Answers without explanation

2004 Spring 3. An Auction

\[ B(s_i) = \frac{3s_i - 2s_i^2}{6 - 3s_i} \quad \text{for all } i \]

2004 Spring 4. Arbitration

(a) omitted.

(b) There is no pooling equilibrium.

(c) Mary with a good record offers \( x \in [0, 10000) \).
Mary with a bad record offers \( y = 70000 \).
John’s assessment is

\[
\text{Pr(\text{good Mary}|\text{offer } < 10000) = 1} \quad \text{and} \quad \text{Pr(\text{good Mary}|\text{offer } \geq 10000) = 0}
\]
John rejects all offers less than 70000 and accepts all offers greater than or equal to 70000.