

Equations for R Code Examples

Home Supply and Demand:

$$S^H = 20 + 20P^H; D^H = 100 - 20P^H$$

Foreign Supply and Demand:

$$S^F = 40 + 20P^F; D^F = 80 - 20P^F$$

Prices are related by:

$$P^H = P^F + \text{Tariff}$$

Equilibrium is at **Export Supply = Import Demand** (i.e. **Export Supply – Import Demand = 0**)

$$\text{Export Supply: } XS = S^F - D^F; \text{ Import Demand: } MD = D^H - S^H$$

Home Country Tariff Revenue is given by: **Revenue** = Tariff \times MD