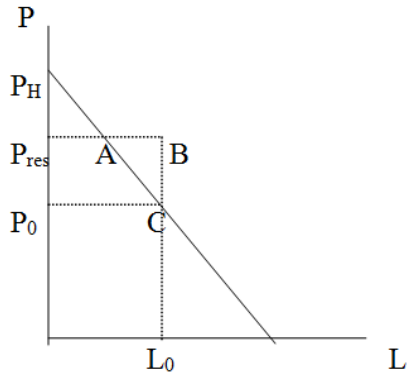


27. Correct. The answer is false not true.



The monopsonist will be willing to buy L_0 at P_{res} as long as his consumer (buyer) surplus gains offset his losses or where buyer surplus is equal to zero. The reservation price, is such that the area $P_{res}P_HA=ABC$, or

$$\int_0^{L_0} MRP dL - P_{res}L_0 = 0.$$

Solving for P_{res} :

$$P_{res} = \int_0^{L_0} MRP dL / L_0$$

$$P_{res} = \int_0^{L_0} (100 - 2L) dL / L_0$$

$$P_{res} = (100L_0 - L_0^2) / L_0 = 100 - L_0$$