1) The MidNight Hour, a local nightclub, earned $100,000 in accounting profit last year. This year the owner, who had invested $1 million in the club, decided to close the club. What can you say about economic profit (and the rate of return) in the nightclub business?

2)

The manager of All City Realtors wants to hire some real estate agents to specialize in selling housing units acquired by the Resolution Trust Corporation (RTC) in its attempt to bail out the savings and loan industry. The commission paid by the RTC to the company to sell these homes is a flat rate of $2,000 per unit sold, rather than the customary commission that is based on the sale price of a home. The manager estimates the following marginal product schedule for real estate agents dealing in government owned housing:

Number of real estate agents Marginal Product Marginal
 (number of additional revenue
 units sold per year) product

1 20 \_\_\_\_\_\_\_\_\_\_\_

2 17 \_\_\_\_\_\_\_\_\_\_\_

3 15 \_\_\_\_\_\_\_\_\_\_\_

4 12 \_\_\_\_\_\_\_\_\_\_\_

5 8 \_\_\_\_\_\_\_\_\_\_\_\_

6 4 \_\_\_\_\_\_\_\_\_\_\_\_

a) Construct the marginal revenue product schedule by filling in the blanks in the table.
b) If the manager of All City Realtors must pay a wage rate of $32,000 per year to get agents who will specialize in selling RTC housing, how many agents should the manager hire? Why?
c) If the wage rate falls to $18,000 per year, how many agents should the manager hire?
d) Suppose the RTC raises its commission to $3,000 per units sold. Now what is the marginal revenue product for each real estate agent employed?
e) Now that the RTC is paying $3,000 per unit sold, how many agents should the manage hire if the wage rate is $30,000.