1. Cable TV companies typically pay installers an hourly wage. One company experimented with paying the same wage but also adding a bonus for each house that the installer successfully completes. Would installers like this change? Could it have lowered costs?

2. Suppose you are buying a used car. You know the fair value of the cars on the road that fit your criteria range from $1,000 to $2,000 with every price in between equally likely. However you cannot determine the value of a car being offered by just looking at it. Would a fair offer to make to a seller be $1,500?

3. You are considering investing a few thousand dollars in a mutual fund. Both CitiGroup and Fred’s Investments R Us are willing to take your money on the same terms. You know something about CitiGroup’s reputation, but don’t know anything about Fred. Does this matter?

4. Explain how the efficient assignment of task specialization is affected by the importance of 1) task complementarities, 2) coordination costs, 3) the need for workers to know how they affect others in the firm, 4) the importance of flexibility, and 5) the ability to provide incentives to implement good decisions.