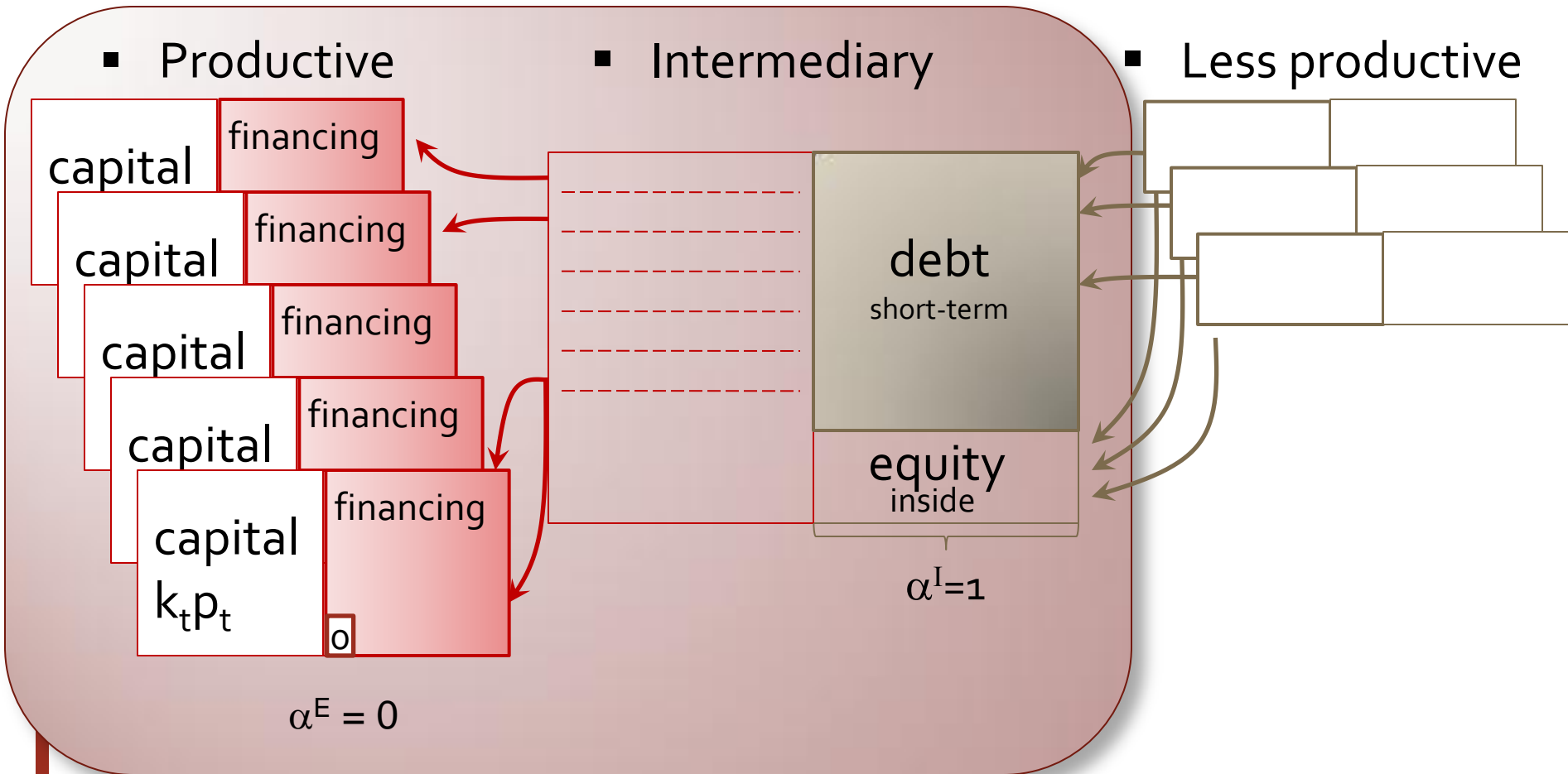


III Merging productive HH & Intermediaries



- Productive entrepreneurs have no capital, $\alpha^E = 0$
 Perfect monitoring required, $b(\underline{m})=0$
- Intermediary can't issue outside equity, $\alpha^I = 1$ (appropriate choice of $b(m), c(m)$)