AP MICROECONOMICS • EXERCISE SHEET

5.4 Monopsonistic Markets

Name: ____________ Class: ________ Date: __________ **Total: 8 marks**

KEY WORDS monopsony 买方垄断 • marginal factor cost 边际要素成本 • factor market 要素市场

Objective

Build the skills to answer exam questions on **monopsonistic markets**.

You must be able to:

- define a **monopsony 买方垄断** as a factor market with a single buyer
- explain why a monopsonist's **marginal factor cost** lies above the supply curve
- determine the monopsonist's quantity of labour and the wage it pays
- explain why a monopsony hires **fewer** workers at a **lower** wage than a competitive market

1 Worked examples

Study these first. Each one shows the method for a question type used later.

■ Monopsony

A factor market with a **single buyer** (e.g. the only employer in a town).

■ MFC above supply

To hire one more worker it must raise the wage for **all** workers, so its **marginal factor cost** rises **above** the labour supply curve.

■ Outcome

It hires where $MRP = MFC$, then pays the lower wage from the **supply** curve — so **fewer** workers at a **lower** wage than a competitive market. A well-set **minimum wage** can raise both the wage and employment.

2 Practice

2.1 Define a monopsony. [1]

2.2 State why a monopsonist's marginal factor cost lies above the supply curve. [1]

2.3 State how a monopsony's wage compares with a competitive market's wage. [1]

3 Exam-style questions

3.1 A monopsony is a factor market with a single [1]

A seller
B buyer
C worker
D union

3.2 Compared with a competitive market, a monopsony hires [1]

A more workers at a higher wage
B fewer workers at a lower wage
C the same workers at the same wage
D no workers at all

3.3 A single large employer dominates a town's labour market.

(a) Name this market structure. [1]

(b) State whether it pays more or less than a competitive wage. [1]

(c) State how a well-set minimum wage could affect employment. [1]