

Econ 0100 | Classwork C1

Due in Recitation

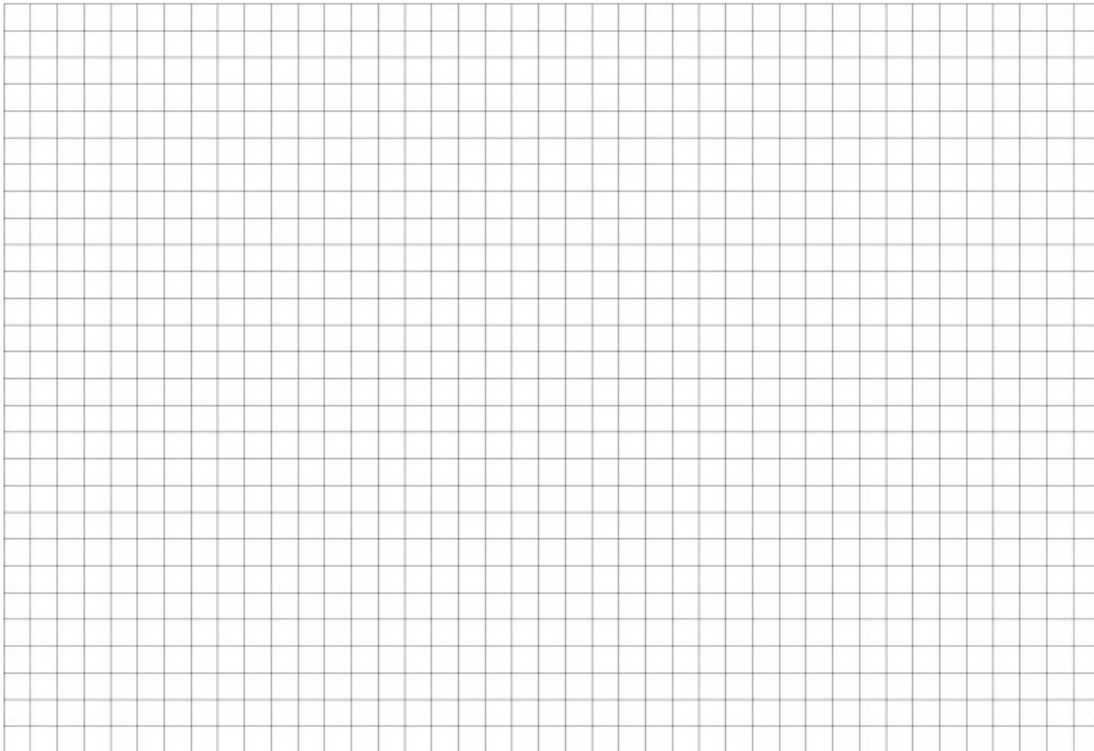
From Local Markets to Global Skies: The Fascinating World of Enchanted Broomstick Trade

Question 1 (of 2) | Unlocking the Magic

In the British wizarding world, the demand for enchanted broomsticks has always been high. For nearly all of recent history the Ministry of Magic required broomsticks to be made and purchased locally. The ministry got wind of some economics ideas around opening the domestic market to international trade and has hired you to offer advise on the impact this policy would have on the domestic broomstick market. The world price for enchanted broomsticks is 6 galleons and the supply and demand curves for enchanted broomsticks are as follows:

$$P = 16 - \frac{1}{4}Q_D$$
$$P = 4 + \frac{1}{4}Q_S$$

Use a market model to analyze the impact. Give special focus to the welfare impacts on buyers and sellers. No need to calculate welfare measures. Do calculate the impact to prices and quantities.



Question 2 (of 2) | An Alternative World

If instead of a price of 6 galleons in Question 1 the global price had been 12 what would have been the distributional impact of opening the domestic market for trade? No need to do math here. Simply use a graph to show the impact on the market.

