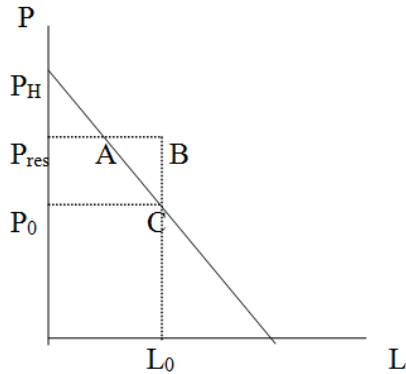


27. Incorrect. The answer is false not true.



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

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

Solving for  $P_{res}$  :

$$P_{res} = \int_0^{L_0} MRPdL / L_0$$

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

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