Teacher Answer Key

Case Study

1. Fixed capacity at existing facilities and lengthy regulatory approvals limited early output.

2. Deployment of modular plants and licensing additional manufacturers, plus input-supplier expansions, raised capacity and elasticity.

Multiple Choice

1. A

2. C

3. B

Matching

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

Fill-in-the-Blank

1) quantity supplied; price, 2) inelastic, 3) inventories

Short Answer (Sample Responses)

Q1: Digital goods have near-zero marginal cost and no capacity constraints, so producers can infinitely scale output when prices rise.

Q2: Modular plants could be built and certified quickly, massively increasing dose production without long construction delays.

Q3: In the short run, fixed inputs cause price swings when demand changes; in the long run, adjustable capacity smooths prices through elastic supply.