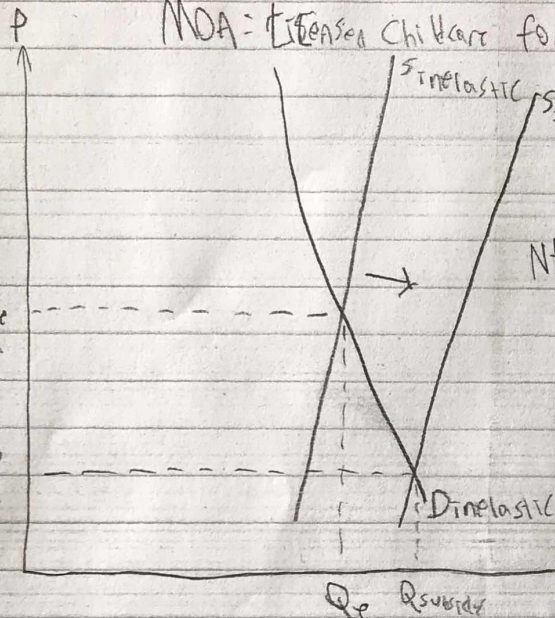


# CHILD CARE SCENARIO Woolcott

2<sup>nd</sup> Attempt

- ① The market is not providing childcare at a rate that is affordable to the general population. This is a **DISTRIBUTIVE JUSTICE** reason for an intervention.

② MOA: Licensed Childcare for 2-4 year-olds in Toronto



② Demand elasticity: ~~degree~~ of necessity: families are in more and more need of childcare as more families become one-parent or two-work

NPF: Supply elasticity - The short-run start-up ~~of~~ <sup>of</sup> places like finding space and licensing are ~~expensive~~ and time-consuming

DISTRIBUTIVE EFFICIENCY → ① The price of childcare is extremely high, unaffordable for most torontonians - MARKET FAILURE

UNDERPERFORMANCE ② DEMAND - substitutes for childcare (nannies, taking time off <sup>work</sup> for parents) are inaccessible to most parents because of cost of logistics  
loss of skills ~~demands not in school~~ - Parents are in dire need of childcare to facilitate both parents working, allow for child's social/intellectual growth  
parents staying at home ~~limited space~~ ← necessity

SUPPLY - The costs of running a childcare operation are high and unchangeable (staff, expensive licence, storefront)  
- Lots of barriers to market entry  
- It takes a long time to go through the bureaucracy of establishing a licensed childcare operation  
- lots of demand for high quality  
- highly-qualified staff

③ A price ceiling will be set below the price equilibrium  
④ of \$13.75/month median. The price ceiling shall be \$375/month or \$15/day, the proposal of the NDP for national childcare

⑤ This will create a massive shortage of childcare.

⑥ The secondary intervention would be a government subsidy, which would also come with more publicly controlled ~~monopoly~~ childcare. This is similar to the system in Quebec which has effectively lowered the cost of childcare to \$7/day.

significant social value ← sustains profit motive, allows affordability

- ③ A price ceiling will be set in the market.
- ④ It will ~~be~~ be below the price equilibrium ~~and will cause a~~  
~~temporary~~ \$375/month
- ⑤ The ceiling will create a temporary shortage (?)
- ⑥ A subsidy will be employed to eliminate the shortage. Subsidies have been very effective in the childcare market elsewhere, specifically in Montreal where childcare costs about \$164/month.
- ⑦ - The money to fund the subsidy will come from taxes so the price of childcare will not be actually reduced, just pushed onto people at a different step and spread onto people without children.  
- A subsidy could encourage businesses to get into childcare to only collect the subsidy, and not provide a high quality service, thus putting children at risk.



# CRITICISMS

US is the most  
state-subsidized  
country in the world

- ⊕ - Some would believe this is an overstepping govt intervention in the free market and would require the government spending too much tax money on childcare subsidies to lower price this far
- Without close public regulation, groups could establish bad childcare operations to reap high subsidies. This could put children in danger because childcare is a sensitive industry

Subsidy

- low political stability
- prop up inefficient businesses
- barriers to free trade
- creates inefficient competition/stops creative destruction
- makes product <sup>high quality</sup> accessible while maintaining profitability