

## Econ 101 | Demo D4

Demo D4 is adapted from homework assigned in a previous semester.

### Question 1 | International Pumpkin Pasties

Economic historians in the wizarding world remember a time before the Ministry had begun meddling with the domestic market. In those earlier days, trade barriers had been lifted for exports of pumpkin pasties to international magical markets with a world price of 12 galleons. At the time, the Ministry of Magic used this opportunity to pad its coffers without facing the political backlash associated with a domestic tax, instead imposing an import tariff of 2 galleons. Use a graph to illustrate what happened to the market after the tariff was imposed. The supply and demand curves:

$$P = 17 - \frac{1}{6}Q_D$$
$$P = 2 + \frac{2}{3}Q_S$$



What is the area of the deadweight loss from the tariff?\_\_\_\_\_