



FIGURE 8.1. Partial Equilibrium Effects of a Tariff. D_X and S_X represent Nation 2's demand and supply curves of commodity X. At the free trade price of $P_X = \$1$, Nation 2 consumes 70X (AB), of which 10X (AC) is produced domestically and 60X (CB) is imported. With a 100 percent import tariff on commodity X, P_X rises to \$2 for individuals in Nation 2. At $P_X = \$2$, Nation 2 consumes 50X (GH), of which 20X (GJ) is produced domestically and 30X (JH) is imported. Thus, the consumption effect of the tariff is (-) 20X (BN); the production effect is 10X (CM); the trade effect equals (-) 30X (BN + CM); and the revenue effect is \$30 (MJHN).