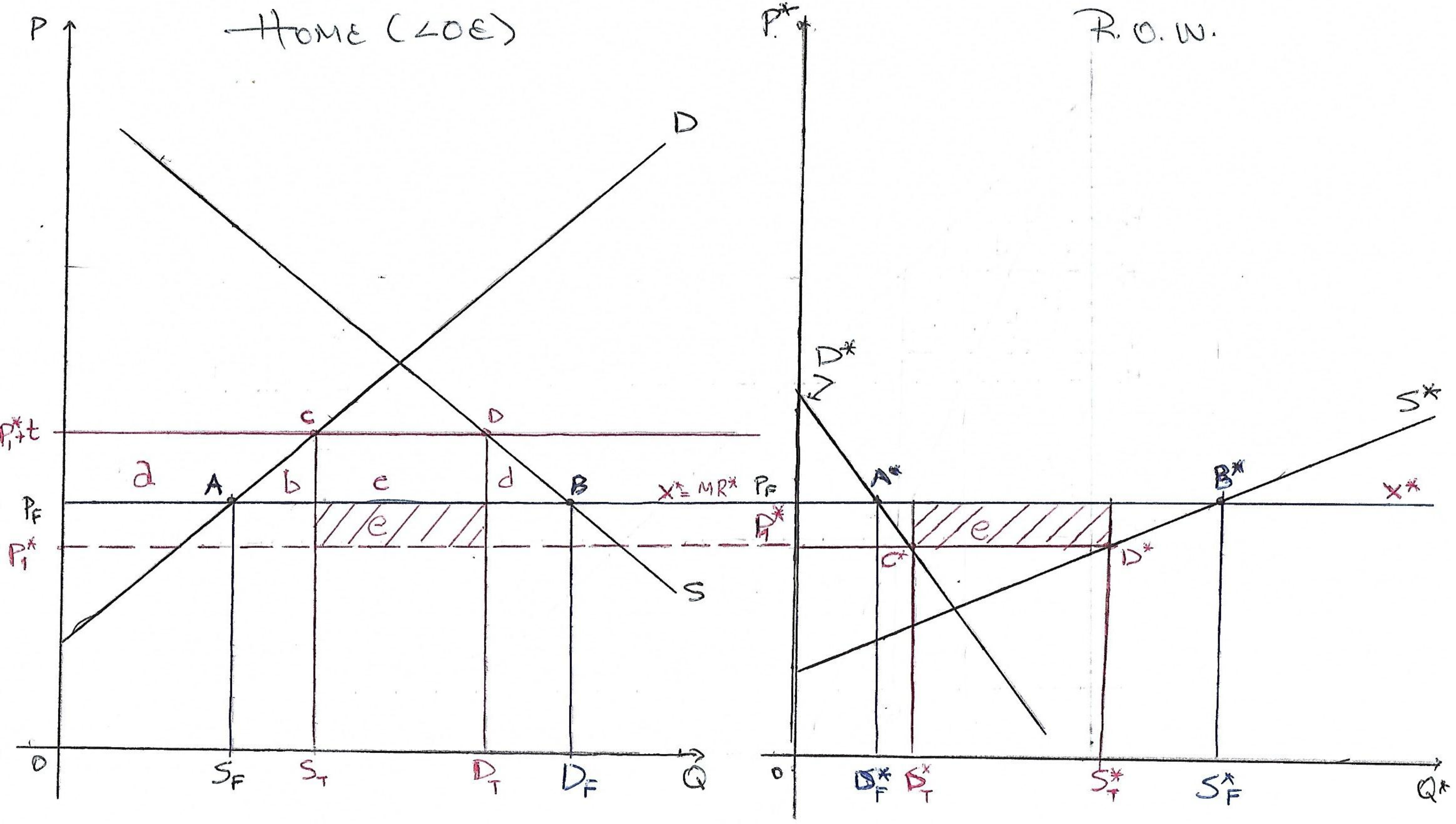
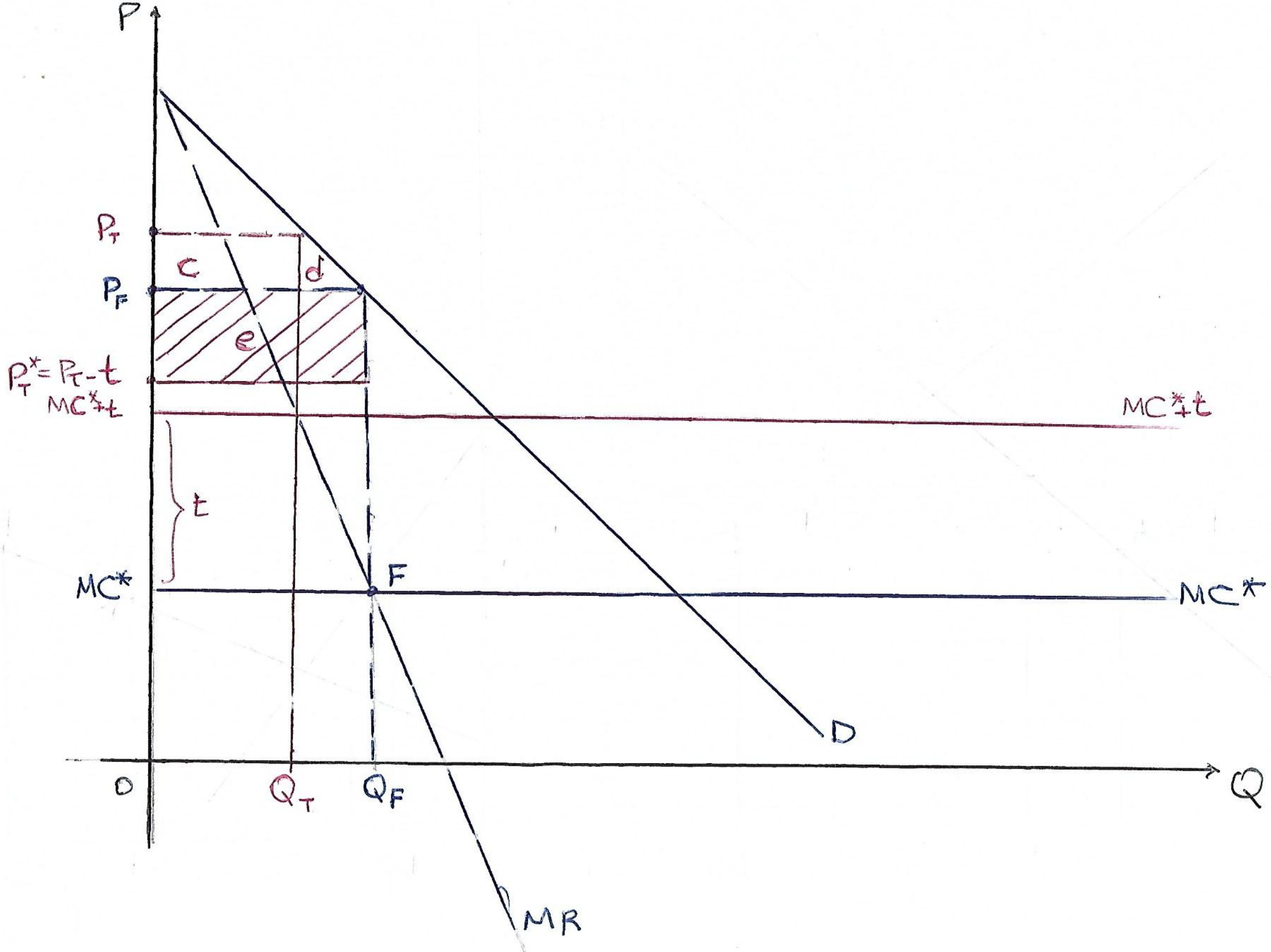
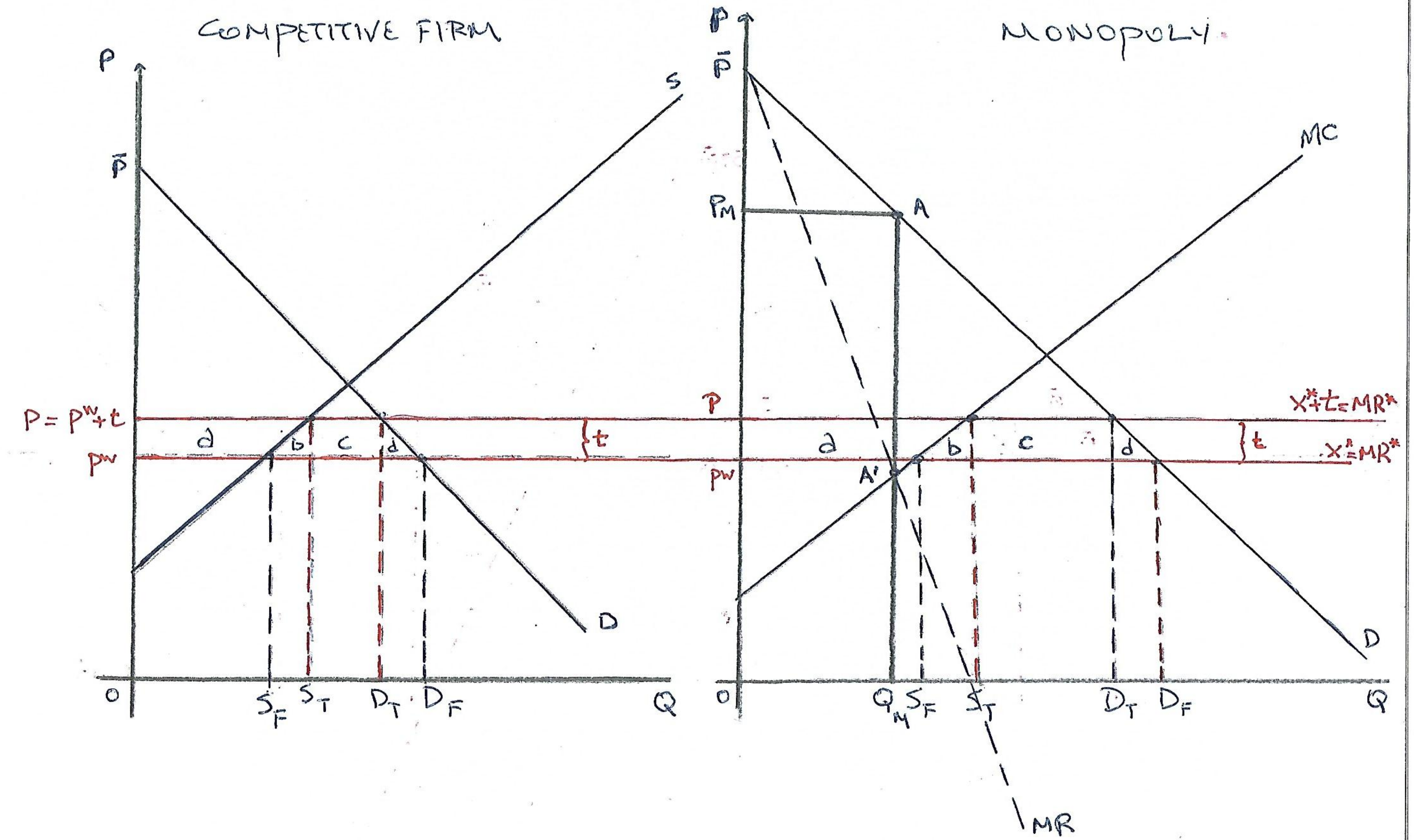
TARIFF EQUILIBRIUM - LARGE OPEN ECONOMY (LOE)



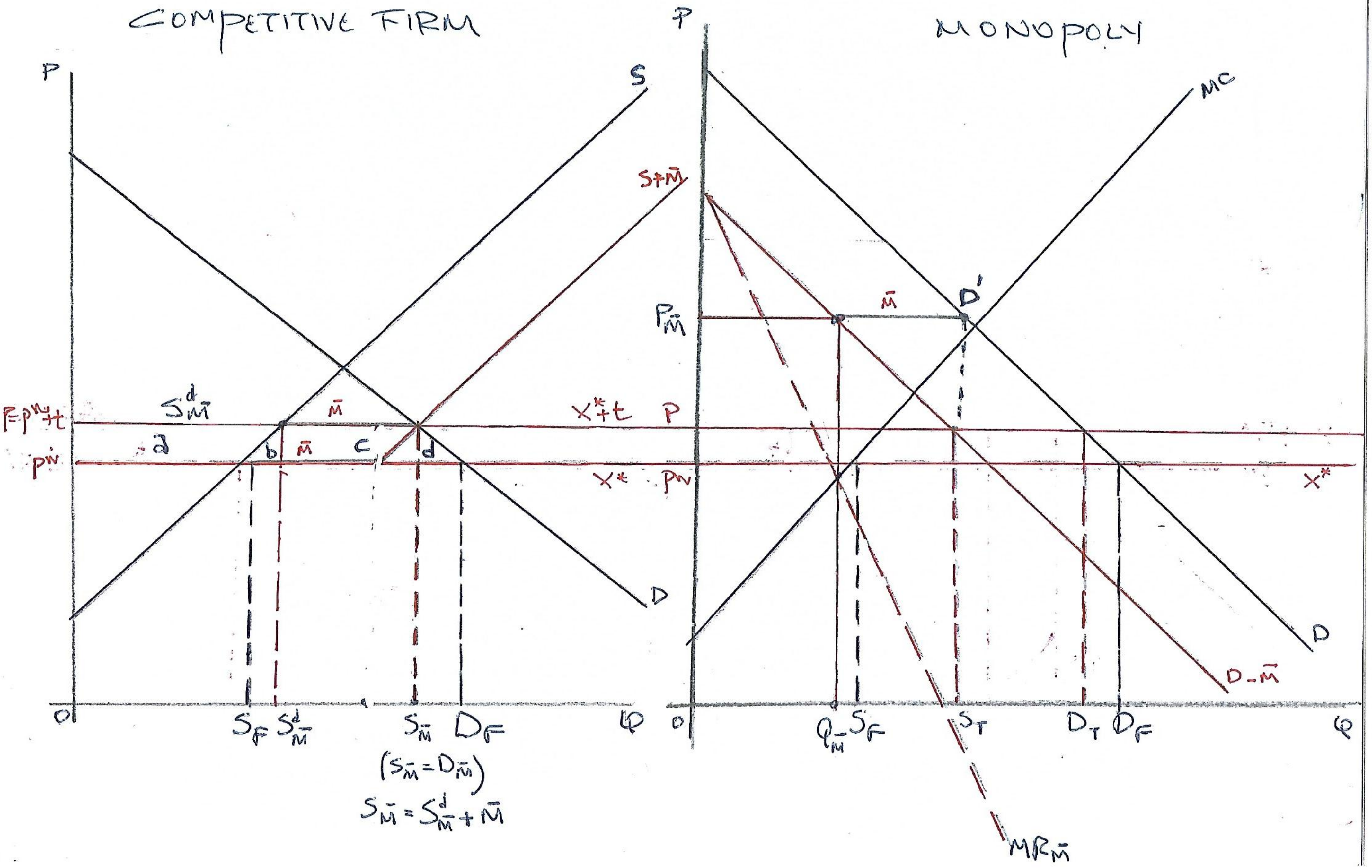
TARIFF ON FOREIGN MONOPOLY



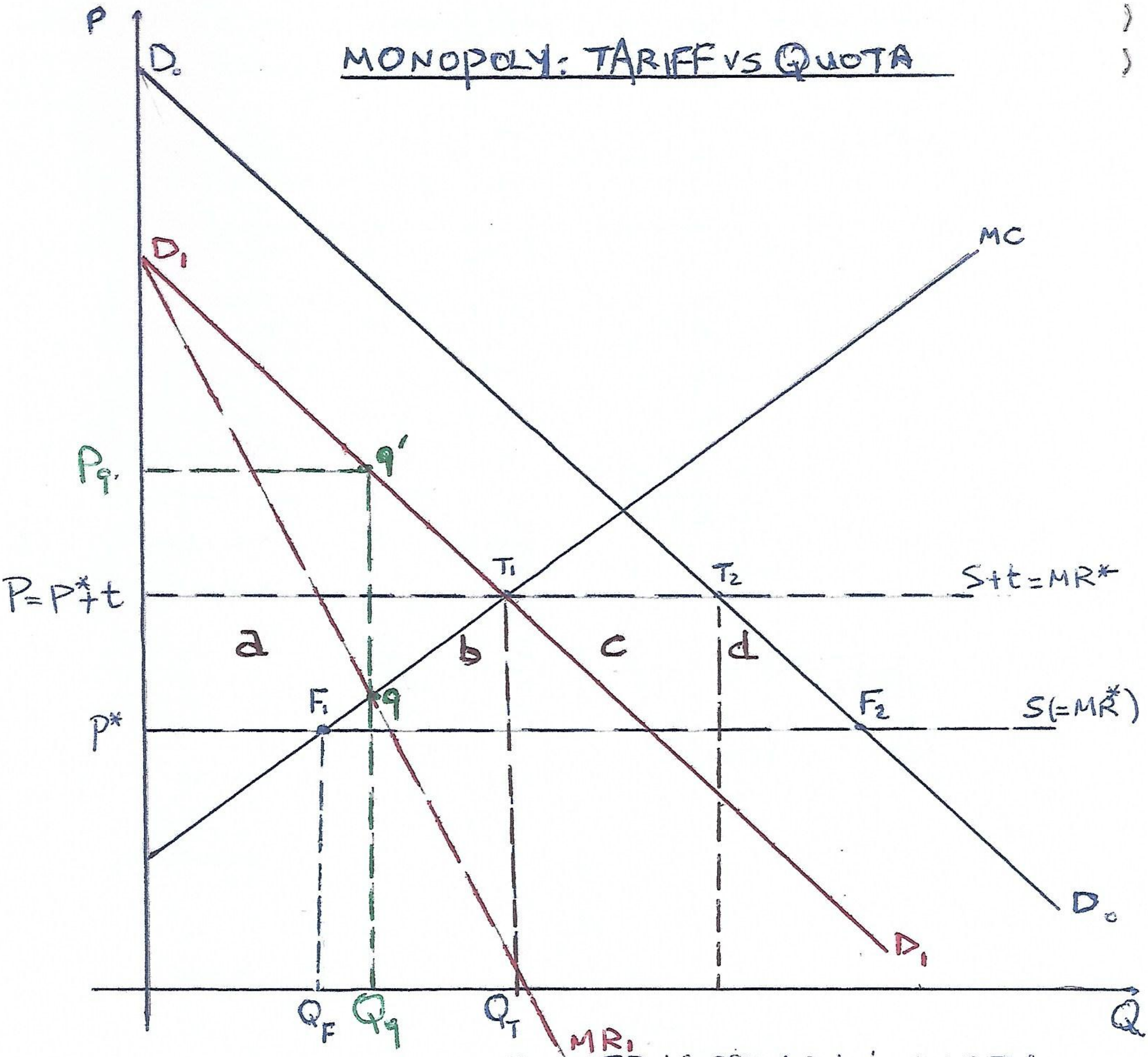
TARIFF EQUILIBRIUM



QUOTA EQUILIBRIUM



MONOPOLY: TARIFF VS QUOTA



P^*: WORLD PRICE ⇝ F_1F_2 → FREE-TRADE IMPORTS

P: MONOPOLIST PRICE WITH TARIFF: T_1T_2, IMPORTS

<u>IMPORT QUOTA OF (T_1T_2):</u>

MONOPOLIST'S DEMAND: $D_1D_1 = D_0D_0 - T_1T_2$

MR_1: MONOPOLIST'S MARGINAL REVENUE

(P_q, Q_q): MONOPOLIST'S PRICE-QUANTITY UNDER QUOTA

NON-EQUIVALENCE OF TARIFFS & QUOTAS UNDER MONOPOLY ⟹

$$\boxed{(CS)_q < (CS)_t < (CS)_F}$$