

Exploring the Economic Structure 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? In most cases these terms might make strange bedfellows—that is, unless you are studying the social organization of economic activity in J.K. Rowlings' *Harry Potter* series.

[Daniel Levy](#), an adjunct professor of economics at the Emory University; admits that he, an expert in pricing, price adjustment, cost of price adjustment and technology of price adjustment, was exploring unfamiliar territory when his Ph.D. student, Avichai Snir, approached him about 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," notes Levy, who is currently teaching at the Department of Economics, 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 the social and the economic structure of the Potterian model and its assumptions, the authors set out to gain insight on people's attitudes towards various social and economic issues. They have submitted the paper to a European academic journal and expect to know in a few months if it has been accepted for publication.

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," explains 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. This 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. 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 every day lives. In short, we argue, the analysis of the Potterian economy might reveal to us the norms, hopes, perceptions and opinions of their readers."

The Potterian economic model, suggests Levy, is a reflection of a worldview that mixes ingredients from several economic models. On the one hand, the model describes a less-sophisticated market 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. Young wizards are educated at the Hogwarts School of Magic. Other familiar aspects of the model include monopolies (only one newspaper), inefficient and corrupt government (the Ministry of Magic), "foreign workers" (elves who do all the jobs that the 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.

Levy and Snir focus on these aspects of the economic structure of the wizards' society to capture the relation between the wizards' world and the real world. They study the various Potter texts to find the similarities between the real and imaginary worlds. "For some of the analysis, however, we focus on the differences between the real and the imaginary economic structures and institutions," notes Levy. "We take those differences to reflect what readers would have liked to see, and in which ways their norms and sets of beliefs bias their perception of reality. We show that by focusing on the differences while controlling for the similarities, we are able to make some inferences on the way readers might perceive the economic institutions of the real world."

The authors conclude that the Potterian economic model is not a coherent model that fits neatly into one of the standard economic models. Some aspects of the Potterian economy fit well with one type of economic model, while other aspects are consistent with another type of economic model. For example, says Levy, many aspects of the Potterian model that emphasize the problems of inequality as a shortcoming of the capitalist system have Marxian features. At the same time, 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 the monetary structure. The Potterian economy uses money for all three purposes: as a medium of exchange; as a unit of account; and as a store of value. However, unlike the standard modern monetary model that relies on fiat (or paper) money for conducting trade, the Potterian model uses commodity money.

While “Popular Perceptions and Political Economy in the Contrived World of Harry Potter” may not have the range of practical applications of other economic analyses, it does provide important insight, suggests Levy. “The paper demonstrates that a popular literary work can inform us about the norms, perceptions and preferences of its readers, and thus the methods of deconstructing these works could be fruitfully used by social scientists,” he explains, adding that the research paid personal dividends as one of the most enjoyable papers he has ever written.

The authors are currently working on a sequel, in which they focus on education and its role in the Potterian economy. Divinations, a Potterian class that teaches about looking into the future with crystal balls and reading the stars, would likely inform us that a discussion of Levy and Snir’s analytical sequel will magically appear on Knowledge@Emory when the time is right.

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