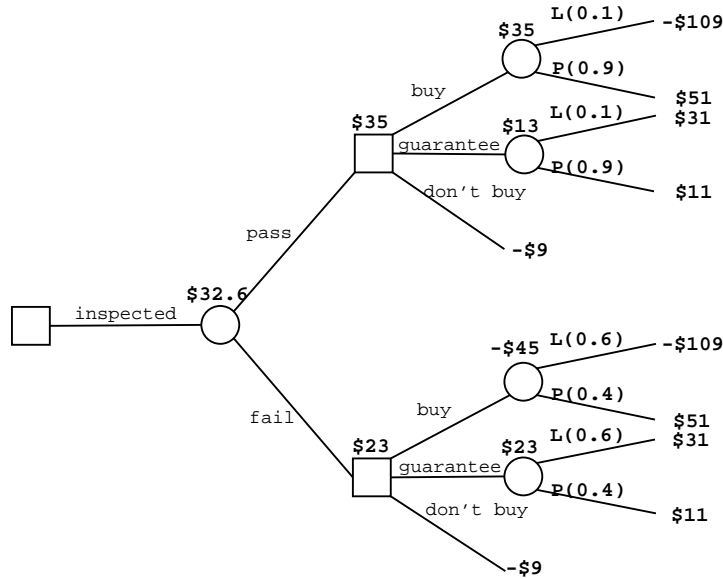


# Recitation Exercise Solutions: Lecture 19

## 0.1 Lemons & Peaches



According to this decision tree, the value of the inspection, if we have the option of buying the car with the guarantee, is \$32.6. This is higher than the expected value for not buying the car, buying the car without the inspection, and the value of the inspection if we do not have the option of the guarantee.

## 0.2 Paying for Information

No, you should not pay for information (in the sense of utility) if you know you will make the same decision no matter what.