

Natural Monopoly

- Declining average cost
 - \Rightarrow MC below AC
 - Left alone, we have usual monopoly problem
 - If forced to charge P_c , she loses money

Natural Monopoly and the Long Run

- Examples

Monopoly and Monopsony

- What happens when *buyers* are large relative to the market?

Monopsony

- A market with only one buyer
 - E.g. labor market in “company town”
- Supply is average expenditure. What is marginal expenditure?

Monopsony with Elastic and Inelastic Supply

Social Cost of Monopsony