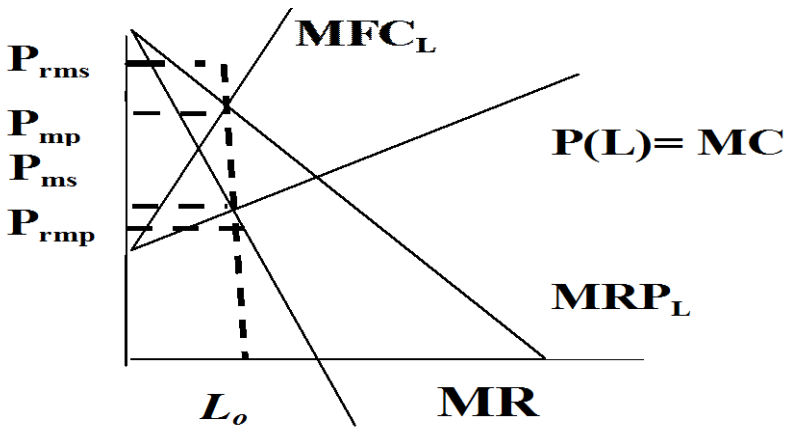


**28. Incorrect. The answer is false not true.** In a bilateral monopoly both players (seller and buyer) desire the same quantity only if the slopes of the MC and the MRP are equal in absolute value. Suppose that the monopsony buyer has  $MRP = a - bL$  and the monopoly seller has marginal cost of  $MC = c + dL$ . The monopoly seller wants to set her marginal revenue equal to marginal cost or  $a - 2bL = c + dL$ . Solving you get  $L_{mp} = (a - c)/(d + 2b)$ . The monopsonist buyer wants to set  $MFC = MRP$  or  $a - bL = c + 2dL$ . Solving  $L_{ms} = (a - c)/(2d + b)$ .  $L_{mp} = L_{ms}$  when  $b = d$ . Here they would want the same quantity but would negotiate on price. The price would be between their reservation prices  $P_{rms}$  and  $P_{rmp}$  which are described in problems above.



If the slopes of MRP and MC vary, they will negotiate over price and quantity.