

## Monopsony

(1) Quantity of Labor (N)	(2) Wage Rate	(3) (1) * (2) Total Labor Cost	(4) [ $\Delta\text{TLC} \div \Delta N$ ] Marginal Resource Cost
0	5	0	-
1	6	6	6
2	7	14	8
3	8	24	10
4	9	36	12
5	10	50	14
6	11	66	16

Except for the first worker hired  $MRC > W$  because for each additional worker hired, the MRC is the wage of the additional worker plus the wage increases of all previously hired workers. Thus when the monopsony hires the second worker, the MRC is the wage paid to the second worker (\$7) plus an additional \$1 paid to the first worker hired, or \$8.

The monopsonist doesn't pay the workers their MRP as occurs in a purely competitive market. Instead, the monopsonist pays a lower wage and hires fewer workers than would occur in a purely competitive labor market.