Teacher Answer Key

Case Study

1. Consumers valued uniqueness and social signaling (Veblen-type), so perceived value outweighed higher price.

2. Students switching to the $1.99 special exemplifies the substitution effect.

Multiple Choice

1. D

2. A

3. C

Matching

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

Fill-in-the-Blank

1) opposite, 2) Veblen, 3) income, substitution

Short Answer (Sample Responses)

Q1: A loyal niche valued craftsmanship and social status, making price a secondary concern.

Q2: The table isolates each effect's impact—budget change versus alternative options—helping students trace cause and effect.

Q3: Giffen goods see demand rise because cheaper alternatives vanish; Veblen goods see demand rise because high price signals prestige.