



# Supply, Demand and Markets: Quantity Policies

Tim Komarek

Department of Economics

Dragas Center for Economic Analysis and Policy

Strome College of Business





# Quantity Policies

Quota

Govt. Provision





## Model Predictions

- How does policy effect

- Price and quantity
- Economic welfare
  - Consumer surplus
  - Producer surplus
  - Deadweight loss





# Quotas



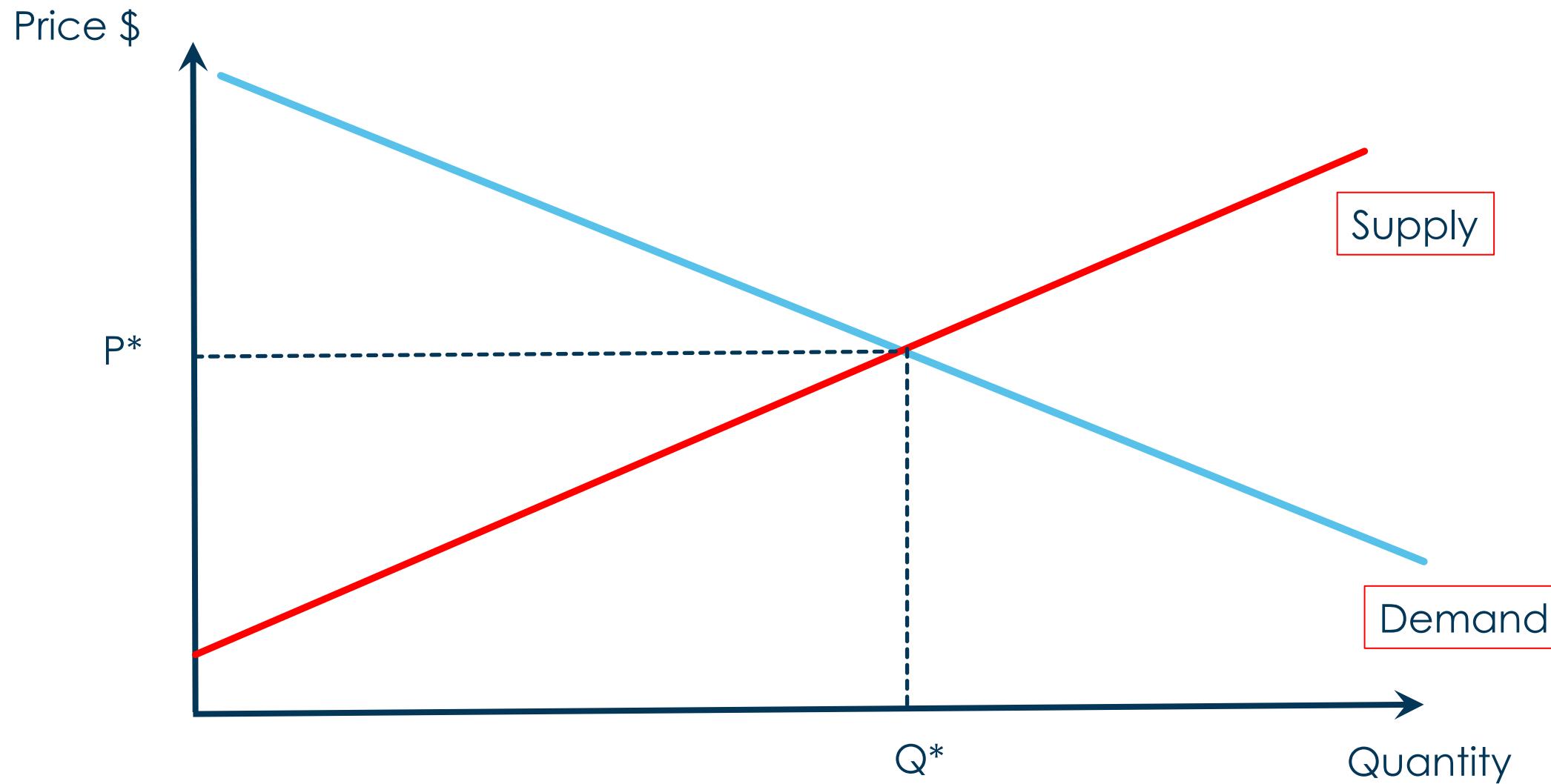
# Quota

- A regulation that sets the quantity of a good or services provided



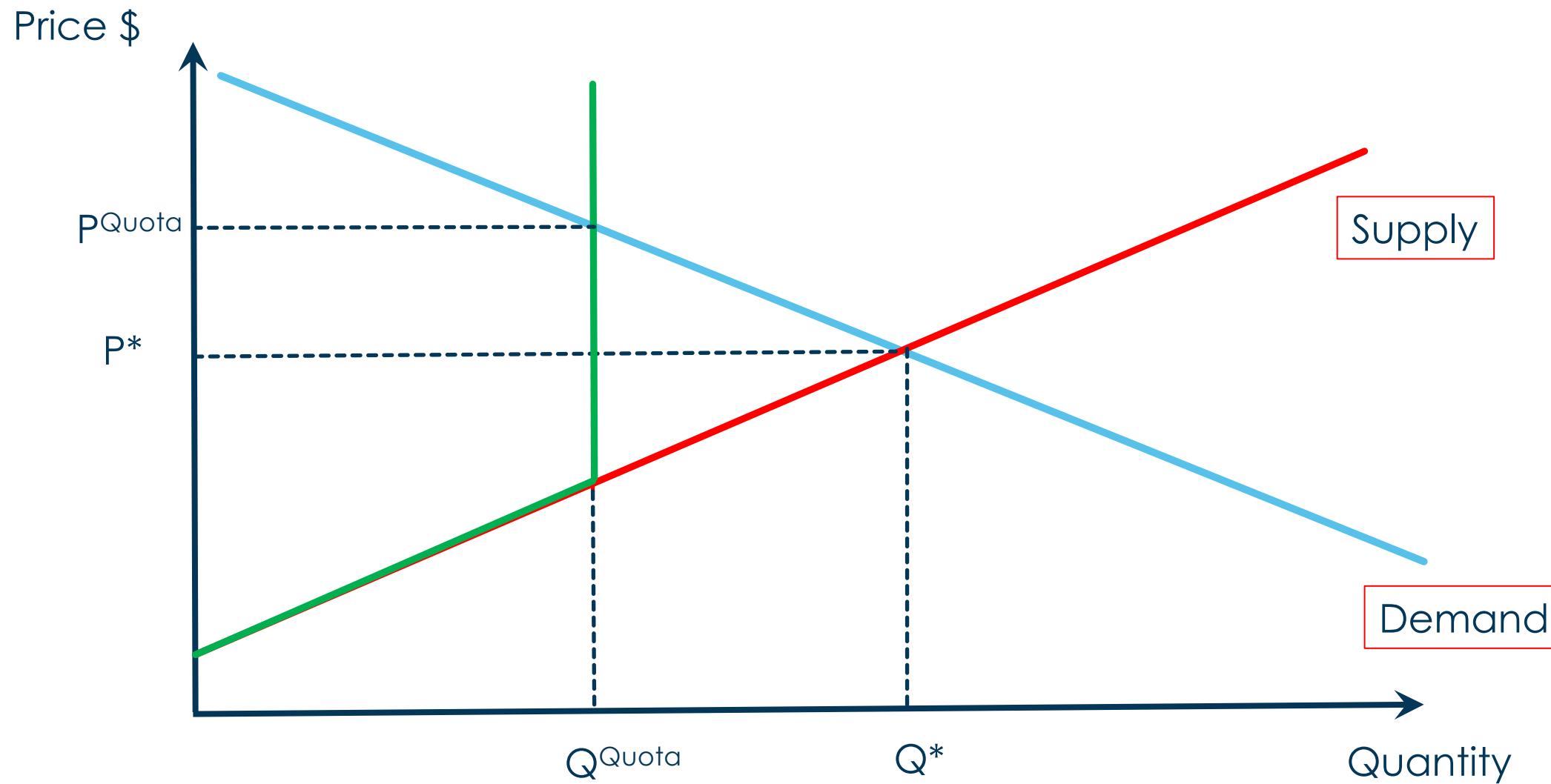


# Quota



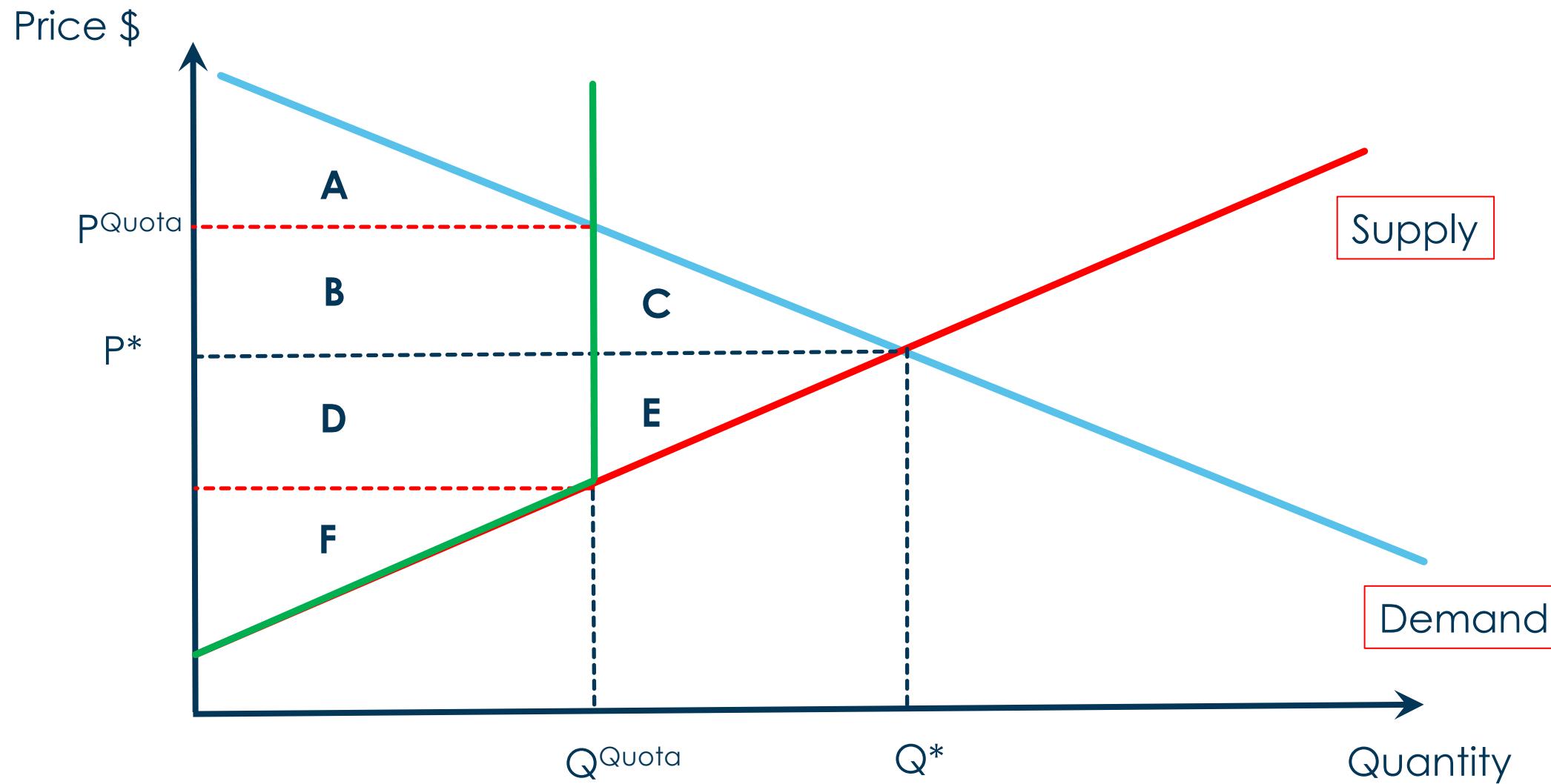


# Quota



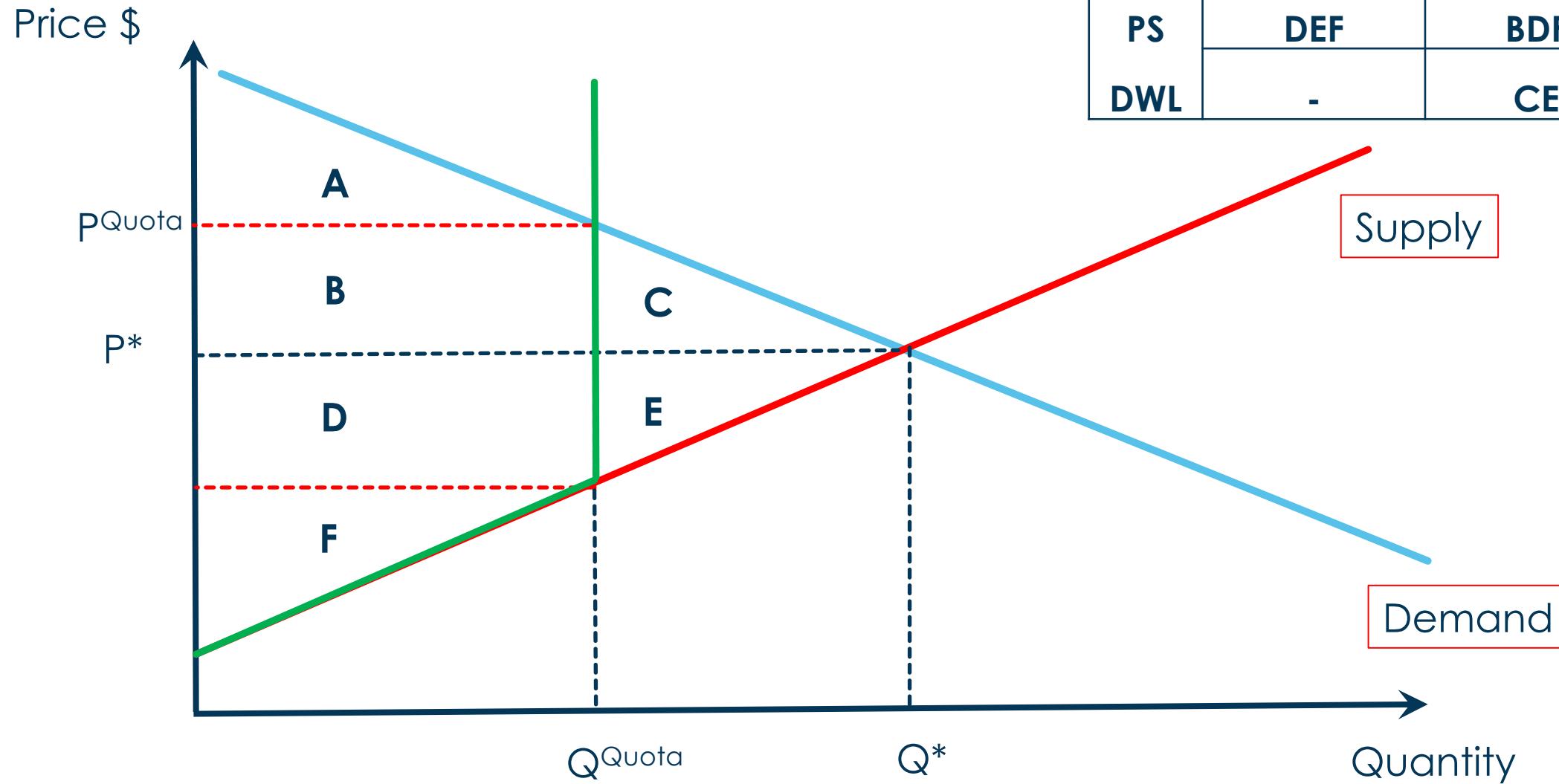


# Quota





# Price Ceiling





## Quota: Deadweight Loss

- Deadweight loss
  - 1) Reduction in total economic surplus as a result of a market inefficiency
  - 2) Transfer of some consumer surplus to producers  
i.e. no free lunch





# Government Provision



# Govt Provision

- Government starts producing a good or service





# Model Predictions

- How does policy effect

- Price and quantity
- Economic welfare
  - Consumer surplus
  - Producer surplus
  - Deadweight loss





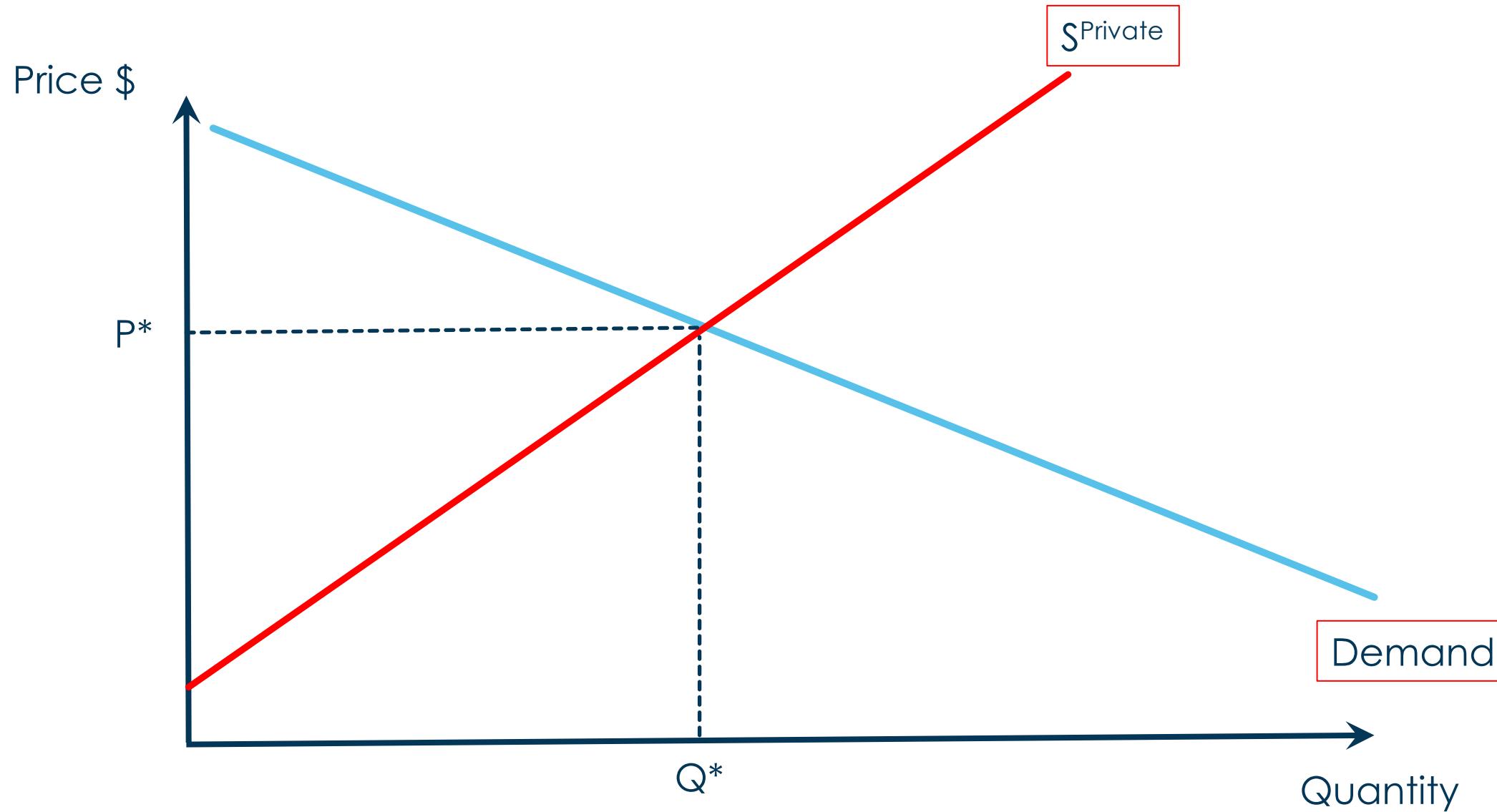
## Model Predictions

- How does policy effect
  - Price and quantity
  - Economic welfare
    - Consumer surplus
    - Producer surplus
    - Deadweight loss
  - Impact on private market producers



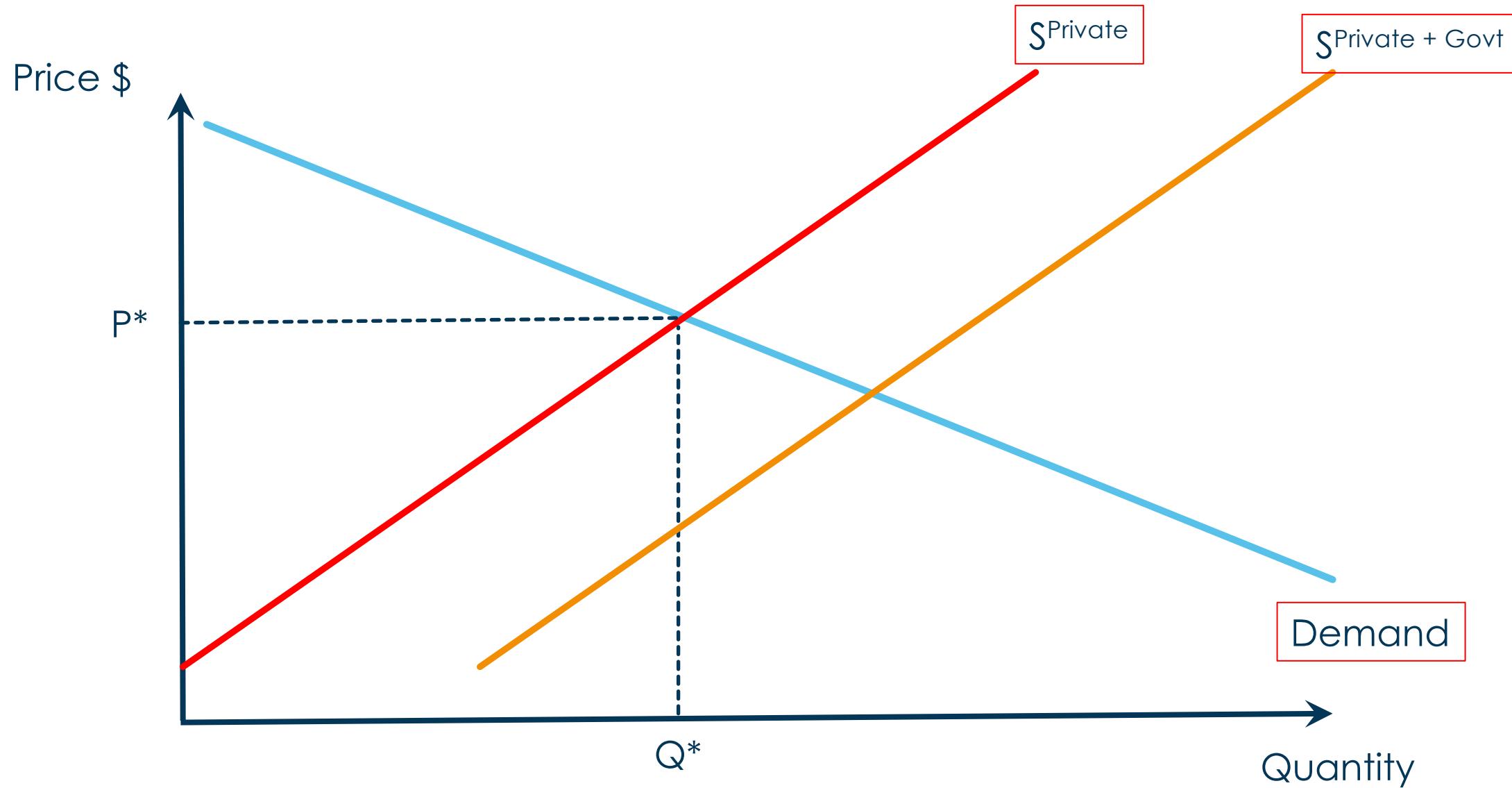


# Govt Provision



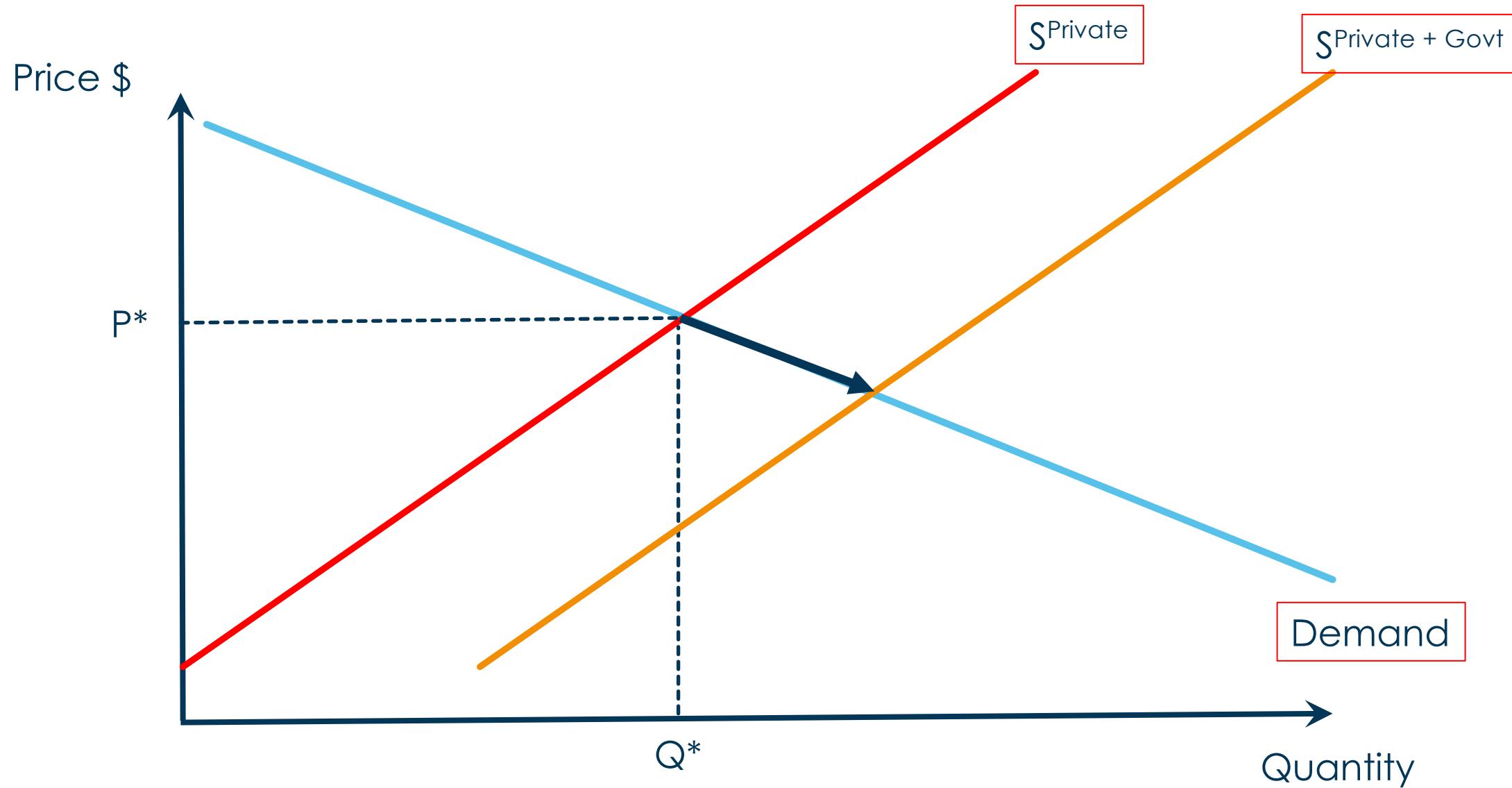


# Govt Provision



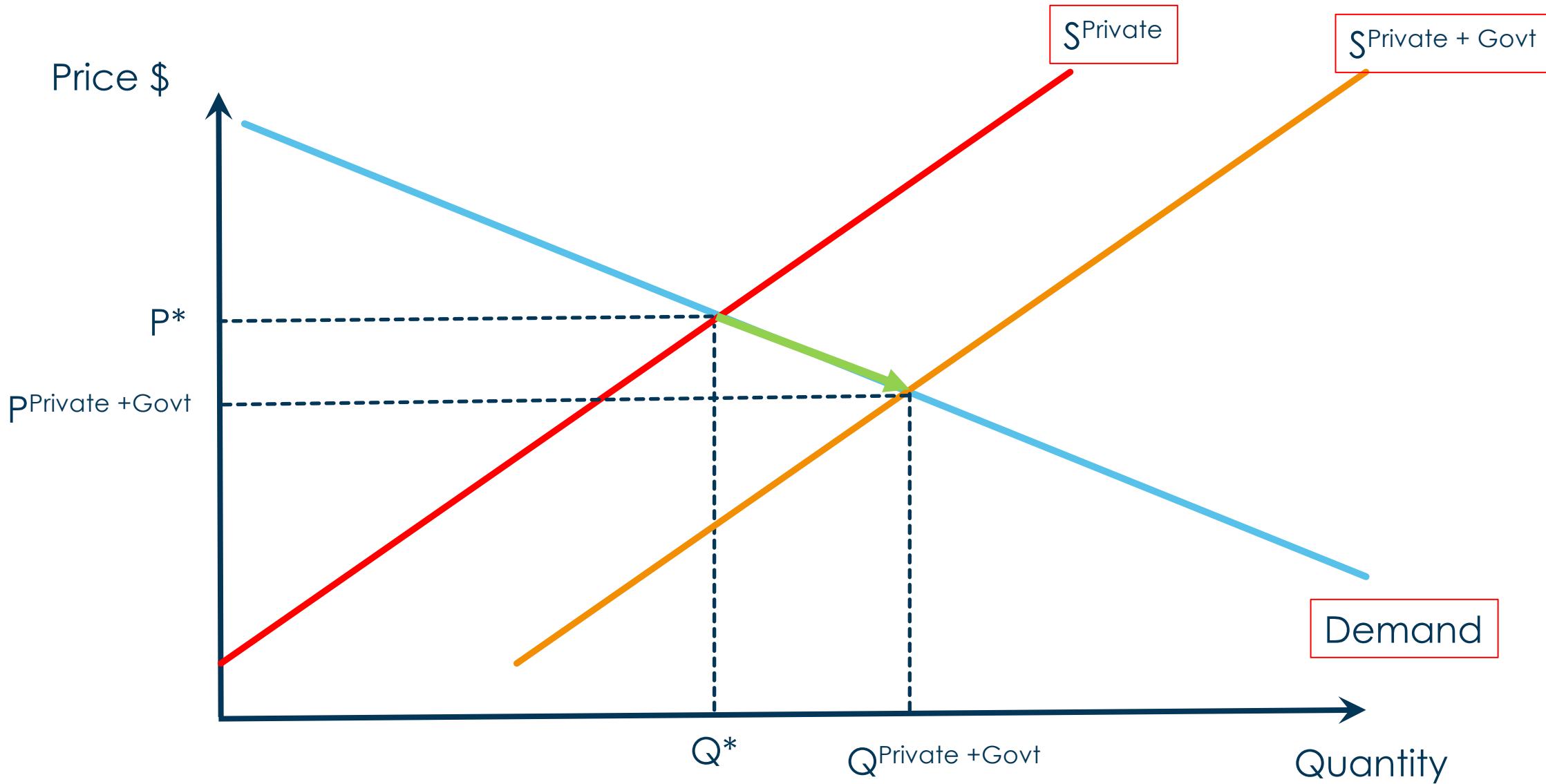


# Govt Provision



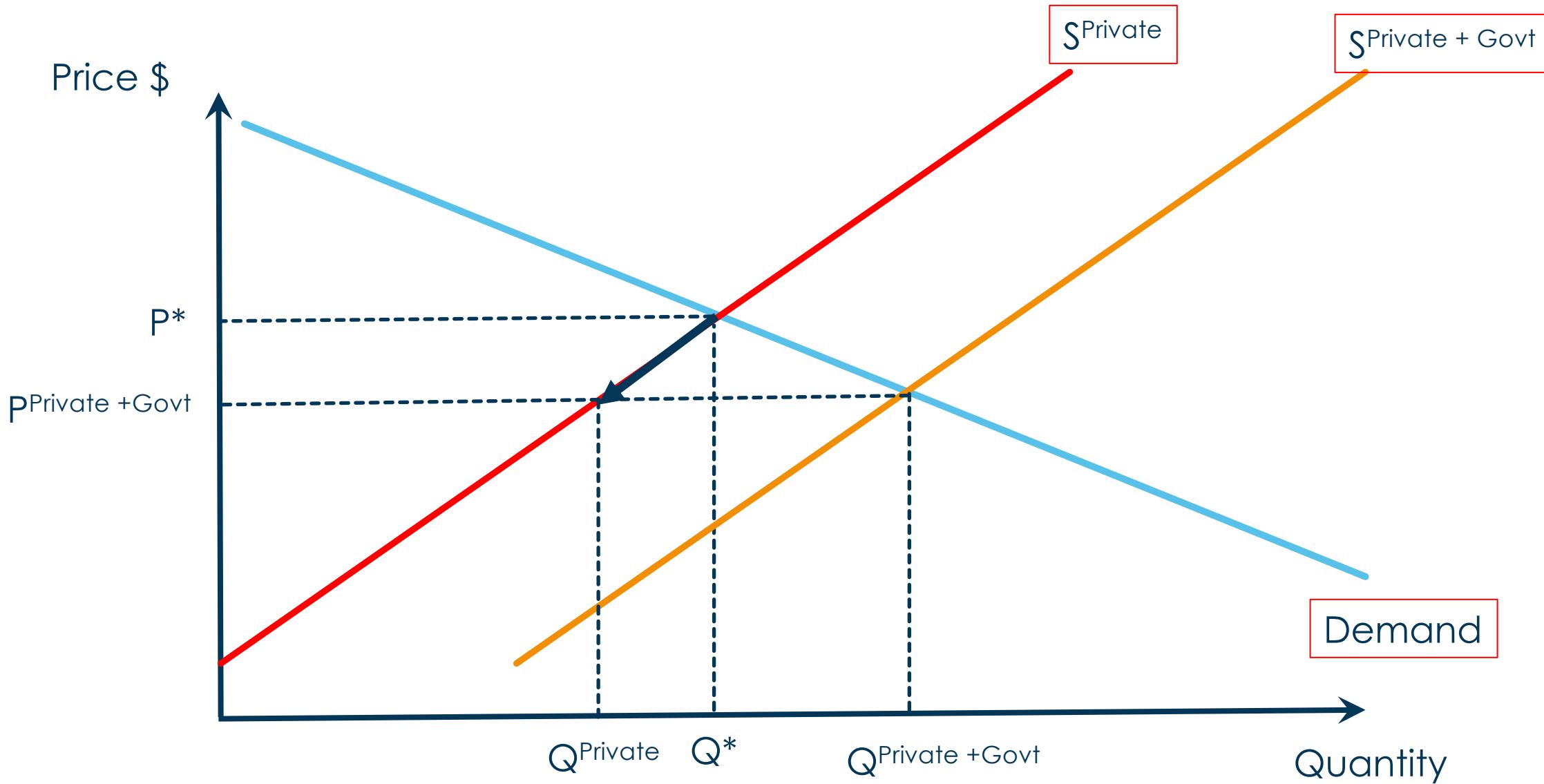


# Govt Provision



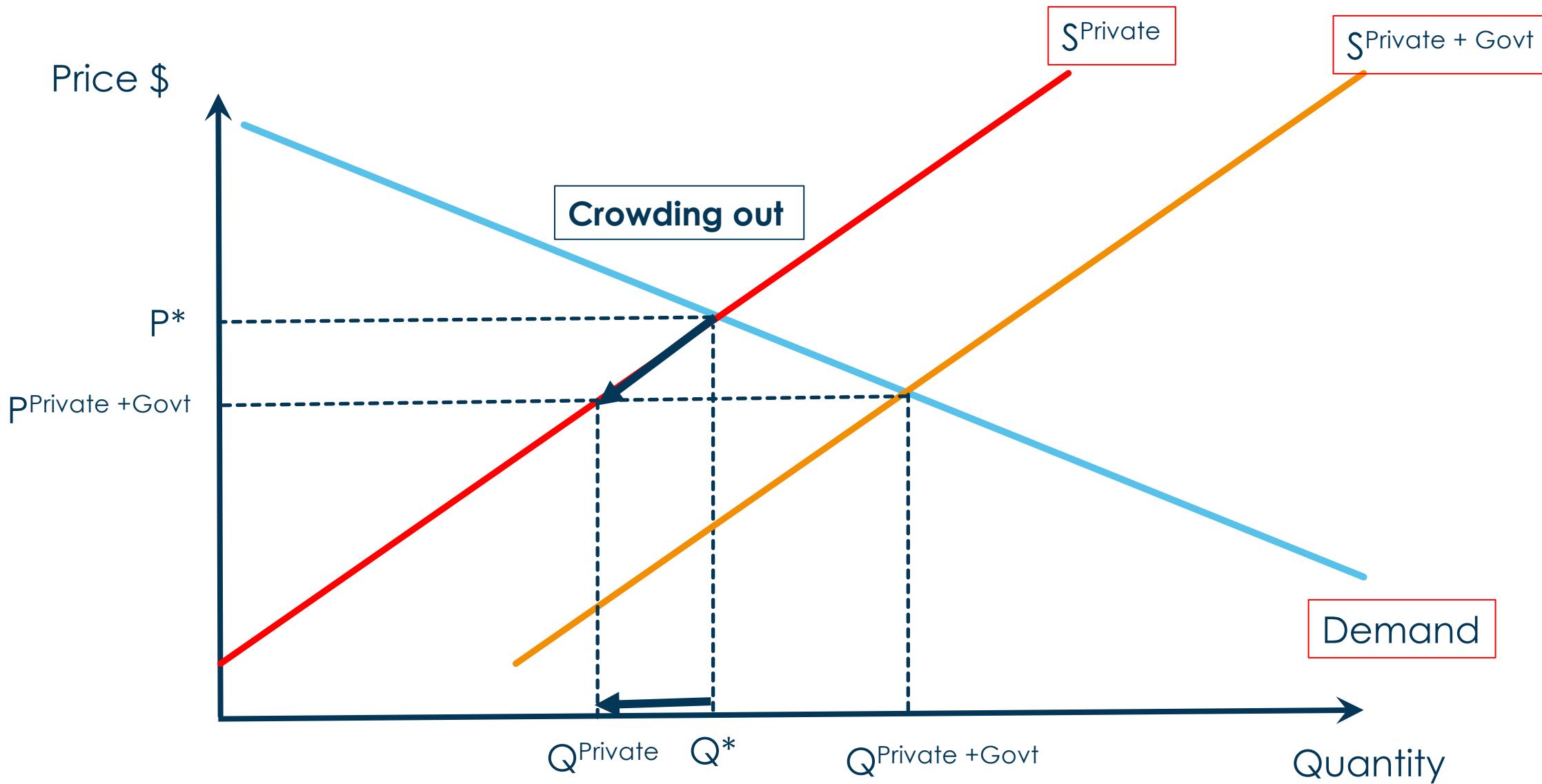


# Govt Provision



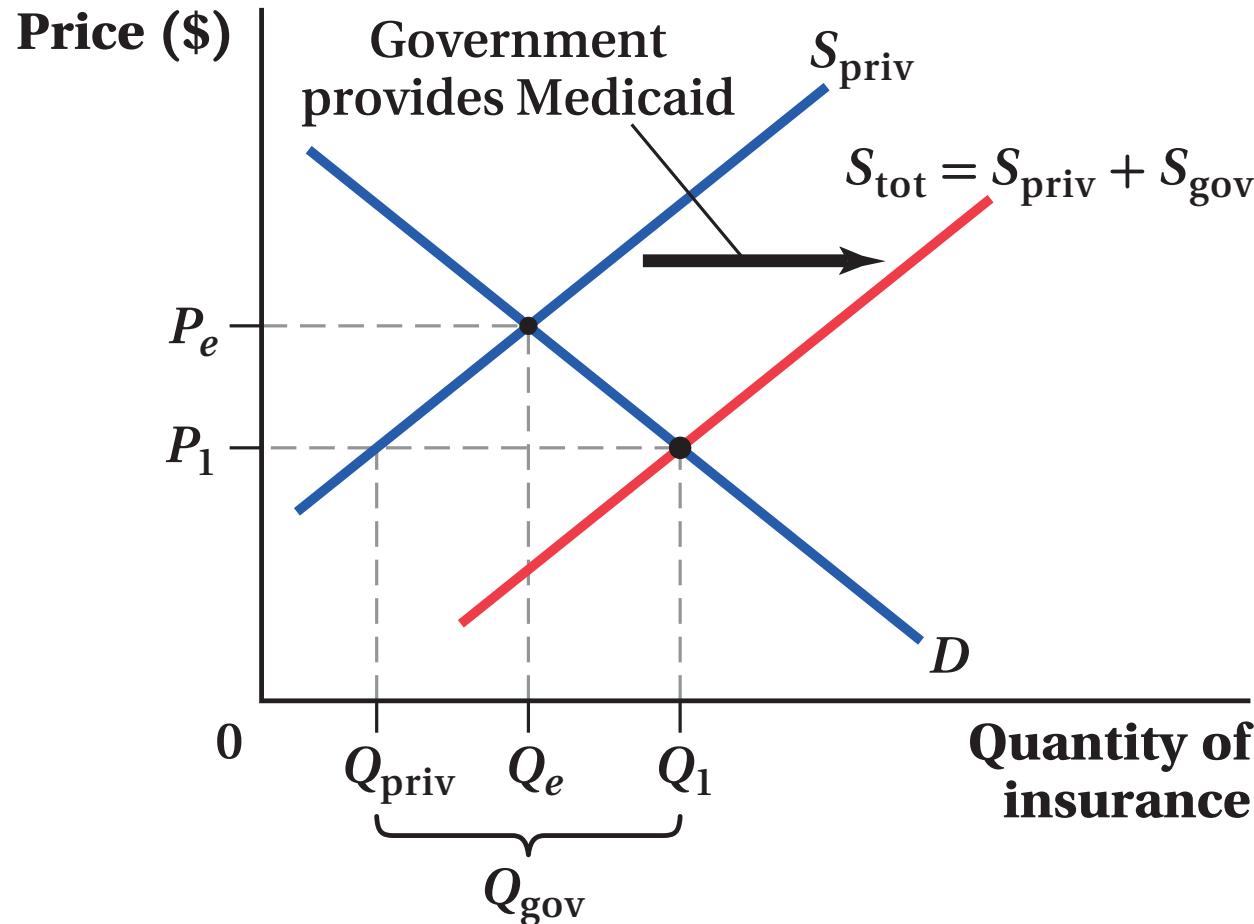


# Govt Provision





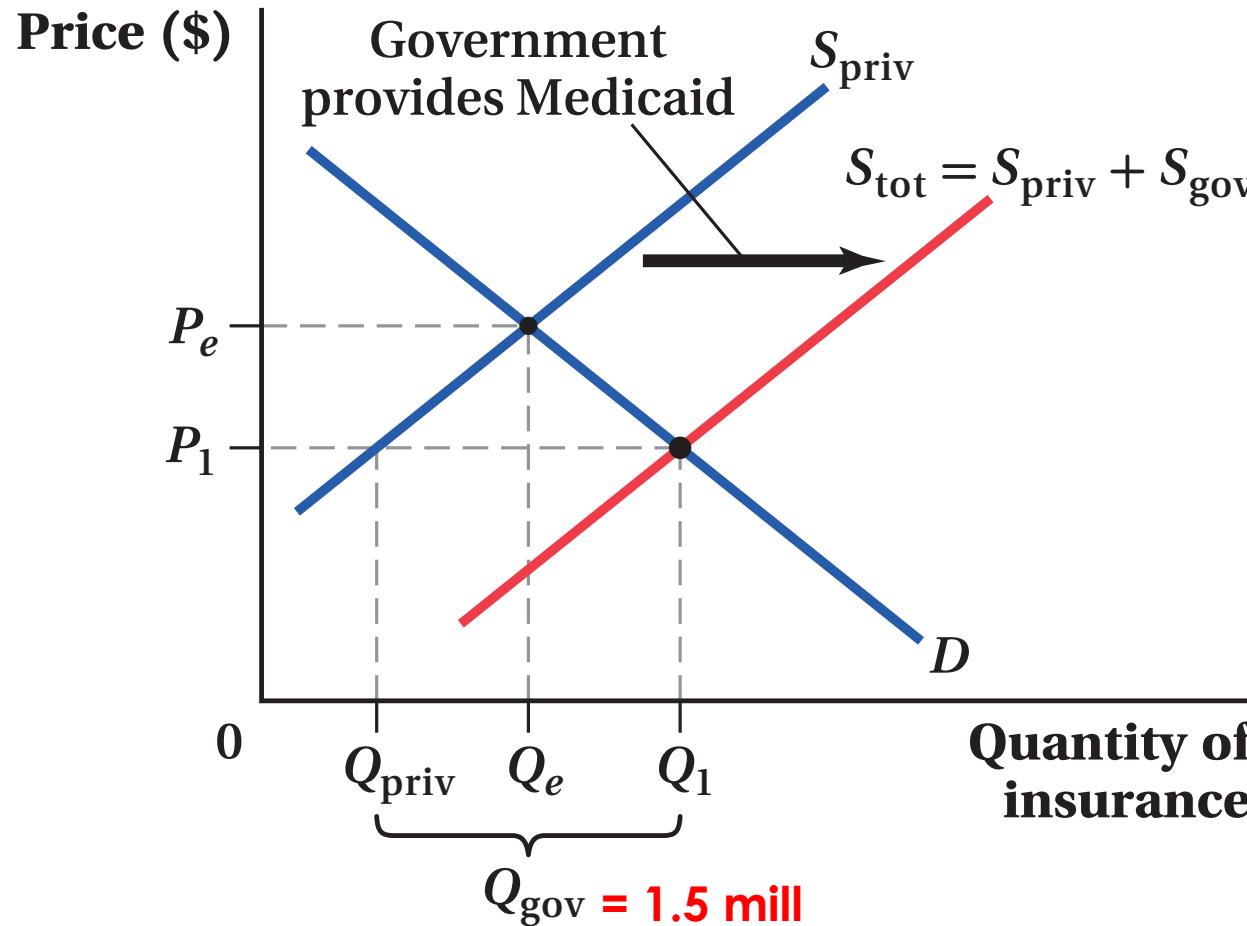
# Govt Provision of Medicaid



- Medicaid expanded eligibility for women and children
- Late 1980s and 1990s



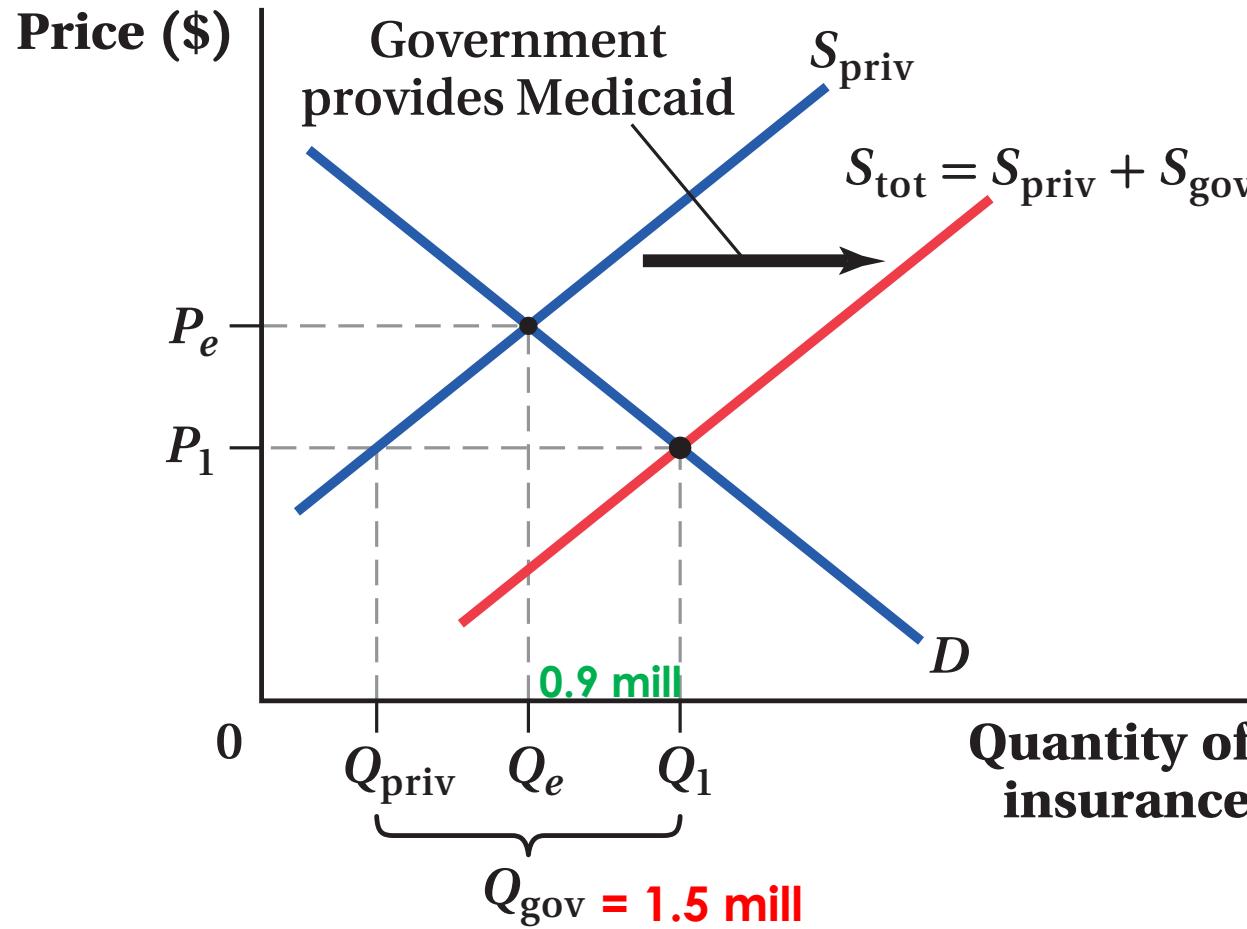
# Govt Provision of Medicaid



- Medicaid expanded eligibility for women and children
  - Late 1980s and 1990s
  - $Q_{gov}$  was **1.5 million**



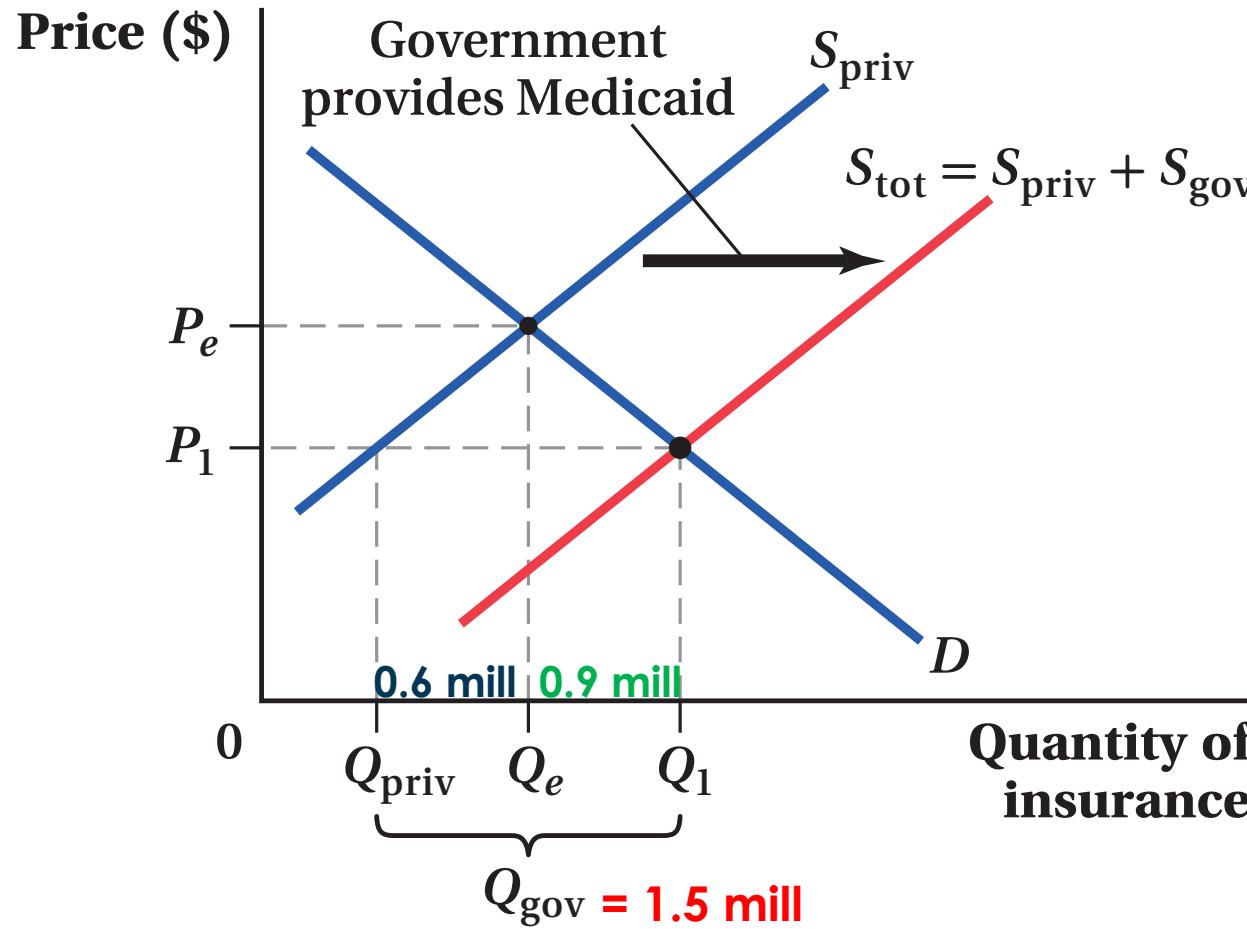
# Govt Provision of Medicaid



- Medicaid expanded eligibility for women and children
- Late 1980s and 1990s
- $Q_{gov}$  was **1.5 million**
- Increase in coverage
  - **0.9 million**



# Govt Provision of Medicaid



- Medicaid expanded eligibility for women and children
- Late 1980s and 1990s
- $Q_{gov}$  was **1.5 million**
- Increase in coverage
  - **0.9 million**
- Crowded out
  - **0.6 million**



## Govt Provision of Medicaid

- What was the mechanism for the reduction in private insurance?
  - 1) Eligible individuals less likely to pay for private coverage through jobs
  - 2) Employers reduced quality or raised price because Medicaid was now available



## Govt Provision of Medicaid

- What was the mechanism for the reduction in private insurance?

- 1) Eligible individuals less likely to pay for private coverage through jobs
- 2) Employers reduced quality or raised price because Medicaid was now available