[Glossary]

Monopsony, Bilateral Monopoly and Economic Rent

Subject:	Business Economics
Course:	B. A. (Hons.), 2nd Semester, Undergraduate
Paper No. & Title:	Paper – 201 Microeconomics II
Unit No. & Title:	Unit – 2 Factor Market
Lecture No. & Title:	Lecture – 1 Monopsony, Bilateral Monopoly and Economic Rent

Glossary

Collusion: a type of formal or informal arrangement to coordinate pricing strategies or fix prices.

Economic rent: The economic return that is attributable to extraordinarily productive inputs whose supply is scarce. The economic rent of a fixed input is the difference between the maximum amounts that firms would be willing to pay to acquire the services of the fixed input and the minimum amount that they have to pay to hire the input.

Monopsony market: A market consisting of a single buyer and many sellers

Monopsonistic competition: a market in which there are a relatively large number of buyers.

Price taker: A seller or a buyer that takes the price of the product as given when making an output decision (seller) or a purchase decision (buyer).

Perfectly elastic supply: supply for which the price elasticity is infinite, indicating an infinite response of quantity supplied to a change in price and therefore a horizontal supply curve

Profit maximization: an assumption that firms try to achieve the highest possible level of profits—total revenue minus total costs—given their production function.

Real wages: the amount of goods and services an individual or group can purchase with their nominal income during some period of time.

Reservation value: The return that the owner of an input could get by deploying the input in its best alternative use outside the industry.

Technological progress: A change in a production process that enables a firm to achieve more output from a given combination of inputs or, equivalently, the same amount of output from less inputs.