

Intro Microeconomics | Homework C

Due Monday Oct. 3

Homework is designed to both test your knowledge and challenge you to apply familiar concepts in new applications. Answer clearly and completely; show your work so I can understand your thought process for partial credit; you are welcomed and encouraged to work in groups as long as your work is your own.

Question 1 | Malodorous Byproducts

Butterbeer is beloved by Hogwarts students and teachers alike and is widely available at wizarding shops. But the beverage has the negative effect of generating displeasing odors from its imbibers. Model the private market for butterbeer using private and social cost and benefit curves. Indicate on your graph the private equilibrium quantity and social equilibrium quantity. Using your economic policy advising credentials, offer a remedy to the malodorous byproduct the Ministry could implement. And conclude with a description of the effects your policy would have on the butterbeer market.



Question 2 | Subsidizing Bludgers

Quidditch is a game much beloved by the magical community. Since the rules are well established, the game equipment is standardized, and every equipment seller produces identical equipment. Bludgers are an important part of the game, are very easy to make, and require no specialized skills or expensive tools. Additionally, the number of sellers of Bludgers hasn't changed much in the over 500 years the sport has been played widely.

To spur interest in the sport, the Ministry imposed a subsidy on bludgers. Using a couple of graphs to illustrate your answer, explain what happened in the market because of this subsidy. Be sure to include all relevant components on the graph, and conclude in a long-run equilibrium.

