

# Intro Microeconomics | Vignette D2

November 8, 2022

## A Tariff on International Butterbeer

In response to anticipated political backlash associated with raising revenue via a tax on the much beloved butterbeer, the Ministry of Magic hired an external committee of advisors to find other means by which to raise government revenue. One classically trained magical economist proposed opening the closed domestic butterbeer market to the less expensive global market while imposing an import tariff. Ministry officials were pleased with the option but also raised concerns that domestic butterbeer sellers would be harmed by the lower price.

Use a graph to illustrate what would happen to the market after a tariff was imposed. Is there a tariff price that would alleviate the Ministry's concern about domestic sellers?

The supply and demand curves for butterbeer can be represented by the following equations.

$$P = 23 - \frac{1}{6}Q$$

$$P = 2 + \frac{1}{2}Q$$

