

Econ 101 | Vignette B2

Butterbeer Price Floor

The Ministry of Magic decided that the market price wasn't sufficiently high enough for sellers, and decided to institute a price floor to raise the price. Find an appropriate price for the price floor and use a graph to evaluate the welfare effects your policy had on the market.

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

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

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

