Teacher Answer Key

Case Study

1. Their cost per unit falls as they make more phones or handle more searches, so they can charge less and still profit. A new firm has no scale, so it can't match those prices.

2. Startup costs are big enough that most new firms never get in the door. A newcomer has to build the technology and secure supply chains before it sells anything.

Multiple Choice

1. C

2. D

3. B

Matching

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

Fill-in-the-Blank

1) competition, innovation, 2) high startup, 3) no

Short Answer (Sample Responses)

Q1: High startup costs, such as research and development or infrastructure investments, make it difficult for new firms to compete with established companies that already have the necessary resources.

Q2: Economies of scale allow larger firms to reduce costs as production increases, giving them an advantage over smaller firms that cannot produce as efficiently.

Q3: Government regulations such as licensing requirements or safety standards can create significant barriers, making it difficult for new firms to enter industries like energy, particularly in electricity generation and distribution.