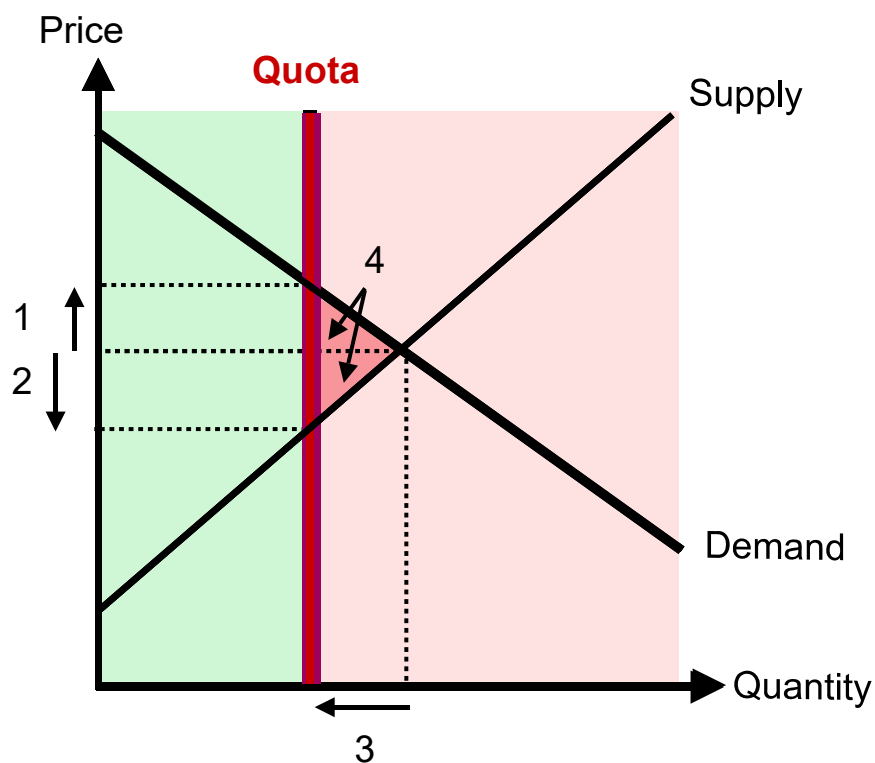


Production quota

① Nature of production quotas

The state determines the quantity that each producer is allowed to produce. Any production quantity in excess of this is illegal. Production quotas can also be linked to minimum prices in order to avoid inefficient overproduction.

② Impacts of production quotas



Impacts 1 to 4:

- 1 Price increases
- 2 Marginal cost decreases
- 3 Production quantity falls compared to market equilibrium
- 4 Welfare loss