

Homework for Session 3

1. Consider the Annan, Khanna, and Rivkin reading on “market failures”.
 - a. In what ways can “market transaction costs” be high?
 - b. What is the lemons problem?
2. Consider the reading on *grupos* in Mexico.
 - a. What are some of the distinguishing features of *grupos* in Mexico, especially vis-à-vis large U.S. businesses?
 - b. Why do you think these differences may exist? What kinds of advantages might a large firm have in an emerging market? What kinds of market failures do *grupos* in Mexico appear to solve?
 - c. How might such market failures influence entrepreneurship (i.e. the start of new firms) in emerging markets?
 - d. Are *grupos* the optimal form of business organization in Mexico, or are they an inefficient hold-over from earlier circumstances?