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# A REVIEW ABOUT PARTIAL EQUILIBRIUM THEORY OF TRADE

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***ABSTRACT***

*In partial equilibrium theory, the policy actions and effects are examined only in the directly affected markets. The Demand and Supply curves are used to describe the price effects policies. Producer and consumer surplus are used to measuring the welfare effects on participants in the market. A partial equilibrium theory either fails to consider the effects on other industries of the economy. The supply and demand model is a partial equilibrium model where the acceptance on the market of some goods is obtained separately from prices and quantities in other markets. Partial equilibrium is one which is related on a minimum range of data, a standard example is the price of a product, the prices of all other products are being held static during the entire review program. It is valid only under some limited situations, which may notalways hold in practice, but may be reasonable approximations. Partial equilibrium is a condition of economic equilibrium which takes under consideration where only a part of the market and all other will remains the same to attain an equilibrium state. A partial equilibrium analysis will either ignore the effects on different industries in the economy or assumes that the sector is very small and hence little if any impact on other sectors of the economy.*

***KEYWORDS:*** *Effects on Participants in the Market, Partial Equilibrium, Perfect Competition*