Solutions

Each answer shows the steps, then the **result**.

2.1

- a factor market with only one buyer of the factor

2.2

- to hire one more worker it must raise the wage for all workers, so the extra cost exceeds that worker's wage

2.3

- it is lower

3.1 B

3.2 B

3.3

(a)

- a monopsony

(b)

- less

(c)

- it can raise both the wage and employment