At low tariffs, the competitive equilibrium occurs, and the domestic monopolist shares the market with foreign competitors. The local price is just the world price plus the tariff. As the tariff is raised, the share of the domestic monopolist rises to 100%. At this point, further increases in tariffs afford the domestic supplier monopoly power and the response is higher prices and less output, until the full monopoly solution occurs.
Dumping: Tariff Separating the Market

Initial Equilibrium
US Exports to Korea
\[ Q_D - Q_S \]

Korean Demand

\[ \text{MC for Korean DRAM} \]

US Price

Protection with Limit
Pricing Squeezes US out of
Korean Market

KoreanMonopolist
Exports to US
\[ Q_T - Q_K \]

Korean Home Monopoly Price

\[ \text{MC for Korean DRAM} \]

US Price

NOTE: Production levels stay the same. The tariff promotes exports but does so by discouraging local demand.
D’ = demand curve net of quota facing domestic monopolist
P_q = price prevailing internally
P_t = price that generates the same level of imports
Domestic Monopoly:
Quotas versus Tariff: Output Objective (choose tariff)

Quotas versus Tariffs: price objective (choose quota)
Globalization and Domestic Monopoly

Here we have the domestic firm lowering price and increasing output. But this depends on where the marginal cost lies. If it is higher, crossing above where the two marginal revenue curves cross, then the firm cuts back output. Probably need to be careful about how we rotate the supply curve $Q = a + bP$ has elasticity $(dQ/q)/(dp/p) = bp/Q = bp/ (a+bp)$. This elasticity can be increased by raising $b$ or lowering $a$. ???
Buy less, pay less