1. a.

b. The opportunity cost of increasing corn output from 60,000 to 110,000 bushels is 20,000 bushels of wheat (200,000-180,000).

c. The law of increasing opportunity cost does hold in this case. It can be shown by the following table.

<table>
<thead>
<tr>
<th>Corn</th>
<th>Change of Corn</th>
<th>Wheat</th>
<th>Change of Wheat</th>
<th>Opportunity Cost per Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>60,000</td>
<td></td>
<td>200,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>110,000</td>
<td>50,000</td>
<td>180,000</td>
<td>-20,000</td>
<td>0.4 (20,000/50,000)</td>
</tr>
<tr>
<td>150,000</td>
<td>40,000</td>
<td>150,000</td>
<td>-30,000</td>
<td>0.75 (30,000/40,000)</td>
</tr>
<tr>
<td>180,000</td>
<td>30,000</td>
<td>110,000</td>
<td>-40,000</td>
<td>1.33 (40,000/30,000)</td>
</tr>
<tr>
<td>200,000</td>
<td>20,000</td>
<td>60,000</td>
<td>-50,000</td>
<td>2.5 (50,000/20,000)</td>
</tr>
</tbody>
</table>

2. Review Question #4

If the price of the good is above the equilibrium price, then the quantity supplied exceeds the quantity demanded, and sellers will have to cut prices to attract buyers. Similarly, if the price is below the equilibrium price, buyers will bid up the price to attract sellers. Another way to view this process is to imagine that the seller sees his inventory temporarily building up or diminishing. A buildup of inventory occurs when supply exceeds demand, which is when price is above the equilibrium price. To stop this inventory buildup, the seller must reduce prices. Conversely, when
inventories are being run down, because of demand’s exceeding supply when price is below the equilibrium price, the seller can increase prices to reduce the decrease in inventory.

Review Question #5

An increase in income, an increase in the price of a substitute, or a change in tastes could shift the demand curve to the right.

Review Question #6

An increase in wages, more stringent government regulation, or an increase in the price of materials could shift the supply curve to the left.

Problems #1

The equilibrium quantity is 140 slices, and the equilibrium price is $3 a slice.

Problems #2

The equilibrium price of sugar would rise, and the equilibrium output would fall. Both the equilibrium price and the output of honey would rise.

Problems #6

The concern about mad cow disease would shift the demand curve for beef to the left and the demand curves for chicken and fish to the right. The price of beef would fall in the short run, while the price of chicken and fish would rise. In the long run, the price of beef would likely rise somewhat as farmers devoted more land and effort to raising chickens and less land and effort to raising beef cattle. That is, in the long run, the supply of beef would decrease and the supply curve would shift to the left.

Forcing farmers to use more expensive feed decreases their willingness to supply at any price. That is, the supply decreases or the supply curve shifts to the left. (a) If these restrictions fail to restore confidence in beef, the effect on the price of beef is ambiguous, since both the demand and supply curves are shifting left. (b) If these restrictions do restore confidence, then demand will increase, shifting the demand curve right, while the supply will decrease, shifting the supply curve left, and the price of beef will rise.

Destroying cattle to combat hoof-and-mouth disease decreases the supply of beef and shifts the supply curve to the left. The price of beef rises.