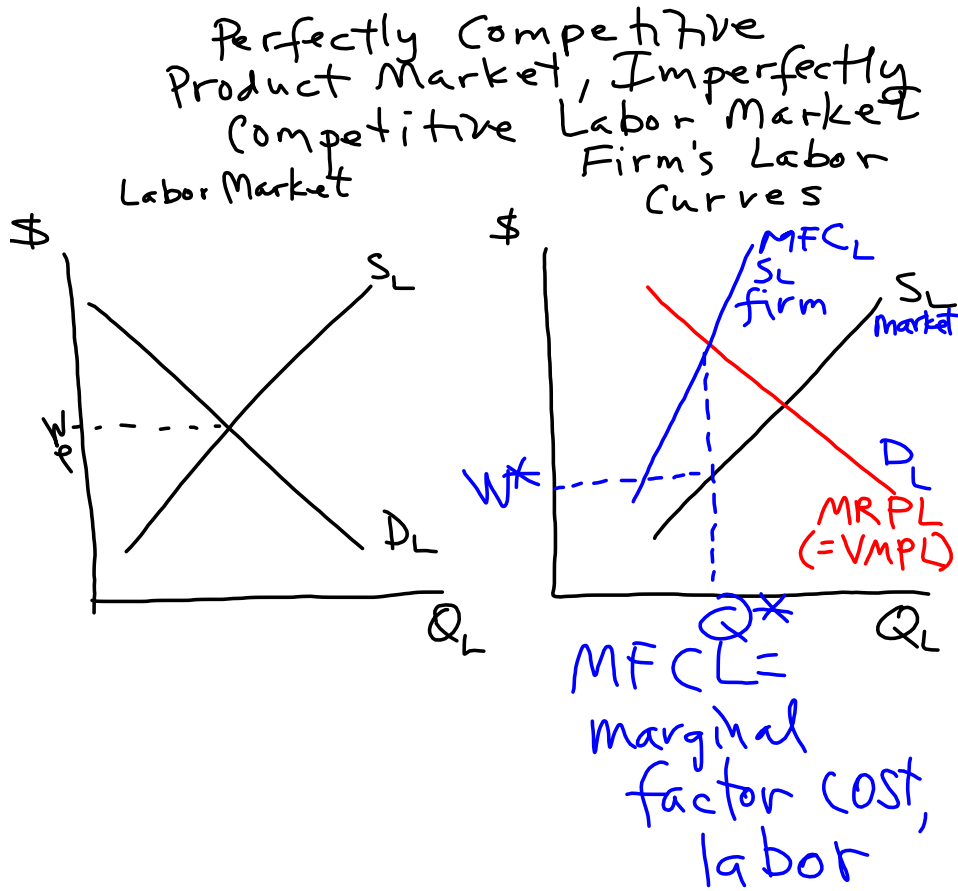


monopoly



$MR < P$

must charge less to sell more



- | | | | |
|--------------------------|--------|--------|-----------------|
| 1. ANS: A | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Concept-Based | | | |
| 2. ANS: A | PTS: 1 | DIF: E | REF: Module 69/ |
| MSC: Critical Thinking | | | |
| 3. ANS: B | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Analytical Thinking | | | |
| 4. ANS: A | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Critical Thinking | | | |
| 5. ANS: D | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Concept-Based | | | |
| 6. ANS: E | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Concept-Based | | | |
| 7. ANS: A | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Critical Thinking | | | |
| 8. ANS: B | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Concept-Based | | | |
| 9. ANS: D | PTS: 1 | DIF: M | REF: Module 69/ |
| MSC: Concept-Based | | | |
| 10. ANS: E | PTS: 1 | DIF: M | REF: Module 70/ |
| MSC: Definitional | | | |

Capital

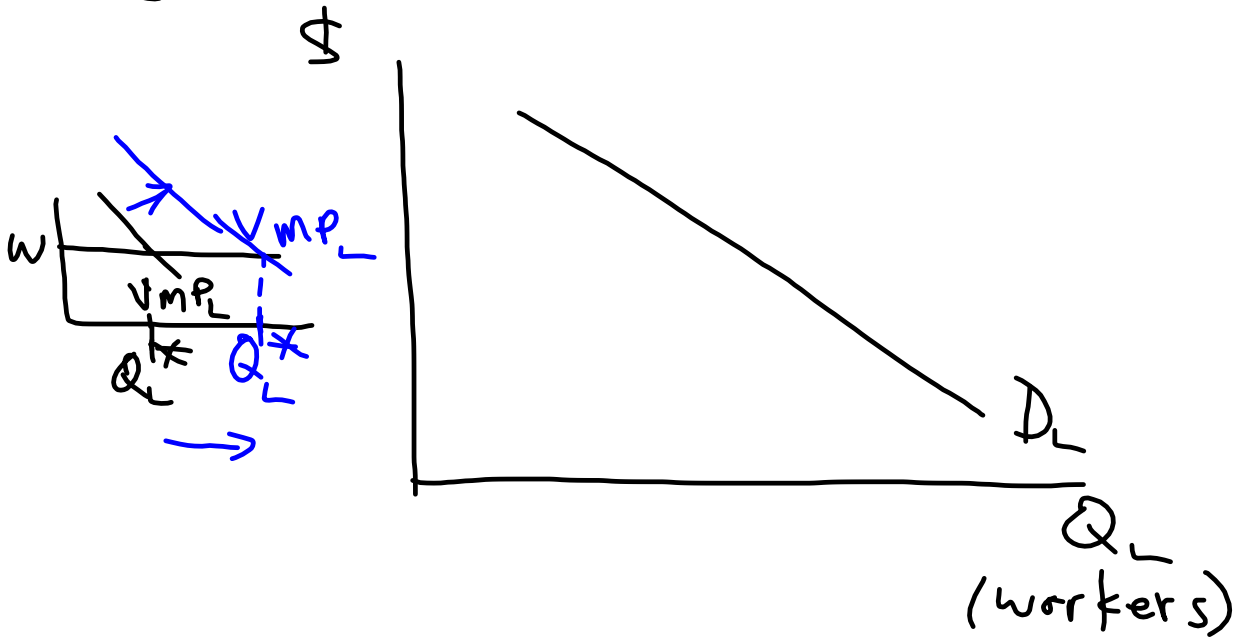
- human training, education
- financial money
- physical building,
 machines

marginal productivity theory
of income distribution:

factors of production
share income in proportion
to their marginal product's
value

8

market for Labor



Topic: Cost-minimizing input combination.

$$\frac{MP_L}{P_L} = \frac{MP_K}{P_K}$$

$(W) \rightarrow P_L$ $P_K \leftarrow (C_K)$

marginal product

Suppose :

$$\frac{MP_L}{P_L} < \frac{MP_K}{P_K}$$

What do you do? (hint:
diminishing marginal
product, i.e. diminishing
returns)

A: Less Labor (L), More Capital (K)