[Summary]

Monopsony, Bilateral Monopoly and Economic Rent

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

Summary

The analysis of factor market highlights monopsony and bilateral monopoly market structures prevalent in labour markets. Monopsony situation arises when a single employer or a collusion of many employers confront a large number of workers who are unorganized and geographically immobile. In monopsony market, a worker is subject to exploitation because he gets less than his marginal revenue product. To escape exploitation the workers join labour unions. The neo-classical economists argue that each factor of production can be employed for several uses and in every use it can earn maximum income. The opportunity cost of a factor is that price which it can earn by working in the next best use. The amount by which the actual earnings of a factor exceed its transfer earning is called 'rent'. Marshall introduced the concept of 'quasi-rent', which refers to short run earnings of capital only.