

Tariff Problems

Numerical examples for tariff will have several special features. Demand and supply curves will have equal and opposite slopes, and the foreign slopes will be the same as the domestic slopes. As a result, can use some “rules of thumb” that apply to this special case to make sure your calculations are on track. *General result in italics & parenthesis.*

Autarky price = average of (<i>must be in between</i>) price intercepts of demand and supply curves for each country.

Price intercept of home import demand curve = home autarky price (<i>always</i>).

Price intercept of foreign export supply curve = foreign autarky price (<i>always</i>).

Slope of home import demand curve = half of slope of home demand curve.

Slope of foreign export supply curve = half of slope of foreign supply curve.

Free trade price = average of (<i>must be in between</i>) home and foreign autarky prices.

Home tariff-ridden price = free trade price + half of tariff (<i>between zero and tariff</i>).

Foreign tariff-ridden price = free trade price - half of tariff (<i>between zero and tariff</i>).
