

EmoryReport



April 10, 2006 / volume 58, number 26 p6

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SCHOLARSHIP&RESEARCH

Exploring the economics of Harry Potter's world

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What do animagus, extendable ears, Muggles and quidditch have in common with, say, price setting, supply of public goods and optimal taxation?

These terms make strange bedfellows—that is, unless one is studying the social organization of economic activity in J.K. Rowling's "Harry Potter" series.

Daniel Levy, adjunct professor of economics, admits that he—an expert in pricing and price adjustment—was exploring unfamiliar territory when his Ph.D. student, Avichai Snir, approached him with a project to study the economic structure of the Potterian world.

"It is the first time I am engaged in this type of interpretative analysis and deconstruction of a literary text," said Levy, currently teaching at Bar-Ilan University in Israel. "This method of analysis is quite rare in economics."

But even economists must step out of their comfort zone once in a while. The result, in this case, is Levy and Snir's "Popular Perceptions and Political Economy in the Contrived World of Harry Potter," a paper that argues that the economic and organizational structure of the imaginary Potterian economy can be viewed as an economic model. By studying this model, the authors set out to gain insight on people's attitudes towards various social and economic issues.

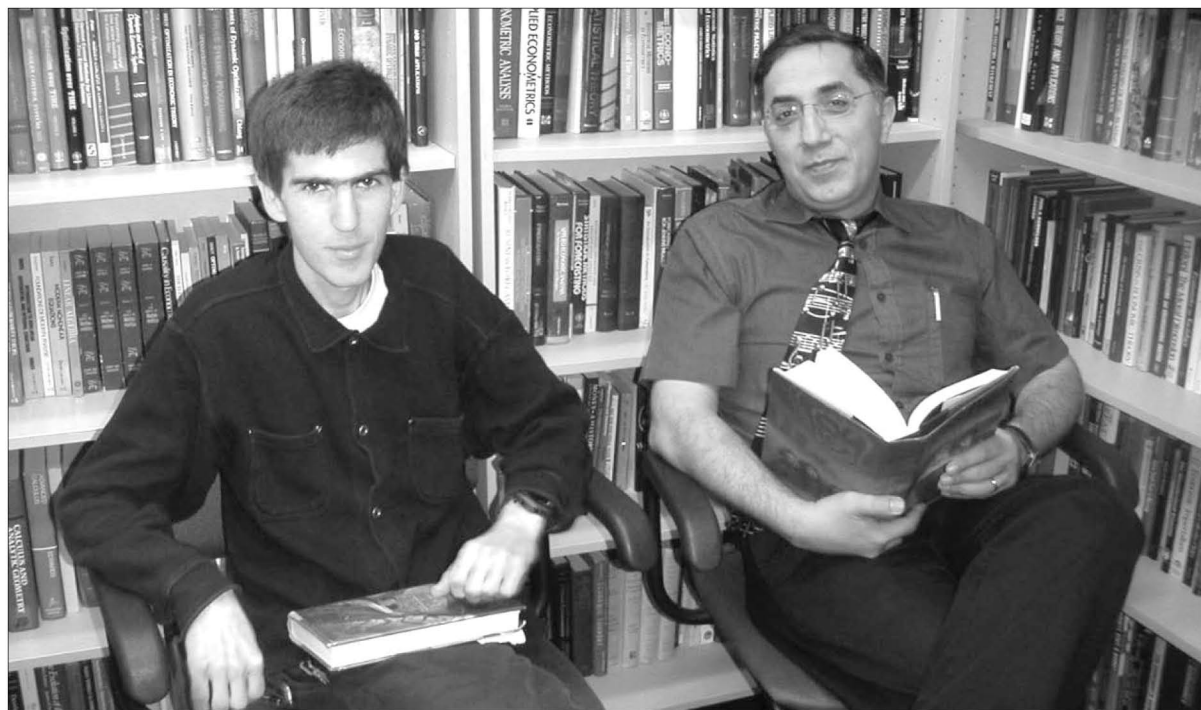
Levy and Snir build their

analysis from the premise that bestsellers are models of reality. The Harry Potter books, which have sold more than 300 million copies worldwide and have been translated into 63 different languages, take the concept of "bestseller" to even greater heights.

"The books are read by adults and children, by rich and poor, by educated and less educated, and by men and women," said Levy, whose two sons have read the books several times, becoming so familiar with the content that they served as research assistants on this project.

"We argue in the paper that, in order to achieve such popularity among such a diverse audience, the books must relate to the most basic beliefs and ideals of its readers. The remarkable popularity of the books, we believe, gives us an opportunity to draw inferences on attitudes and social 'common beliefs' that are relevant to large portions of the society," Levy said. "Although the story takes place in a magical environment, its readers find the institutions of the Potterian economy and the way they function as similar to what they know or expect from their everyday lives. In short, we argue, the analysis of the Potterian economy might reveal to us the norms, hopes, perceptions and opinions of readers."

The Potterian economic model, Levy said, is a reflection of a worldview that mixes ingredients from several economic models. On the one hand, the model describes a less-sophisticated market



Adjunct economics professor Daniel Levy (right), with help from doctoral student Avichai Snir, stepped into the unfamiliar realm of Muggles and quidditch to study the economics of J.K. Rowling's "Potterian" world.

economy with which we can relate. Wizards do most of their shopping in the stores at the Hogsmeade and Diagon Alley; the Ministry of Magic is the government; and young wizards are educated at the Hogwart's School of Magic. Other familiar aspects of the model include monopolies (only one newspaper), inefficient and corrupt government (the Ministry of Magic), and "foreign workers" (elves who do the jobs wizards find unpleasant), etc.

Some aspects of the Potterian model, however, differ from the real world. For example, unlike the modern world, people living in the Potterian world use commodity money rather than fiat paper money. Also, the Potterian economy does not have taxes.

The authors conclude that the Potterian world does not fit neatly into standard economic models. Some aspects fit well with one type of economic model, while other aspects are consistent with another. For example, Levy said, many aspects of the Potterian model have Marxian features. However, the books frequently adopt a more mainstream "public choice" point of view by portraying the large Potterian government as infested with rent-seeking bureaucrats who limit the spirit of free entrepreneurship and, therefore, the ability of individuals to climb up the social ladder.

Another example is monetary structure. The Potterian economy uses money for all three purposes: as a medium of exchange, a unit of account and a store of value.

However, unlike today's standard monetary model that relies on fiat (or paper) money for conducting trade, the Potterian model uses commodity money.

While his and Snir's paper may not have the range of practical applications of other economic analyses, it does provide important insight, Levy said.

"The paper demonstrates that a popular literary work can inform us about the norms, perceptions and preferences of its readers, and the methods of deconstructing these works could be fruitfully used by social scientists," he said.

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