

Week 22 (2/10/03)

Trading envelopes

- (a) I give you an envelope containing a certain amount of money, and you open it. I then put into a second envelope either twice this amount or half this amount, with a fifty-fifty chance of each. You are given the opportunity to trade envelopes. Should you?
- (b) I put two sealed envelopes on a table. One contains twice as much money as the other. You pick an envelope and open it. You are then given the opportunity to trade envelopes. Should you?
- (c) If your answers to (a) and (b) are the same, explain why. If they are different, explain why.