

Managing Production quotas in a cartel market for maximization of earnings .

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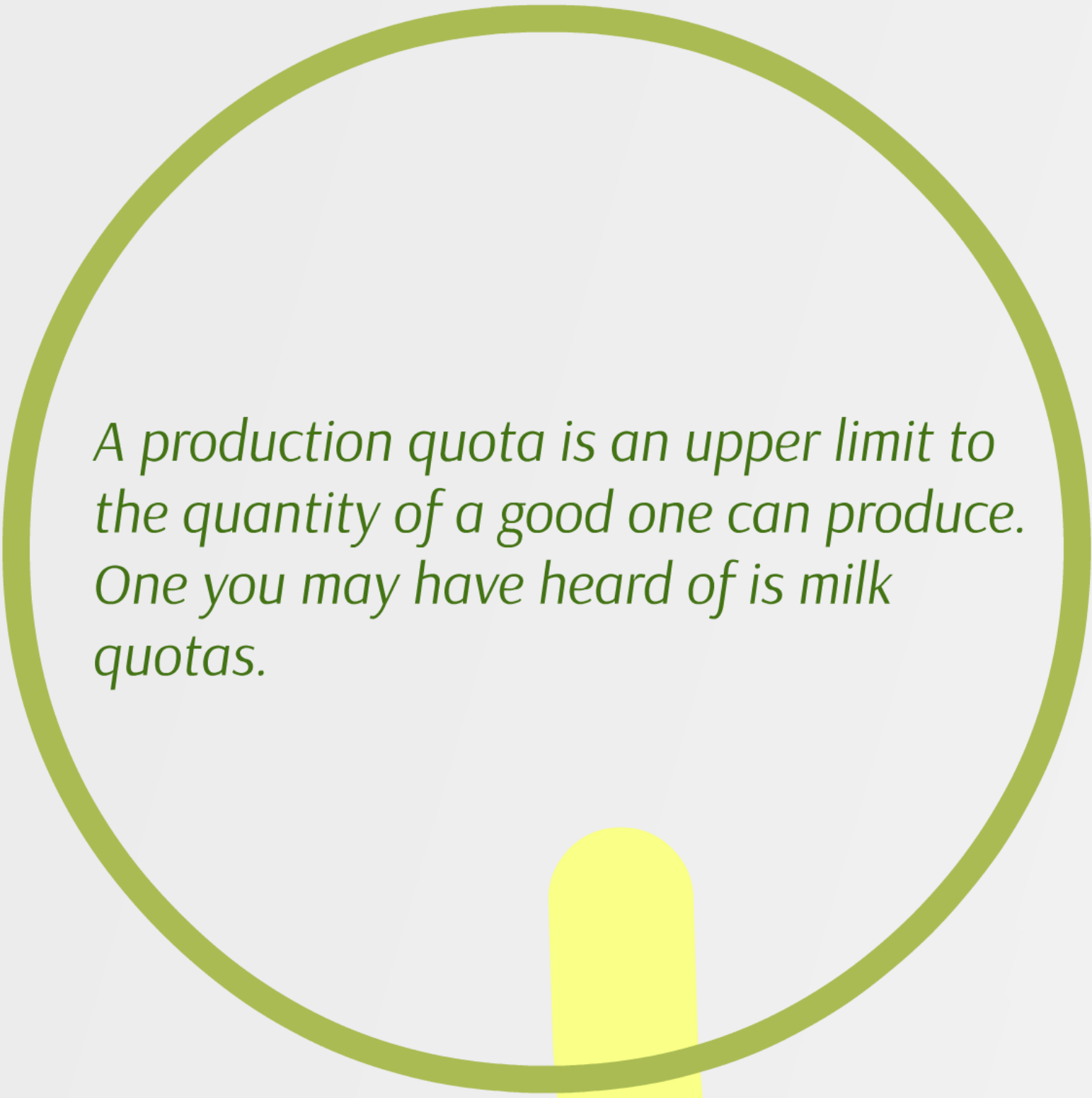
Production Quotas

A production quota below the equilibrium quantity has many effects including;

1. A decrease in supply
2. A rise in the price
3. A decrease in marginal cost
4. Inefficient underproduction
5. And incentive to cheat and overproduce

A production quota is an upper limit to the quantity of a good one can produce. One you may have heard of is milk quotas.

Quotas are in place for farmers in Ireland in the amount they supply to wholesalers, direct sales and purchasers. These are to be abolished in 2015, leading to a crease in supply and decrease in price.

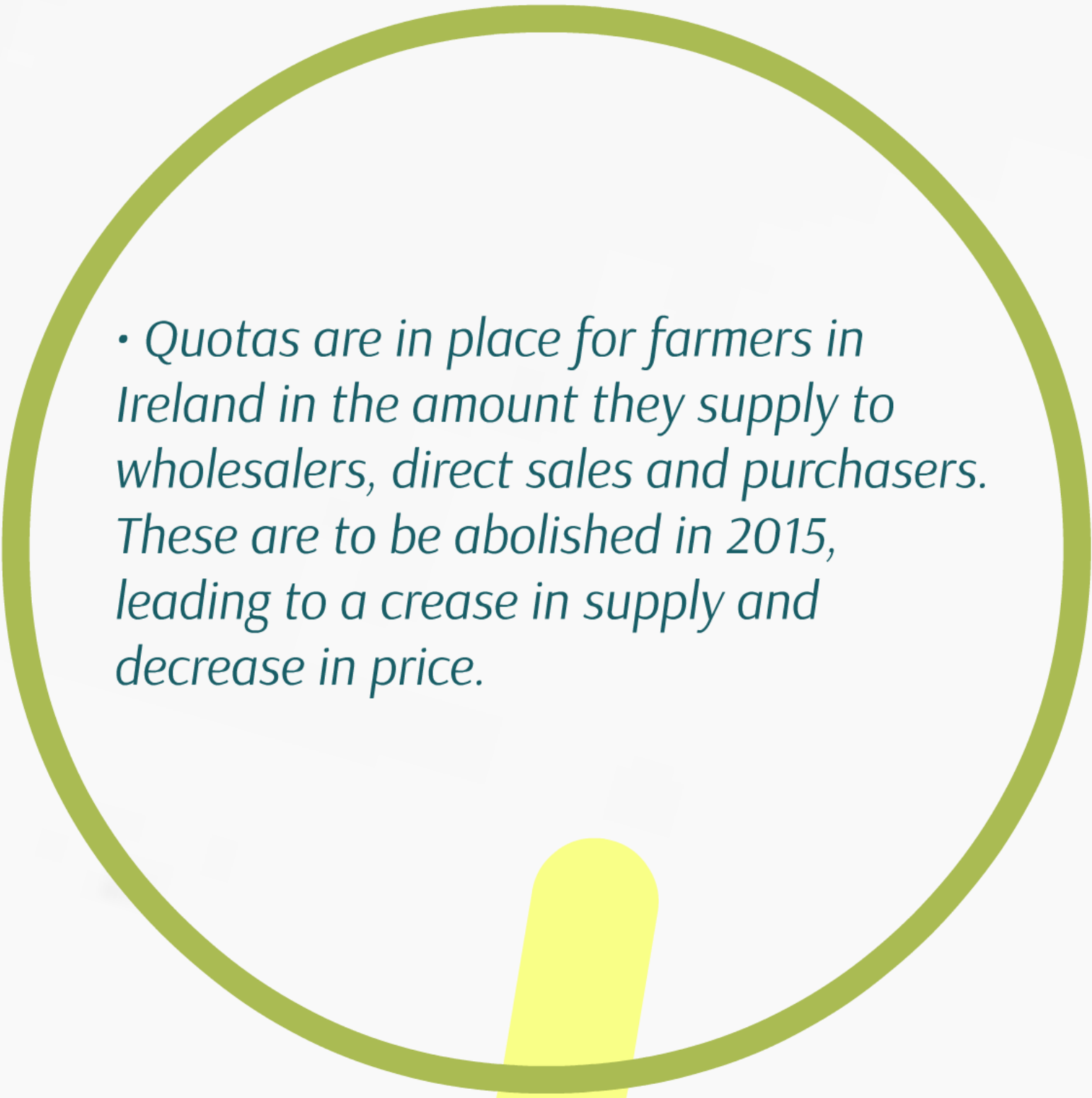
A large green circle is centered on the page. At the bottom center, there is a yellow shape that looks like a stylized finger or a pointer pointing upwards towards the circle.

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Subsidies

A production subsidy is a payment made by the government to a producer for each unit produced.

- It leads to an increase in supply, a fall in price, an increase in marginal cost and inefficient overproduction.
- It encourages suppliers to increase their output.
- The government pays a subsidy to sugar beet farmers on each tonne produced.
- The government will spend €50 million subsidising employers who employ the long term unemployed.

