

13.3 Contracting 3

Wednesday, October 21, 2020 9:39 AM

Discretionary Contracting w/ Limited Verifiability
 Can only verify if something went wrong and not what

$$\begin{array}{c|c|c}
 \text{Bob} & I & N \\
 \hline
 \text{Amy} & \begin{array}{c} I \\ N \end{array} & \begin{array}{c} \begin{array}{c} z_A, z_B \\ x_A + \alpha, y_B - \alpha \end{array} \\ \hline \begin{array}{c} y_A + \alpha \\ \alpha, -\alpha \end{array} \end{array}
 \end{array}$$

II For NE?

$$z_A > x_A + \alpha \quad \alpha z_B > x_B - \alpha$$

$$z_A - x_A > \alpha > x_B - z_B \rightarrow z_A + z_B > x_A + x_B \rightarrow z \gg x$$