



Quota limit on imported goods

- A quota is imposed at Q_1Q_3
- Domestic production $0Q_1$; imported Q_1Q_3
- After this point, the excess demand will cause price to rise
 \Rightarrow so shifts to right
- Domestic revenue increases from a to $a + c + d + f + i + y$
- Foreign revenue decreases from $b + c + d + e$ to $b + g + h$
- $y + k$ represents the welfare loss