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The Impact of Public Insurance on Private Insurance Demand:

Is Private Insurance a Normal Good?

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Abstract:

The purpose of this study is to investigate whether private insurance is a normal (inferior) good by examining the effects of public insurance. We show that differences in terms of the public insurance benefits are the critical factor in our decision. Using a theoretical model, we confirm that private insurance has the tendency to be a normal (inferior) good if the public insurance benefits are fixed (positively linked) to household income.

Keywords:

Normal good, Inferior good, Private insurance, Public insurance

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