

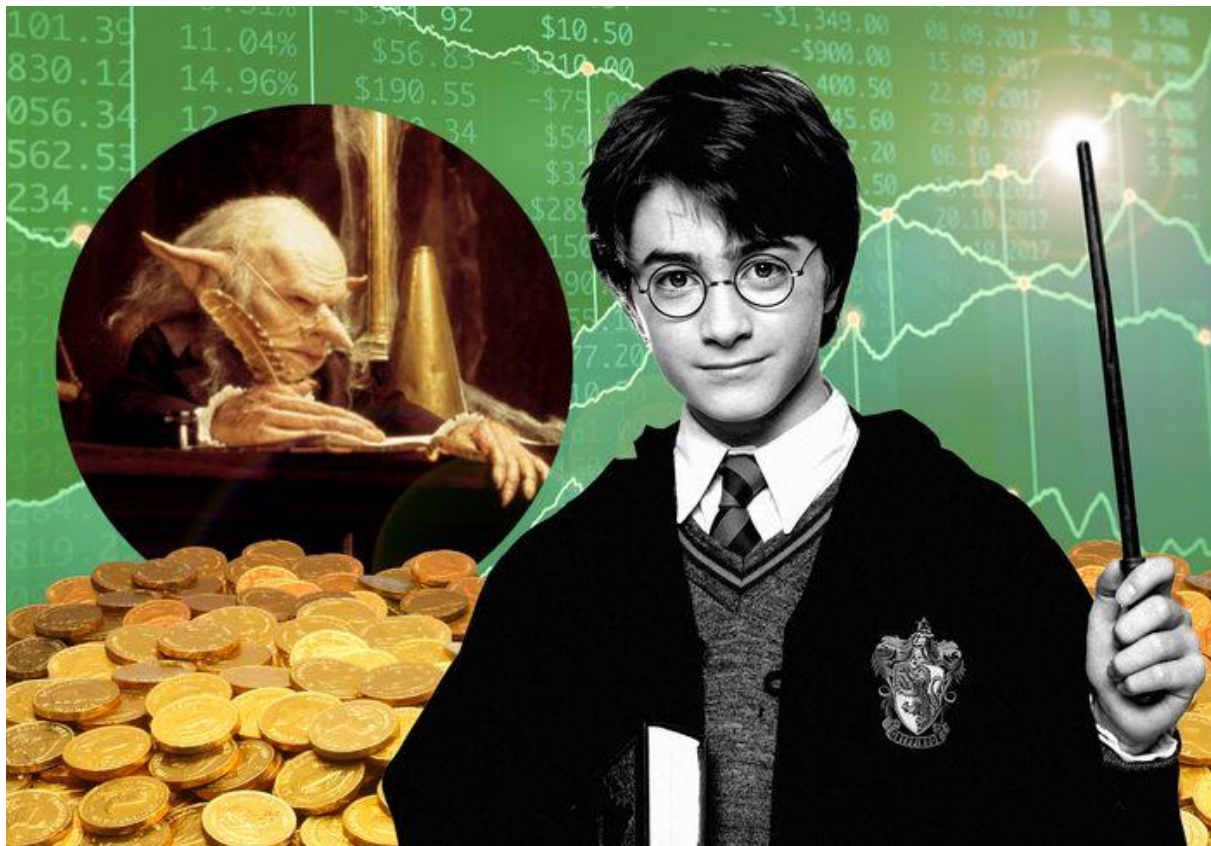
# What Harry Potter gets right — and wrong — about economics, starting with Gringotts Wizarding Bank

Published: July 21, 2022 at 12:01 a.m. ET

By

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**An estimated 7.3% of the world's population has read the Harry Potter series, and they could be getting a 'distorted' view of economics, a new paper says.**



**Gringotts Wizarding Bank is the only bank around in Harry Potter's world, but when the Weasley twins wanted capital for their startup, they turned to Potter,**

**because the bank wasn't a prominent lender. A new paper examines the messages that readers of J.K. Rowling's series may have absorbed about economics, some of which contain "numerous inaccuracies," the authors wrote.**

Top wizard Harry Potter inhabited a fascinating world that ran on gold galleon coins and Gringotts Wizarding Bank.

Given the series' influence on readers across the world, economics professors Daniel Levy and Avichai Snir examined how author J.K. Rowling created the economic underpinnings of Potter's world in [a new study](#).

More than 7.3% of the world's population has read Harry Potter books, the authors estimate, and millions more have seen the movies, which underscores the "importance of the messages" the series conveys, they said.

Those messages have been spread over decades, and an entire generation has come of age with Rowling's wizard world at their side. The first of the seven books was published in 1997; the first of eight movies was released in 2001, and a spinoff series, "Fantastic Beasts," launched this year.

But in a study published in the Oxford Open Economics, Levy and Snir found that while the series does impart readers with knowledge of what they called "folk economics," when it comes to many of the "deeper aspects" of how the economy works in real life, the books give readers a skewed view.

This could make young readers encountering the books leave with an inaccurate understanding of economics, the researchers said. (Folk economics refers to "the intuitive notions of naïve individuals who see market transactions as a zero-sum game," the authors said.)

Still, Potter's world is "rich with economic institutions and ideas, including monopolies, inefficient government, limited social mobility, trade restrictions and other regulations, insufficient social capital, commodity money, prices, banking," and more, they wrote.

"We conclude that the Potterian model reflects folk economics," the authors wrote. "As such, although it is sometimes consistent with economists' views, many of its deeper aspects of economics are distorted, containing numerous inaccuracies, which might potentially be absorbed by the public, and contribute to its lack of literacy on economic matters. This is particularly true for the young readers, who figure prominently among Harry Potter readers."

Here are four lessons that the wizarding world of Potter — which made Rowling a billionaire — *does* teach us about economics:

## How banks work

Young readers of Harry Potter will be exposed to how the banking system works, by following him to Gringotts, the only bank that serves wizards. Gringotts mints money, prevents counterfeiting, provides vaults for safekeeping, and currency exchange services, the authors explained.

The books paint a vivid picture of how goblins run the banking system, and how Potter stores his gold in vaults. It even describes heavy protection for some accounts, which includes dragons that guard vaults.

But unlike modern banks, Gringotts doesn't lend that much — wizards with an entrepreneurial bent have to turn to private sources, such as when Fred and George Weasley, two of Harry's classmates at Hogwarts School of Witchcraft and Wizardry, borrow funds from Potter to open their joke shop, 'Weasleys' Wizard Wheezes.'

## How a planned economy works

Readers of the Harry Potter books will get a sense of how a planned economy works, with a government that controls many aspects.

The authors describe the Ministry of Magic as an entity that controls and regulates "the production of every major good and service" made in Potter's world. The government also decides what will be imported and won't be. All of this points to an economy based along the lines of a "Marxian model," the authors noted.

One of the drawbacks with such model is the corruption that results. The government described by Rowling is also "large, corrupt and inefficient," the authors explained. This includes instances of nepotism (Arthur Weasley getting his two sons, Percy and Ron, jobs at the Ministry of Magic) and possible bribery (Lucius Malfoy, father of Harry's nemesis Draco Malfoy, calling in favors with the ministry).

## What monopolies and oligopolies look like

Fans will know that there are few options for wizard-related shopping in Potter's world. That gives them an understanding of how oligopolies and monopolies work, the authors said.

Because of the way government regulations are structured, only two options exist for shoppers in Potter's world: Hogsmeade and Diagon Alley. New businesses can't launch because "public officials block competition," the authors stated, hence resulting in limited choices for consumers.

The authors describe how in "Harry Potter and the Goblet of Fire" an entrepreneur, Ali Bashir, was blocked from trying to import flying carpets into the U.K. that would substitute for flying

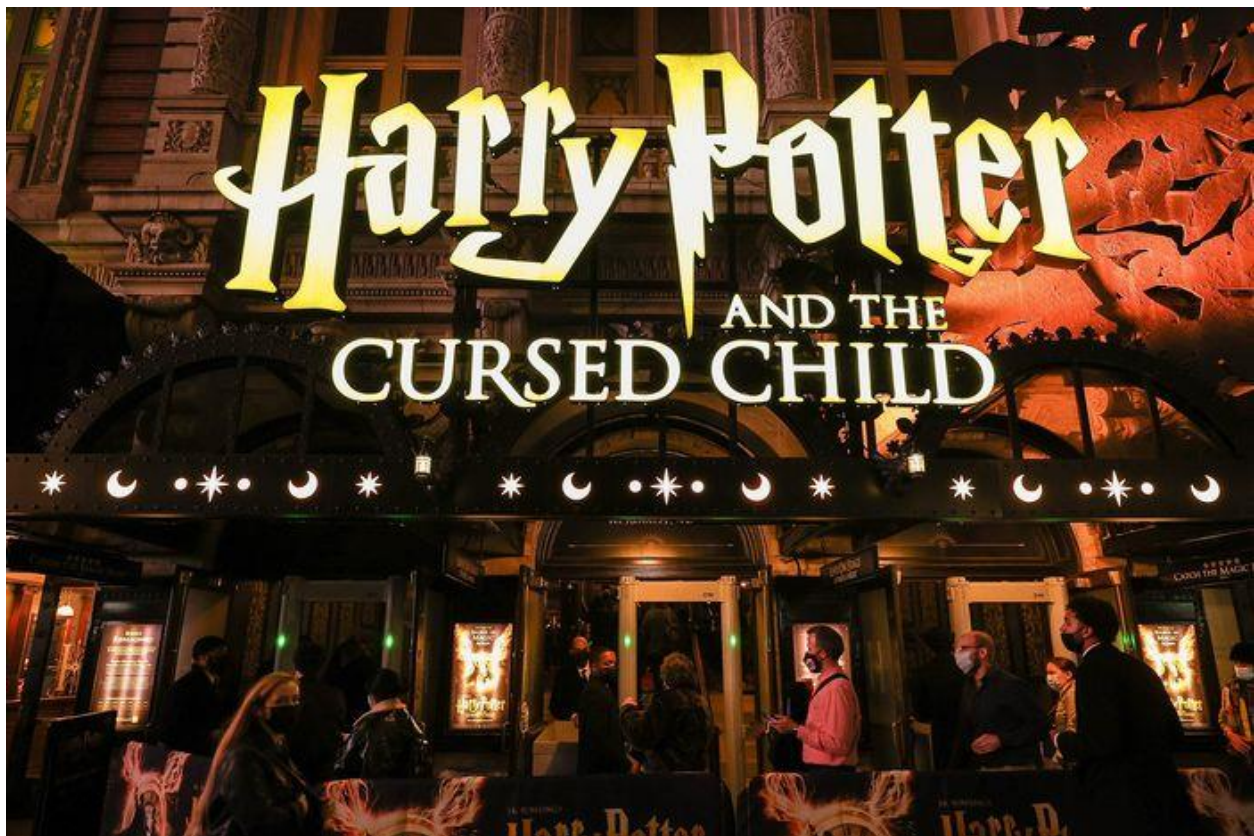
brooms, even though he had the support of a senior official, Barty Crouch. Bashir's effort was halted because the ministry defined carpets as a Muggle (non-wizard) artifact.

## How social classes work

Thanks to the books, fans know that there are three social classes among wizards: The low class, the middle class, and a small elite.

But the books also cover the idea of social mobility, the authors said, noting instances like Voldemort's ascension from bottom to top, and Hermione Granger's journey from a "mudblood" wizard to the Minister of Magic.

Interestingly, the way the society is structured leads to a struggle between the middle and upper-class wizards, the authors stated.



**Harry Potter's world teaches readers about "folk economics."**

(PHOTO BY DIA DIPASUPIL/GETTY IMAGES)

Nonetheless, for all its magic, the Potterian economy gives the audience a "distorted view of economics," the study found.

For instance, taxes don't exist in Potter's world, even though key institutions like Hogwarts are "free" and hence likely to be publicly funded.

Ultimately, the books still provide an understanding of “folk economics,” the authors said, “which while perhaps problematic for human flourishing in a Smithian sense, it captures and reflects people’s views on many economic and social issues.”

**Source**

<https://www.marketwatch.com/story/what-harry-potter-gets-right-and-wrong-about-economics-11658351270>