

27. Incorrect. The answer is true not false. In a bilateral monopoly, the buyer wants price to be as low as possible, the seller wants the price to be as high as possible. The minimum the price seller would take is

$$P_{\min}X_c - C(X_c)$$

This P_{\min} is where the seller is just making a normal rate of return and producer surplus is zero. In this case the buyer is getting the entire surplus. This minimum is the supplier's reservation price c_1 .

The maximum amount the buyer would pay is where there is no consumer surplus or

$$U(X_c) - P_{\max}X_c = 0.$$

Where $U(X_c)$ is the buyers surplus. In this case the producer gets the entire surplus. This maximum price is the buyer's reservation price b .

