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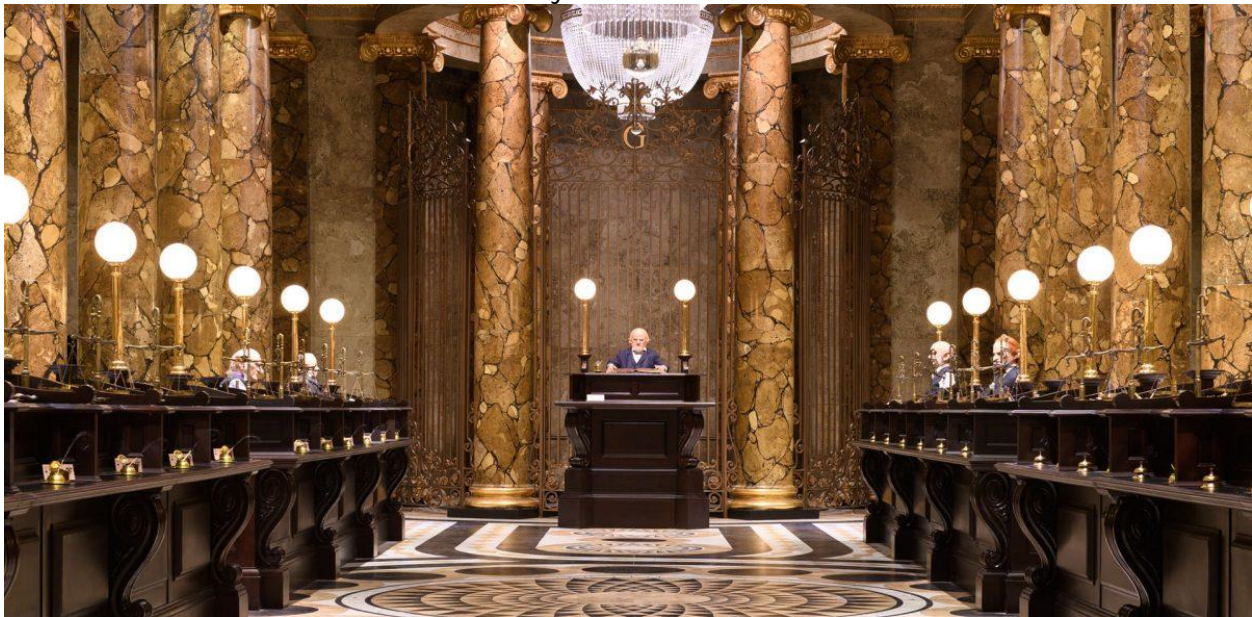
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The Good, the Bad, and the Grimmm—the Truth about the Potterian Economy

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It would be a severe understatement to say that Harry Potter was an influential book series. Since its initial publication, the seven books—and later, 8 movies—evolved from being just a story, to being somewhat of a parallel universe for several generations to escape to. However, the Potterian world, as magical as it is, is subject to a number of economic inefficiencies, socio-political horrors, and bureaucratic corruption.

Just think about [Potterian currency](#). There are gold Galleons, silver Sickles and bronze Knuts—commodity money, as opposed to fiduciary money—and the value of the currency doesn't fluctuate depending on the demand for the metal medium (gold, silver, or bronze).

Plus, Potterian currency seems to lack some of the necessary characteristics that define *money*—particularly, divisibility, storability, and portability. Carrying around heavy metal seems particularly cumbersome, especially since there doesn't seem to be any conception of credit. Additionally, prices within the Potterian economy seem pretty inflexible, as can be witnessed in the Daily Prophet, which maintained the same price for seven years, despite an increased demand for news.

On the subject of money, *Gringotts* is the only bank available to wizards—an effective monopoly if there ever was one. However, interestingly, they don't offer financial lending services—they produce coins, they check for counterfeit, and they offer storage and protection services for their customers, but they don't deal in debt. This may have something to do with the fact that, in the wizard community, there's a rather negative perception of financial work—which is perhaps why those jobs are consigned to goblins, who are considered an inferior group. The wizard community, as is probably clear, can be horribly racist.

Inconvenient, inflexible, and prejudicial. The Potterian currency is almost comically dysfunctional. But, when you examine the Potterian economy as a whole, a much more sobering notion surfaces.

Solow–Swan Model For the Magical Nerd

The premises of the [Solow–Swan Model](#) are pretty simple. Essentially, investing in human capital and technological innovation is the best way to stimulate economic growth. The two central factors of production within an economy are labor (characterized as population growth) and investments in capital. Basically, a growing population and significant investments in physical capital, paired with research and development, can increase output and expand the economy. Additionally, for an already well-developed economy, there would be diminishing marginal returns for every unit of input, so the Solow–Swan model postulates that richer economies should invest in poorer ones, since the return on investment would be greater. It's a matter of efficiency.

Now that we've established the premises of the Solow–Swan Model, we should take a closer look at the Potterian World. Let's start with the place where it all began.

Hogwarts, Hogwarts, Hoggy Warty Hogwarts...

Every Harry Potter nerd's dream is probably to attend this Scottish school—I'm sure a lot of kids were disappointed when, on their eleventh birthday, a half-giant did not burst through the door and dramatically declare them a wizard. But, beyond the looming spires and magical staircases and talking portraits, what remains is constant student endangerment and a severely inadequate curriculum.

However, neither the students nor the teachers at Hogwarts seem to particularly care about the level of danger that the students face every year (seeing as how they always seem to come back unless they're dead), so I'm not going to focus on that. Instead, let's talk about the curriculum.

Hogwarts' classes teach students, in the simplest of terms, how to perform magic. They learn a variety of subjects—Charms, Defense Against the Dark Arts, Transfiguration, etc.—but the focus remains on *how* to do magic, not so much on how or why magic exists. From second year Herbology to sixth year Potions, they are taught a very black box approach to doing magic—with a focus on completion as opposed to innovation. They are told the instructions and expected to complete, with very little room for creativity. Thus, most students in the wizarding world possess a troubling lack of imagination. For example, in the Goblet of Fire, during the Triwizard Tournament, all of the champions use the help of outside mentors to complete their tasks. That lack of original thinking is a central issue of wizard learning.

Interestingly, the characters in the book that demonstrate any measure of inventiveness are those who disregarded the actual syllabus. For example, Voldemort (*don't say his name!*), Severus Snape, or the Weasley Twins. The twins were more-or-less harmless pranksters who used their ingenuity to cause mayhem inside and outside Hogwarts. Snape, a magical chem nerd, was constantly pioneering new kinds of magic, and even developing new spells. Voldemort's actions, while horrifying, were also incredibly innovative—pursuing new (albeit forbidden) magics in order to achieve his goals. Thus, being innovative has meant, to a large degree, to defy the school's way of learning.

So why is any of this important? Hogwarts is hailed as one of the greatest wizard institutions of all time. Therefore, the development of human capital is key. However, Hogwarts is effectively sending robots into the job market—people who know how to complete a job, but don't know how to innovate change. Thus, there's no real investment in human capital, which again is what propagates R&D. By the Solow model, this is crippling to a country's economic growth and output.

Wizarding Hierarchy—The Locals and the Labor

In the Solow model, “when physical capital in an economy grows at the same rate as the population...the economy's total output grows at the same rate as the labor force.” So, does this hold true for the Potterian world?

The short answer is no. But the long answer is more interesting.

The birth rate in the Potterian world is extremely low. For the exception of the Weasleys, most wizard households have an average of 1-1.5 children, which demonstrates a severely reduced, potentially negative population rate. By the Solow model, a labor rate that is depressed would effectively bring total output to a standstill.

However, [the wizard economy](#) is markedly well-off. Though there exists a great divide between the high and middle-class (one I'll elaborate on later), even the Weasleys, who are characterized as poorer than the average wizard household, are still able to offer an extra plate for their guests. It's evident that wizards are able to maintain an extremely high standard of living, despite a low labor rate. The question arises—how?

In order to compensate for their depressed labor force, the wizard community forces its grunt work on various, 'inferior' creatures. They enslaved house elves, who are forced to do work with no codified rights (beyond laundry-related liberation). Rowling also implies that the goblins lost several wars to the wizards before they were forced to work at *Gringotts*—since, as we've established, wizards socially disapprove of most financial labor.

Interestingly, another source of labor comes from immigration. Muggle-borns are people who are born in non-wizard families with some amount of magical skill. They join the wizard community and become a part of the labor force, because again, the wizard economy is more advanced and has greater

opportunities for growth and wealth. This is especially fascinating when considering one of the initial premises of the Solow growth model—in that, richer economies should invest in poorer ones for a greater ROI (return on investment). However, as is in the real world, we see investments flowing the other way, in that poorer residents migrate into the richer economies. And like the real world, these immigrants are met with hostility and sometimes violence, which makes their assimilation particularly difficult. Historically, depressed economies often exhibit anti-immigration sentiments—the Potterian economy is very stagnant (low growth), so in that sense, the Death Eaters' existence isn't too surprising.

That's labor. Innovation is another story.

Accio Technology!

We've established that Hogwarts' curriculum is insufficient in expanding human capital. We've also stated that the Potterian economy has a waning population and thereby a deficient labor supply supported by immigrants and slaves. When examining the Solow model, there's only a few components left in determining the welfare of an economy—investments in capital, and technological innovation.

If we were to divide the economy in terms of 'consumption' goods and 'investment' goods, the Potterian economy heavily emphasizes the former compared to the latter. In the Potterian world, there are no new buildings, schools, housing, or any such infrastructural projects. And by the Solow model, because human capital and the population rate are low, physical capital should stagnate as well, with per-capita income experiencing little to no growth. In terms of technology, the lack of human capital definitely affects the R&D industry. Throughout the books, there is no real sense of innovation or product development in any industry, with the exception of broomsticks. However, the broomstick industry is isolated, in that it doesn't affect the growth or innovations of other segments of the market.

In short, the Potterian economy is highly advanced, with a low growth rate that is characteristic of an affluent and prosperous economy. Even in its economic stagnation, the wizard economy is still an extremely well-off network. However, the system remains imperfect, in more ways than one.

Ministry of Magic...and Corruption

Economically, the Potterian world experiences a number of inefficiencies. However, the socio-political reality of wizard society can be unsettlingly dark.

The Ministry of Magic is the ruling body of legislation and governmental activity in the Wizarding World. At its head is the Minister, whose role is similar to a democratic prime minister, but rather than being elected into office, he is chosen through a complicated, unspecifically process mostly-likely involving the wizard elite. While the Ministry has been successful in establishing certain aspects of wizard life—a high employment rate, economic stability, universal healthcare—some of its actions have exhibited blatant overreaches of power. The Ministry of Magic has tortured children, utilized inhumane punishments (dementors), controlled the press, and condoned selective prosecution. The entire premise of the 5th book (Order of the Phoenix) is that an inept and corrupt governmental system was constantly interfering with Harry's ability to fight the Dark Lord, or even to protect himself. Unfortunately, that's only the tip of the iceberg.

Rowling's portrayal of the government is grim and harrowing. The Ministry is described as a bureaucratic organization that only seeks to expand its own power and influence at the expense of the people. This goes from unsubstantiated arrests, to controlling the Hogwarts curriculum to indoctrinate/control students, to imposing legislation seeking to marginalize certain members of the wizarding community (werewolves, for instance). Additionally, the lack of financial markets means that the Ministry has to rely on private donors, which is pretty on the nose for an obviously corrupt system. Cornelius Fudge, the Minister of Magic for most of the series, is characterized as an easily-manipulated figurehead of the elite upper class, who use his position of power to increase their own gains and authority.

What we see is a bureaucratic government body that actively conspires with the private sector to propagate their own agenda. The socio-economic implications of a puppet government in the hands of the elite is also worrisome.

The Dark Side (wrong fandom)

As previously mentioned, the Potterian society is characterized by a large middle class and a small elite. However, the divide between these two social

segments is considerably large and carefully guarded. The elite often use their power and affluence to repress the middle class's advancements and to maintain that divide. This can be seen in how, when wealthy wizards associate themselves with middle-income families, they are often disowned and cut off. As such, there is very limited social mobility in Potterian society. This idea is underscored by the lack of financial markets, which makes borrowing and thereby investment considerably difficult for those who aren't already well-off. Climbing the socio-economic ladder requires connections to the upper class, and is more dependent on social networking than it is on any sort of merit. Arthur Weasley, a pure-blood wizard, is unable to advance or improve his situation, because he lacks the proper connections. Similarly, Slughorn's potions club exhibits more social influence than it does academic prowess. It seems there's no real economic value given to merit—the wizarding world clearly values the noble traditions of nepotism, birthrights and blood status.

The protagonists of the series, even beyond the Golden trio—Neville Longbottom, Rubeus Hagrid, Molly Weasley, etc. (there are truly too many to count)—always seem to be fighting the system—a corrupt, biased society with prejudice baked into the very foundations of its laws and economics. From making friends with endearing house elves, to fighting a corrupt, racist bureaucracy, to establishing underground clubs to protect his friends, Harry Potter was always reminding readers of the contrast between what was *right*, and what was *reality* in the Wizarding World.

Conclusion?

The Wizarding World is a magical universe, but it is far from perfect. However, the imperfections were what made it so inconceivably special. Potterian society was no utopia, but its shortcomings promised growth; there was so much progress and movement to look forward to. In that sense, the Potterian universe is very similar to the one we live in—complicated by market failure, subject to inequality, but at the same time, it is promising, special, and bursting with potential.

Featured Image Source: [Warner Bros](#)

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