Seminario de Microeconomía Aplicada - A Toolkit for Setting and Evaluating Price Floors

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Resumen del documento: Regulators often impose price floors to protect producers from suspected oligopsony power. However, if price floors are set too high, traded quantities and market efficiency fall. We study the threshold from which price floors are set too high in markets with intermediaries. A theoretical model provides: (i) an ex-ante rule to predict whether price floors will reduce quantities and (ii) ex-post tests to evaluate and explain the incidence of price floors. We apply these tools to the Colombian road freight market, taking advantage of rate floors that intended to protect carriers from low freight rates paid by intermediaries. We find that policymakers could have predicted the effect of price floors on quantities: a reduction in quantities for the routes and products for which rate floors were binding. After their implementation, rate floors benefited carriers but reduced welfare by 7% of the market value of transportation services.

Tiempo de exposición: 1:30 p. m. a 3:00 p. m.

Fuente: https://www.banrep.gov.co/es/seminario-microeconomia-aplicada-toolkit-setting-and-evaluating-price-floors