

Economics of Innovation and Entrepreneurship (Economics 390)

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Summary:

What's your big idea? Perhaps it is a navigation system for self-driving cars, or a website for sharing and selling the art projects that you have completed. Perhaps you have a new design for a running shoe, or a new plan for providing clean water to rural villages in Africa. I'm sure you have one; as Michael Tiemann says, "Every university student wants to change the world!" The change may be global, or very local, but it will be your idea. These big ideas, and yours, are quite different from one another. They do share one thing: it will take a successful entrepreneur to translate this big idea into a successful and sustainable initiative.

Entrepreneurs need a toolbox to succeed. In this course, we focus upon the many tools drawn from Economics.

Organization:

We will meet three times a week, on Monday, Wednesday and Friday at 10:10 am in Gardner 307. Attendance will be taken, and excessive absences will result in a reduction in your final grade.

Grading:

You will be responsible for two midterm exams and one final exam; the schedule for these examinations will be provided on the "Calendar" page of this syllabus. There will be no make-up examinations given without an official university excuse; if you are unable to attend the midterm examinations, the weight of that exam in your final grade will be transferred to your performance on the comprehensive final exam. Each midterm exam will be worth 25 percent of your grade, and the final will be worth 35 percent.

You will also be responsible for weekly assignments. Your grades on those eight assignments will be averaged into an assignment grade that will represent 10 percent of your grade. You will be allowed to drop the lowest grade of the eight. The assignment schedule is available in Sakai.

The final 5 percent of your grade will be awarded for two written "innovation memos". You will prepare these during the semester based upon newspaper and magazine articles on economics topics. The articles will be chosen from economics-themed articles in the New York Times, the Wall Street Journal, the Economist magazine or the News and Observer. Your task in each memo is to relate the reading to the economic concepts that we cover in class. You will summarize the key message of the reading in one paragraph, and in a second paragraph you will explain which economic concepts are illustrated in the message of the article.

Resources:

Web site: Our web site within Sakai provides you a structure and outline for your weekly activities in this course. I will use the website to organize our discussion of the various “mods” of the course. I will also use that web site to communicate with you. When you are registered for the course, this web site should appear automatically once you log into Sakai. If it does not, please contact the ITS Help Desk by phone, electronically or in the basement of the Undergraduate Library.

Text: The text will be Timothy Taylor: Principles of Economics: Economics and the Economy, Textbook Media. The bookstore will have the 4th edition ordered, but you are welcome to get the book online if you’d like to save some money. Either electronic or print version is acceptable.

The course will be organized around modules (or “mods”) and each mod will include one or more case studies of entrepreneurial innovation. Those case studies will be available in pdf form on the Sakai site.

The readings for each class are enumerated on the class schedule on the web site. It is in your interest to complete the readings prior to the class indicated on the schedule

The UNC Honor Code:

Our behavior (yours and mine) in this class is governed by the UNC Honor Code. If you do not yet understand your responsibilities under this code, I urge you to go to <http://honor.unc.edu> to learn more. I take the Honor Code very seriously.

GRADING SCALE

Your final grade for the class will be a letter grade, with possibly a + or – attached. On case study assignments, midterms and final exam your grade will be in numeric form. Here is the concordance from one to the other:

	B+: 86.00 – 88.99	C+: 76.00 – 78.99	D+: 66.00 – 68.99
A: 93.00 to 100	B: 82.00 – 85.99	C: 72.00 – 75.99	D: 62.00 – 65.99
A-: 89.00 to 92.99	B-: 79.00 – 81.99	C-: 69.00 – 71.99	

Any lower grade will be an F.

OTHER STUDENT SUPPORTS

Accessibility Resources and Services: If you have a learning disability and need accommodations to participate in classes or graded work, be sure to alert me and to obtain certification for that accommodation through the Office of Accessibility Services on campus. Consult ars.unc.edu for additional details.

Counseling and Psychological Services: CAPS is strongly committed to addressing the mental health needs of a diverse student body through timely access to consultation and connection to clinically appropriate services, whether for short or long-term needs. Go to their website: <https://caps.unc.edu> to learn more or visit their facilities on the third floor of the Campus Health Services building for a walk-in evaluation.

Economics 390: **Principles of Economics**

Spring 2019, Professor Patrick Conway

Class	Date	Topic	Reading from text
1	Jan 9	Introduction: Entrepreneurship & Economics	Chapter 1 (and appendix)
2	Jan 11	Mod 1: The Market for Rides (Uber)	Chapter 2
3	Jan 14	Graphing Supply and Demand	Chapter 4
4	Jan 16	What moves the market?	
5	Jan 18	Uber simulation	
6	Jan 23	The Entrepreneurial Disruption: ridesourcing.	
7	Jan 25	Other disruptions	
8	Jan 28	Regulating the market	
9	Jan 30	Mod 2: Netflix and Consumer Preferences	Chapter 8 (and appendix)
10	Feb 1	Introducing Utility	
11	Feb 4	Efficiency and marginal-cost pricing	
12	Feb 6	The Disruption: on-demand entertainment	
13	Feb 8	Knowing your customer	
14	Feb 11	Netflix simulation	
15	Feb 13	Midterm Exam (classes 1-9)	
16	Feb 15	Mod 3: Building a Running Shoe (Adidas)	Chapter 5
17	Feb 18	Charting costs	Chapter 9
18	Feb 20	Costs and firm-level decision-making	Chapter 10
19	Feb 22	Profits – and non-profits	
20	Feb 25	The Disruption: Carbon 3D soles	
21	Feb 27	For-profits, non-profits, and Spotify	
22	Mar 1	Mod 4: Market Power and Oligopoly (Tesla)	Chapter 11
23	Mar 4	What firms have market power?	
24	Mar 6	Strategic play	Chapter 12
25	Mar 8	Disruption: Tesla takes on the Big 3	Chapter 13
26	Mar 18	Mod 5: Risk and return (AIG)	Chapter 19 (+ appendix)
27	Mar 20	Uncertainty, risk and insurance	Chapter 18
28	Mar 22	Risk vs. return	
29	Mar 25	The Disruption: credit default swaps	
30	Mar 27	Midterm exam (classes 10 and 12-19)	
31	Mar 29	Who insures the insurers?	
32	Apr 1	Lenders of last resort – role for the government?	
33	Apr 3	Center for Community Self-Help: self-insurance	
34	Apr 5	AIG simulation	
35	Apr 8	Bad Blood: discussion of Theranos	
36	Apr 10	Mod 6: Compensating the Entrepreneur	Chapter 15
37	Apr 12	How much should workers be compensated?	
38	Apr 15	How much should owners of capital be compensated?	
39	Apr 17	Incentives to innovate	
40	Apr 22	The Disruption: stock options	
41	Apr 24	Mod 7: Government regulation of entrepreneurs	
42	Apr 26	Daniel Kahneman: Thinking: Fast, Slow, and Hardly	
Final	May 2, Noon	Cumulative Final Examination	

Schedule of Assignment due dates (all Fridays):

18 January – Assignment 1

25 January – Assignment 2

1 February – Assignment 3

8 February – Assignment 4

Week of Midterm 1

22 February – Innovation Memo 1

1 March – Assignment 5

Weeks of Spring Break

22 March – Assignment 6

Week of Midterm 2

5 April -- Assignment 7

12 April – Assignment 8

Easter Week

26 April – Innovation Memo 2

Assignments will be distributed one week prior to the due date.