

Appendix 1 Instructions for used-car owners

- ✧ You have a used car for sale.
- ✧ If your car is still in good condition, then your reservation price* is \$1200.
If your car is a lemon, i.e. a bad used-car, your reservation price is \$0.
- ✧ Only you know the condition of your used-car.
- ✧ You can sell your car at any price. Once, you have decided your price and written down on a paper, you cannot change it.
- ✧ After the deal, you can give the buyer the small piece of paper which you got from the draw determining the condition of your car.
- ✧ When your selling price is higher than your reservation price, the difference between them is your profit.

* An owner's reservation price for an object is the smallest price that the owner would accept for the object. Thus, as a used-car owner, you will want to keep your car unless you are offered at least your reservation price.

Appendix 2 Instructions for used-car buyers/dealers

- ✧ You want to buy used cars. You have \$3000 to spend on buying cars.
- ✧ You know that there are two types of used-cars in the market. They are either good used-cars or lemons, i.e. bad used-cars.
- ✧ However, you have no idea what type of car a seller sells to you during the transaction. You will only discover the quality of the car shortly after you have bought it.
- ✧ For a good used-car, you can resell it at \$2500.
For a lemon, you can only resell it at \$500.
- ✧ You can decide whose car you want to buy after knowing sellers' selling prices.
- ✧ After the deal, the car seller you approached to will give you a small piece of paper indicating the condition of the car you have bought.
- ✧ When your buying price is lower than the price at which you can resell the car, the difference is your profit.

Appendix 3 Car's Condition

Cut out the following rectangles and fold them up along the dotted line with word inside.

| | | | |
|-------------------|-------------------|-------------------|-------------------|
| Lemon | Lemon | Lemon | Lemon |
| Lemon | Lemon | Lemon | Lemon |
| Good Car | Good Car | Good Car | Good Car |
| Good Car | Good Car | Good Car | Good Car |