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:

	A	B	C
A thinks	100K	120K	80K
B thinks	100K	90K	80K
C thinks	100K	30K	80K

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