**Economics of Innovation and Entrepreneurship (Economics 111.001)**

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Office Hours: In person: 1:30 pm – 2:30 pm on Tuesday and Thursday in Gardner 300-F

Virtual: 1:30 pm – 2:30 pm on Monday and Wednesday via Zoom

with URL https://unc.zoom.us/j/94435550473

**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. Entrepreneurs also learn better by practicing their skills. To that end, this course is built around six fascinating case studies of entrepreneurs who did (or unfortunately didn’t) use economic principles to create transformational disruptions to existing businesses and markets. We will learn economics by studying choices made by Lyft, Netflix, Partners in Health, Adidas, Tesla and AIG and identifying the economics principles that those businesses recognized and exploited in their successes.

**Organization:**

We will meet two times a week, on Tuesday and Thursday at 9:45 am in Stone Center 103. 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 Sakai.  There will be no make-up examinations given without an official university excuse. If you are unable to attend the midterm examinations and do not have an official excuse, 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.

**Learning in the Time of Covid**

This fall will be a new experience for all of us, and I will look forward to collaborating with you to succeed in this disruptive time.

Our course is designated as “Face-to-face/Hybrid”. I intend to have an in-person presentation on each class date. There will be sufficient seating for all those registered, and so there will be no live-streaming participation. I will also plan to record each class session and post links to those recordings in Sakai. Please note that these video recordings will be a poor substitute for participating in class – this is a course in which active participation is essential.

The University in its Roadmap for the fall has specified that all students and faculty in a classroom setting will wear masks and practice social distancing, and you have signed an attestation that you agree to do so. I will follow these rules and I will expect all of you to do so. Should you refuse I will ask you to leave the classroom. If someone should refuse to leave the classroom after being asked to do so I will leave the classroom for the day. As per the Chancellor’s request, refusal to weak masks or practice social distancing may lead to exclusion from this course for the semester.

**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 Microeconomics, Textbook Media. The bookstore will have the 5th edition ordered. You are welcome to get the book online if you would 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 text readings for each class are enumerated on the class schedule on the web site. Please complete the readings prior to the class indicated on the schedule

**Poll Everywhere:** We will use Poll Everywhere in class to check our understanding of the concepts we use. Please be sure that you have registered with Poll Everywhere: find the steps to do so at <https://poll.unc.edu/>.

**UNC Check-in:** We will use the UNC Check-in app to record attendance. You can learn how to install the app on your laptop or mobile device at <https://unccheckin.unc.edu/>.

**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:**

(1) 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.

(2) **Skipping class** could conceivably affect your course grade: here’s how. You can miss three classes throughout the semester without penalty. For each non-excused absence beyond three, I will reduce your numeric course grade. For 4-5 unexcused absences, I will reduce the numeric grade by 0.1 (for example, an 85.4 will be reduced to 85.3). For 6-7 unexcused absences, I will reduce the numeric grade by 0.2. For 8-9 unexcused absences, a reduction by 0.3. For larger numbers of unexcused absences, the reduction will be proportionally larger.

**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.

**Class schedule and associated readings.**

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| **Class** | **Date** | | **Topic** | **Reading from text** |
| 1 | | Aug 11 | Introduction: Entrepreneurship & Economics | Chapter 1 (and appendix) |
| 2 | | Aug 13 | Mod 1: The Market for Rides (San Francisco) | Chapter 2 |
| 3 | | Aug 18 | Graphing Supply and Demand | Chapter 4 |
| 4 | | Aug 20 | What moves the market? |  |
| 5 | | Aug 25 | The Entrepreneurial Disruption: ridesourcing. |  |
| 6 | | Aug 27 | Regulating the market |  |
| 7 | | Sep 1 | Mod 2: Consumer Preferences (Netflix) | Chapter 8 (and appendix) |
| 8 | | Sep 3 | Introducing Utility |  |
| 9 | | Sep 8 | Efficiency and marginal-cost pricing |  |
| 10 | | Sep 10 | The Disruption: on-demand entertainment |  |
| 11 | | Sep 15 | Knowing your customer |  |
| 12 | | Sep 17 | **Midterm Exam (classes 1-10)** |  |
| 13 | | Sep 22 | Mod 3: Building a Running Shoe (Adidas) | Chapter 5 |
| 14 | | Sep 24 | Charting costs | Chapter 9 |
| 15 | | Sep 29 | Costs and firm-level decision-making | Chapter 10 |
| 16 | | Oct 1 | The Disruption: Carbon 3D soles |  |
| 17 | | Oct 6 | Profits – and non-profits: Zoom with Ophelia Dahl |  |
| 18 | | Oct 8 | Mod 4: Market Power and Oligopoly (Tesla) | Chapter 11 |
| 19 | | Oct 13 | What firms have market power? |  |
| 20 | | Oct 15 | Strategic play | Chapter 12 |
| 21 | | Oct 20 | Disruption: Tesla takes on the Big 3 | Chapter 13 |
| 22 | | Oct 22 | Accounting for Entrepreneurs |  |
| 23 | | Oct 27 | **Midterm exam (classes 11 and 13-21)** |  |
| 24 | | Oct 29 | Mod 5: Risk and return (AIG) | Chapter 19 (+ appendix) |
| 25 | | Nov 3 | Uncertainty, risk and insurance | Chapter 18 |
| 26 | | Nov 5 | The Disruption: credit default swaps |  |
| 27 | | Nov 10 | Mod 6: Compensating the Entrepreneur | Chapter 15 |
| 28 | | Nov 12 | The Disruption: stock options |  |
| 29 | | Nov 17 | Mod 7: Government regulation of entrepreneurs |  |
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| Final | | TBD | Cumulative Final Exam |  |
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**Schedule of Assignment due dates (all Thursdays):**

20 August – Assignment 1

27 August – Assignment 2

3 September – Assignment 3

10 September – Assignment 4

*Week of Midterm 1*

24 September – Innovation Memo 1

1 October – Assignment 5

8 October – Assignment 6

15 October – Assignment 7

*Week of Midterm 2*

5 November -- Assignment 8

12 November – Innovation Memo 2

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