Teacher Answer Key

Case Study

1. Lower the price. When the bakery dropped bread from $2 to $1.50, the number of loaves people bought went up from 30 to 50.

2. It treats price as the main thing buyers react to, so it leaves out other real influences on demand. Income, what customers prefer, and how good the product is can all change the outcome the model predicts.

Multiple Choice

1. B

2. C

3. A

Matching

1-B, 2-C, 3-A, 4-E, 5-D

Fill-in-the-Blank

1) macroeconomic, 2) assumptions, 3) descriptive

Short Answer (Sample Responses)

Q1: Economic models cannot capture every detail because they simplify complex systems to focus on key relationships, omitting many variables for clarity.

Q2: Businesses use economic models to forecast sales and set prices by analyzing market trends and demand, allowing for better planning.

Q3: Models rely on assumptions that may not always be realistic, and they typically provide static "snapshots" that don't account for changes over time.