Syllabus

Meeting time: MWF 1:50 – 3:00.
Room: Briggs 223
Instructor: Ádám Galambos, Briggs 212, 832-6667, adam.galambos@lawrence.edu
Office hours: Mondays 8:00 – 9:00 and Thursdays 3:30 – 4:30.
Class homepage: On moodle (enrollment key: 223)
Prerequisites: Econ 300 and Calculus.

Course description

This is an advanced course on the study of innovation and entrepreneurship in economic science. We will focus especially on the role of competition and market structure, on the history of technology, on intellectual property, and on incentives for innovation. We will rely on analytical models as well as less formal reasoning. Depending on the topic covered, class will be a combination of lecture and class discussion. It is absolutely required that you prepare for class by reading the assigned materials (see the attached preliminary schedule). Several of these are intense, and you should plan on reading them very slowly and more than once.

Readings

The required textbooks for the course are Innovation and Incentives by Suzanne Scotchmer (MIT Press, 2004) and The free-market innovation machine: analyzing the growth miracle of capitalism by William Baumol (PUP, 2002). Additional readings are on Moodle (see references below).

Expectations

This is an advanced course, and it is expected that you do most of your work independently. This will mostly consist of preparing for class by carefully reading the assigned materials. Regular and high quality class participation is also expected. There will be a take-home midterm exam and an in-class final exam. In addition, you will choose a research topic that you will explore throughout the course. Every week by Sunday, 6:00 pm, you will be required to post a summary of your findings that week on your topic on lui-e.blogspot.com. This summary should be your original work, but based on references linked in your post. It should be at least 400 words long, coherent, readable, informative, and written in good style and using complete sentences and correct grammar and spelling. At the end of the course, you will have the option of substituting a paper based on your weekly entries for Part II of the final exam. In this case, your paper will have to be at least 15 pages long (double
spaced, one-inch margins, 12-pt font), and it will be judged against standards applied to research papers. It does not have to contain an empirical analysis or a formal model, but it must have substance, it must make an original point, it must be well researched (using credible and respectable sources), well conceived, and well written. Your paper will be due at the end of the final exam. Research topics must focus on a company (or companies) or an industry, and must address questions of innovation and entrepreneurship as they relate to that company or industry, with special attention to the topics this course focuses on.

**Grading**

The midterm exam will be 25% of your grade, the weekly research reports will be worth 5% each, the final exam will be worth 30%. If you choose to submit the optional research paper, you will only do Part I of the final exam (worth 10% of your grade), and your paper will be 20% of your course grade. The final exam will be on Wednesday, March 14th at 11:30 pm. If you have an unavoidable conflict with the exam, you must contact me at least 2 weeks in advance. Your final grade will depend on your total score, based on:

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I reserve the right to revise this scale downwards by uniformly increasing the band for each grade.

**Honor Code**

As with all courses at Lawrence University, the Honor Code applies to all activities related to this course. Please reaffirm the Honor Code on all written work. The final exam will be given in class, and you are to complete it entirely on your own. The weekly research reports, the midterm exam, and the optional paper are to be entirely your own original work.

**References**


Week 1: Introduction and micro theory review
Jan. 2 Review
Jan. 4 Scotchmer, Chapter 1; Baumol, Chapter 1
Jan. 6 Audretsch et al, sections 1-5

Week 2: Investing in knowledge; Schumpeterian hypotheses
Jan. 9 Scotchmer, Chapter 2
Jan. 11 Kamien & Schwartz, Chapter 2
Jan. 13 Gilbert, Looking for Mr. Schumpeter

Week 3: Competition and innovation
Jan. 16 Gilbert, Competition and Innovation
Jan. 18 Belleflamme and Vergari
Jan. 20 Baumol, Chapters 2-4

Week 4: History of technological change
Jan. 23 Acs and Audretsch; Aghion et al
Jan. 25 Mokyr, Lever of Riches, Chapters 5,6
Jan. 27 Meisenzahl and Mokyr

Week 5: Entrepreneurship
Feb. 1 Baumol, Chapter 5
Feb. 3 Guest speaker: Abir Sen

Week 6: Intellectual property
Feb. 6 Parker, Chapter 2
Feb. 8 Scotchmer, Chapters 3,4; Machlup and Penrose
Feb. 10 Midterm Reading Period

Week 7: Intellectual property
Feb. 13 Boldrin and Levine, Against Intellectual Monopoly; Market Structure in Open Source
Feb. 15 Audretsch et al, sections 6-8; Bessen and Meurer, Patent Failure, Ch. 1
Feb. 17 Scherer, Emergence of Musical Copyright

Week 8: Sequential Innovation
Feb. 20 Scotchmer, Chapter 5
Feb. 22 Bessen and Maskin
Feb. 24 No class

Week 9: Spillovers, R&D collaboration, Open source
Feb. 27 Guest speaker: Toni Sikes
Feb. 29 Scotchmer, Chapter 6; Audretsch et al, sections 9-10
Mar. 2 Sena

Week 10: Network effects
Mar. 5 Scotchmer, Chapter 10
Mar. 7 Liebowitz and Margolis, Network Effects; Rysman, Two-Sided Markets
Mar. 9 DeLong and Summers, The New Economy

Wed., Mar 14, 11:30 a.m. - 02:00 p.m. Final Exam