

Grade Contracts

Principles of Economics

<https://jiamingmao.github.io/principles-of-economics>

Official Offering

A

An insurance that pays you 20 J-points in the event that your midterm exam score is < 70 .

- **Price:** 3 J-points
- **Payoff:**
$$\begin{cases} 17 \text{ J-points} & \text{if } M < 70 \\ -3 \text{ J-points} & \text{if } M \geq 70 \end{cases}$$
, where M denotes your exam score.

B

An option that gives you the *right* to buy product A on or before expiration time.

- **Price:** 1 J-point
- **Expiration time:** end of the exam day

C

An insurance that pays you 20 J-points in the event that your midterm exam score is < 80 .

- **Price:** 7 J-points
- **Payoff:**
$$\begin{cases} 13 \text{ J-points} & \text{if } M < 80 \\ -7 \text{ J-points} & \text{if } M \geq 80 \end{cases}$$

D

An option that gives you the *right* to buy product C on or before expiration time.

- **Price:** 3 J-points
- **Expiration time:** end of the exam day

E

A betting contract on whether the class average midterm exam score is ≥ 86.5 .

- **Your position:** The class average is ≥ 86.5
- **Amount bet:** 10 J-points

F

An option to buy E on or before expiration time.

- **Price:** 2 J-point
- **Expiration time:** end of the exam day

G

A betting contract on whether the class average midterm exam score is < 86.5 .

- **Your position:** The class average is < 86.5
- **Amount bet:** 10 J-points

H

An option to buy G on or before expiration time.

- **Price:** 2 J-point
- **Expiration time:** end of the exam day