

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

$$\Pr(\text{good Mary} | \text{offer} < 10000) = 1 \quad \text{and} \quad \Pr(\text{good Mary} | \text{offer} \geq 10000) = 0$$

John rejects all offers less than 70000 and accepts all offers greater than or equal to 70000.