Passed Solution review
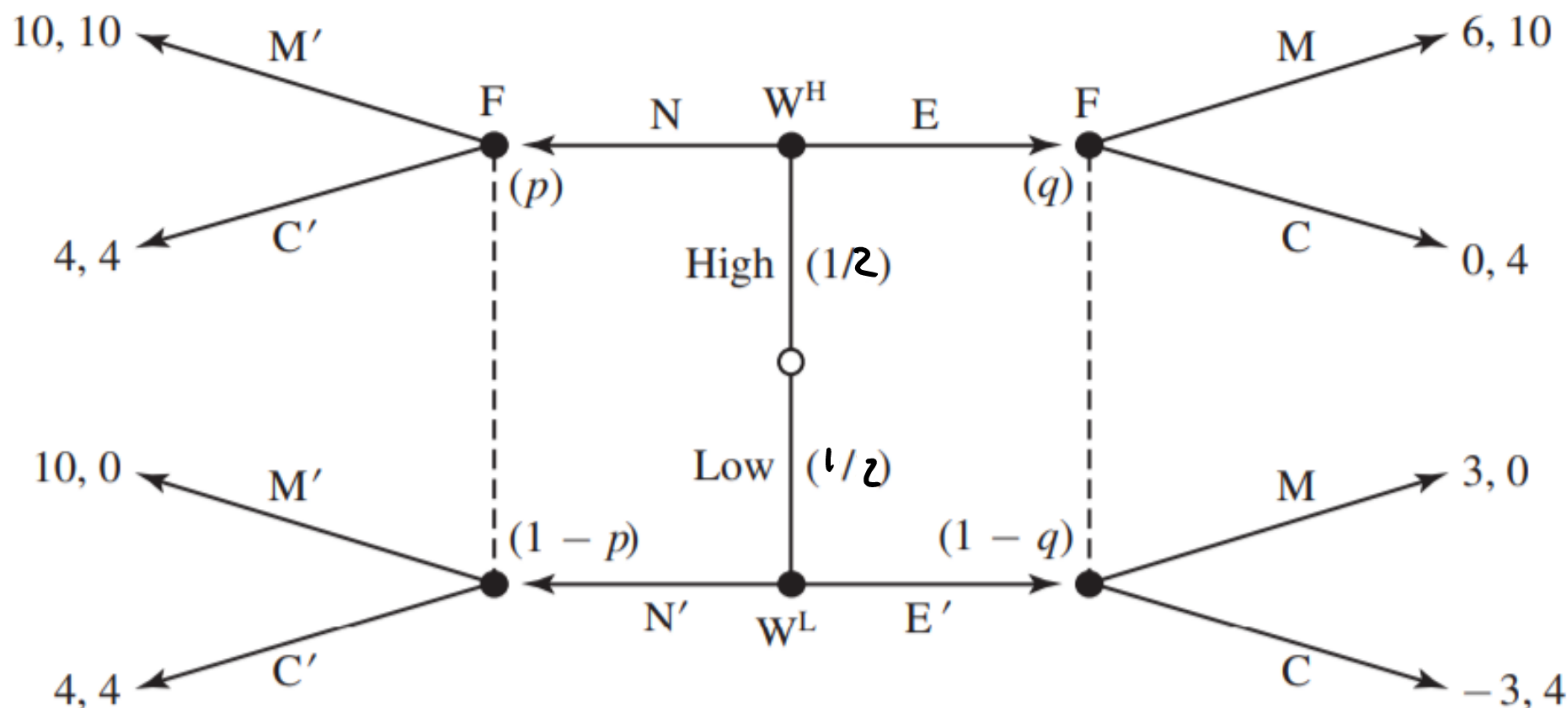
2. Compute the PBE of the job-market signaling model under the assumption that the worker is a high type with probability 1/2 and a low type with probability 1/2 (rather than probabilities of 1/3 and 2/3 as assumed in the text).

NE': $q=0$, $P=1$ ⇒ $cm'=3$ Vorker: $5, 3.5, ~1.5,$ or 10 ⇒ worker deviates
        No PBE

EN': $q=1$, $P=0$ ⇒ $mc'=7$ worker: $5, 3.5, 4.5, 4$ ⇒ No incentive
        PBE = (EN', mc') if $q=1$ and $P=0$

EE': $q=.5$ ⇒ m 'worker knows m and deviates to NN'
        No PBE

NN': $P=.5$ ⇒ $m'c$ if $q<.4$ $m'm$ otherwise ⇒ Worker stays
        PBE