Homework 11: Chapter 13

Reading: Chapter 13

Exercises: 13.2 a-c, 13.3, 13.4

Extra Problem: Find all instances of envy for the compensation arrangement from Example 13.3.

Solution.  
- C envies A because C thinks C gets $80,000 and C thinks A gets $100,000
- A does not envy C
- A envies B because A thinks A gets $100,000 and A thinks B gets
  \[300,000 - 100,000 - 80,000 = 120,000\]
- B envies A because B thinks B gets
  \[270K - 100K - 80K = 90K\]
  and B thinks A gets 100K.
- B does not envy C and C does not envy B.

Envy table:

<table>
<thead>
<tr>
<th></th>
<th>A</th>
<th>B</th>
<th>C</th>
</tr>
</thead>
<tbody>
<tr>
<td>A thinks</td>
<td>100K</td>
<td>120K</td>
<td>80K</td>
</tr>
<tr>
<td>B thinks</td>
<td>100K</td>
<td>90K</td>
<td>80K</td>
</tr>
<tr>
<td>C thinks</td>
<td>100K</td>
<td>30K</td>
<td>80K</td>
</tr>
</tbody>
</table>