1. In professional baseball there is an interesting arbitration process. If the team and the player cannot agree on the terms of the player’s contract then each side submits a salary to the arbitrator. The arbitrator chooses one salary or the other (not a compromise) and that salary becomes binding. Suppose it is common knowledge that the arbitrator has in mind a salary of $V$ and that he will choose whichever of the salaries proposed by the team and the player is closest to $V$. Draw the reaction correspondences (i.e. best response sets) for the team and the player and identify the Nash equilibrium.

Exercises 18.2, 19.1, 24.1 and 27.2.