ECON 321, Class 24: BP Chapter 23.2
Certifiying Infomediaries

1.Read the intro to Section 23.2 and the beginning of 23.2.1.

2. Write out the model called "A Model with a Continuum of Product Qualities." Unless you want to extend it, there's no reason to use Mathematica, but do write out the profit maximization problem of the intermediary in a formal way, then take the first order condition, and then show that indeed $P = \frac{1}{4}$ is the profit maximizing choice.

3. Can you think of some other disclosure policies for the intermediary? Remember, it knows v perfectly. The reading proposes telling the true v to the buyer, and then proposes an alternative of telling the buyer whether $v < \frac{1}{2}$ or $v > \frac{1}{2}$. What are two other possible disclosure policies?