The Winner's Curse.

You are considering taking over the production of a movie from Studio X. You need to decide how much to offer to take the project (script rights) away from them. The value of the project depends crucially on the outcome of some tricky negotiations with a major star (initials MS) whose name cannot be mentioned here, but which would be recognizable to all. Under the worst possible outcome, MS hates the project, says so publicly, and walks away, and the project is worth 0. The best outcome would be that MS loves the project and works hard to turn it into a $100,000,000 winner. Under Xs direction, profits could be anywhere from $0 to $100m, even with MS on board - under the assumed circumstances, all values are equally likely. You are sure that the project will be worth much more in your hands - you are better at this business than they are. By your estimates, whatever the value of this project in studio Xs hands, it would be worth 50% more in yours.

Your offer for this project must be made before the negotiations with MS are completed. Therefore, you won't know the results of the negotiations when you submit your bid, but (let us assume) by the time it is necessary to accept or reject your bid, X will know the true value of the project if they complete it themselves. X will accept any offer that is greater than or equal the value of the project under Xs own management. You are considering offers in the range of $0 to $150,000,000. How much should you offer?