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**DEALING WITH MONOPSONY POWER:  
THE CASE FOR USING EMPLOYMENT SUBSIDIES**

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**Abstract**

We show in a monopsony model that a minimum wage may raise hours which are already too high but has ambiguous effects on the number of employees and utility. Employment subsidies, in contrast, unambiguously improve worker utility and bring the market equilibrium closer to the efficient outcome.

**Keywords:** monopsony power, minimum wages, employment subsidies.

*JEL Classification:* J30.

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