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## Conditional Expectation given event

1. Suppose  $n$  people are bidding on a mystery prize that is up for auction. The bids are to be submitted in secret, and the individual who submits the highest bid wins the prize. The  $i$ -th bidder receives a random “signal” amount of money  $X_i$ , where the  $X_1, \dots, X_n \stackrel{\text{iid}}{\sim} \text{Unif}(0, 1)$ . The value of the prize,  $V$ , is defined to be the sum of the individual bidders’ signals:

$$V = X_1 + \dots + X_n$$

Each bidder  $i$  will learn their own value of  $X_i$ , but not the other  $n - 1$  values.

- (a) Before receiving her signal, what is bidder 1’s unconditional expectation for  $V$ ?
  - (b) Conditional on receiving the signal  $X_1 = x_1$ , what is bidder 1’s expectation for  $V$ ?
  - (c) Suppose each bidder submits a bid equal to their conditional expectation for  $V$  (i.e., bidder  $i$  bids  $\mathbb{E}[V|X_i = x_i]$ ). Conditional on receiving the signal  $X_1 = x_1$  and winning the auction, what is bidder 1’s expectation for  $\mathbb{E}[V]$ ? Explain intuitively why this quantity is always less than the quantity calculated in (b). *Think about how to translate the information provided in words into statements involving random variables.*
2. A fair six-sided die is rolled once. Find the expected number of additional rolls needed to obtain a value at least as large as that of the first roll.