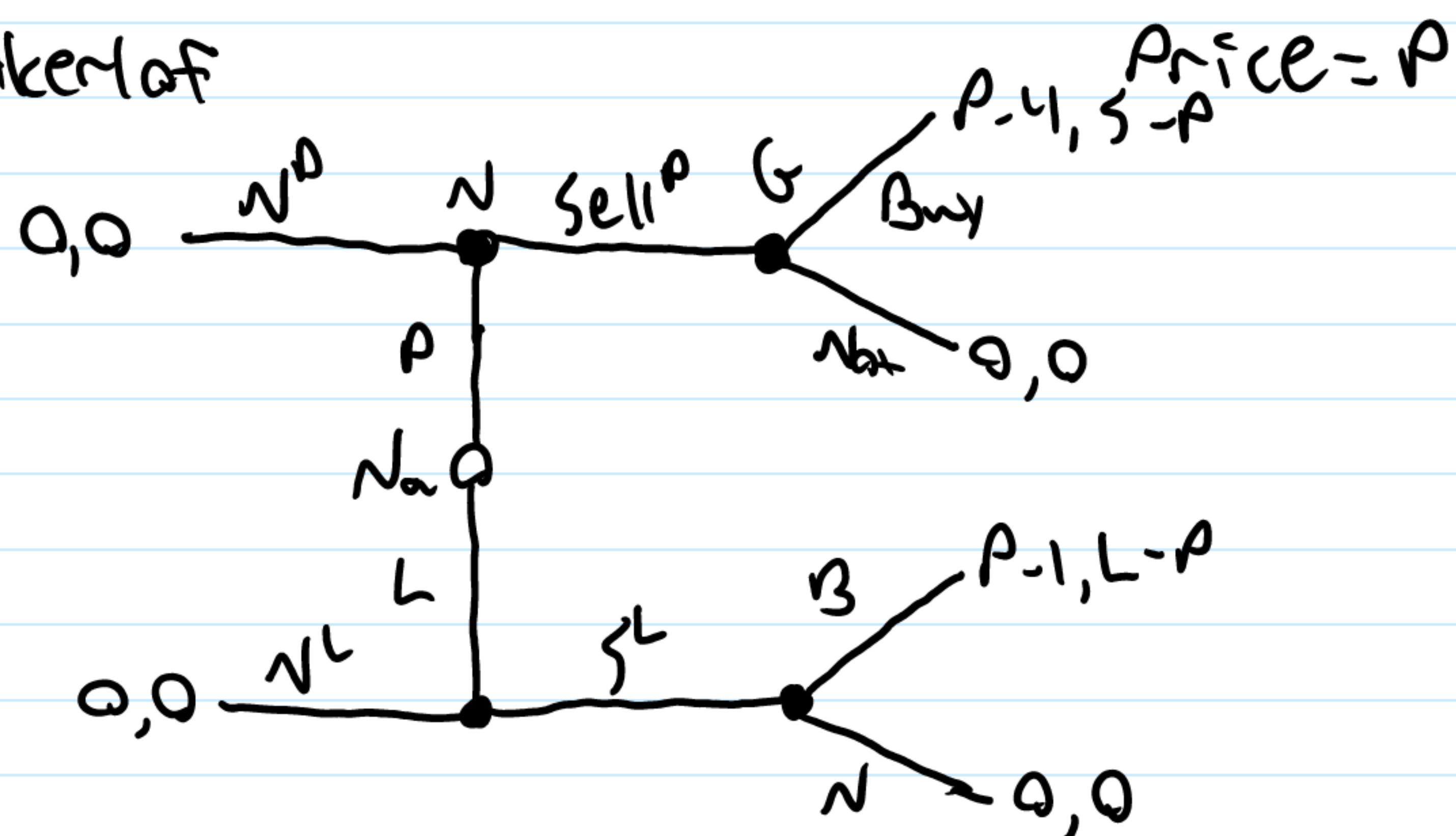


George Akerlof



S^H $P > 1$ $5F + 2(1-F) > P \rightarrow$ assumes $S^H S^L$ and Nick sells all
 S^L $P > 1$ $2 + 3F > P$ cars

$$4 > 2 + 3F$$

$$2 + 3F > P > 1 \Rightarrow F > 2/3 \quad N^H S^L, B$$

$$2 > P > 1 \quad N^H S^L, B \Rightarrow \text{separating eq}$$

$$F > 2/3 \quad S^H S^L, B \Rightarrow \text{pooling eq}$$