

**20. Correct. The answer is true.** A monopsonist pushes the factor price down by hiring (buying) less of the factor. This result is shown in the figure below. In a monopsony, the buyer gets area A+B and the suppliers receive area C. In a competitive market, the buyers get area A+D and the suppliers get area B+C+E. So in a monopsony, the social loss compared to a competitive market is area D+E.

