

PSC 239K/239W: The Nature of Entrepreneurship

Version 3: February 4, 2010

Course Description

The term entrepreneur conjures up the image of a risk-taking maverick, but many entrepreneurs are in fact risk-averse. Given the many perspectives on the topic, we will begin the course by working out a definition of entrepreneurship that captures the essential elements of this elusive concept. From there, we will discuss the role of the entrepreneur in both economic transactions and in nonmarket environments such as politics. The rest of the semester will be focused on studying how institutions, such as the rule of law, foster or hinder entrepreneurship, and what the resulting impact is on economic growth and other measures of societal well-being. By the end of the semester, we will have used theory, data, and case studies to investigate what it means to be an entrepreneur and what characterizes the entrepreneurial society.

Readings

There are four required books for the course, which are available at the college bookstore and at most any online bookstore. You may purchase either the hardback or paperback version of these books. In almost all cases, the paperback book will be cheaper.

- De Soto, Hernando. 2000. *The Mystery of Capital*. New York: Basic Books.
- Baumol, William J. 2002. *The Free-Market Innovation Machine*. Princeton, NJ: Princeton University Press.
- Baumol, William J., Robert E. Litan, and Carl J. Schramm. 2007. *Good Capitalism, Bad Capitalism*. New Haven: Yale University Press.
- Holcombe, Randall. 2007. *Entrepreneurship and Economic Progress*. London: Routledge.

Other readings are available on Blackboard. The required books will be placed on 2-hour reserve at Rush Rhees library, as well.

Course Requirements

Class Participation

To ensure the success of the seminar, attendance is required at all sessions. For each class session, students will present the readings. Class participation, including presentations, will count toward *30 percent* of your grade.

Critical Essay

One take-home critical essay (5 pages long) will be handed out on Feb. 15 and will be due on Feb. 22. This essay will count toward *30 percent* of your grade.

Research Paper

All students will write a research paper on a feature of entrepreneurship. Topics must be approved by me and are in due in writing on March 1; papers are due on April 26. Papers should be 10-15 pages in length. (W students must turn in a paper at least 15 pages long.) Papers count toward *40 percent* of your grade. Details will follow later in the semester.

Course Meetings

1. January 25: Introduction

2. February 1: What is Entrepreneurship, and Who is the Entrepreneur?

- Blaug, Mark. 1995. *Not Only an Economist*. Cheltenham, UK: Edward Elgar, ch. 8.
- Schumpeter, Joseph A. 1983 [1934]. *The Theory of Economic Development*. New Brunswick, NJ: Transaction Books, pp. 65-94.
- Schumpeter, Joseph A. 1962. *Capitalism, Socialism, and Democracy*. New York: Harper & Row, pp. 81-86.
- Stevenson, Howard H. 1999 [1983]. "A Perspective on Entrepreneurship." In *The Entrepreneurial Venture*, 2nd ed. Boston, MA: Harvard Business School Press.
- Johansson, Frans. 2004. *The Medici Effect*. Boston, MA: Harvard Business School Press, pp. 1-20.

3. February 8: Economics and the Entrepreneur

- Baumol, William J. 1968. "Entrepreneurship in Economic Theory." *American Economic Review* 58:64-71.
- Kirzner, Israel M. 1980. "The Primacy of Entrepreneurial Discovery." In *The Prime Mover of Progress: The Entrepreneur in Capitalism and Socialism*. London: The Institute of Economic Affairs, pp. 3-31.
- Holcombe, Randall. 2007. *Entrepreneurship and Economic Progress*. New York: Routledge, chs. 3-7.

4. February 15: Innovation

- Drucker, Peter F. 1985. *Innovation and Entrepreneurship*. New York: Harper & Row, pp. 1-29.
- Davis, Steven J., John Haltiwanger, and Ron Jarmin. 2008. "Turmoil and Growth: Young Businesses, Economic Churning, and Productivity Gains." Kauffman Foundation Paper, June.
- Baumol, William J. 2002. *The Free-Market Innovation Machine*. Princeton, NJ: Princeton University Press, chs. 1-4, 6, 14.

5. February 22: Social Entrepreneurship

- Austin, James, Howard Stevenson, and Jane Wei-Skillern. 2006. "Social and Commercial Entrepreneurship." *Entrepreneurship Theory and Practice* 30:1-22.
- Bornstein, David. 2004. *How to Change the World*. New York: Oxford University Press, pp. 1-19, 264-274.
- Bishop, Matthew, and Michael Green. 2008. *Philanthrocapitalism: How the Rich Can Save the World*. London: Bloomsbury Press, chs. 1, 7.
- Groopman, Jerome. 2008. "Buying a Cure." *New Yorker*, January 28.
- Bruck, Connie. 2006. "Millions for Millions." *New Yorker*, October 30.
- Boudreaux, Karol, and Tyler Cowen. 2008. "The Magic of Microcredit." *The Wilson Quarterly* 32(1):27-31.
- Surowiecki, James. 2008. "What Microloans Miss." *New Yorker*, March 17.
- Bhide, Amar, and Carl Schramm. 2007. "Phelps's Prize." *Wall Street Journal*, January 29, p. A16.

6. March 1: Political Entrepreneurship

- Holcombe, pp. 123-124, and ch. 10.
- Schneider, Mark, and Paul Teske. 1992. "Toward a Theory of the Political Entrepreneur: Evidence from Local Government." *American Political Science Review* 86(3):737-747.
- Ainsworth, Scott. 2002. *Analyzing Interest Groups*. New York: W.W. Norton, ch. 3.
- Riker, William H. 1986. *The Art of Political Manipulation*. New Haven: Yale University Press, pp. ix-xi, 106-113.
- Baumgartner, Frank R., and Bryan D. Jones. 1993. *Agendas and Instability in American Politics*. Chicago: University of Chicago Press, ch. 1.

7. March 15: The Role of Law and Institutions I

- Hayek, F. A. 1945. "The Use of Knowledge in Society." *American Economic Review* 35:519-530.
- Weingast, Barry R. 2007. "Capitalism and Economic Liberty: The Political Foundations of Economic Growth." In *Entrepreneurship, Innovation, and the Growth Mechanism of the Free-Enterprise Economies*, eds. Eytan Sheshinski, Robert J. Strom, and William J. Baumol. Princeton: Princeton University Press, ch. 4.
- Baumol, William J. 2002. *The Free-Market Innovation Machine*. Princeton, NJ: Princeton University Press, ch. 5.
- Murphy, Kevin M., Andrei Shleifer, and Robert W. Vishny. 1991. "The Allocation of Talent: Implications for Growth." *Quarterly Journal of Economics* 106:503-530.

8. March 22: The Role of Law and Institutions II

- Cooter, Robert, and Hans-Bernd Schaefer. 2009. *Solomon's Knot: How Law Can End the Poverty of Nations*, chs. 1, 5, 6, 10.
- Demsetz, Harold. 1967. "Toward a Theory of Property Rights." *American Economic Review* 57:347-359.
- De Soto, Hernando. 2000. *The Mystery of Capital*. New York: Basic Books, chs. 1-3.
- Bailey, Ronald. 2007. "The Secrets of Intangible Wealth." *Wall Street Journal*, September 29.

9. March 29: The Role of Law and Institutions III

- Easterbrook, Frank H., and Daniel R. Fischel. 1985. "Limited Liability and the Corporation." *University of Chicago Law Review* 52:89-117 (skip pp. 109-113).
- Cooter, Robert, and Hans-Bernd Schaefer. 2009. *Solomon's Knot: How Law Can End the Poverty of Nations*, ch. 4.
- Jackson, Thomas H. 1986. *The Logic and Limits of Bankruptcy Law*. Cambridge: Harvard University Press, pp. 1-19.
- McMillan, John, and Christopher Woodruff. 2000. "Private Order under Dysfunctional Public Order." *Michigan Law Review* 98:2421-2458.

10. April 5: Entrepreneurship around the World

- Aidis, Ruta, Saul Estrin, and Tomasz Mickiewicz. 2009. "Entrepreneurial Entry: Which Institutions Matter?" IZA Discussion Paper No. 4123, April.
- Huang, Yasheng, and Tarun Khanna. 2003. "Can India Overtake China?" *Foreign Policy*, July/August, pp. 74-81.
- Larroulet, Cristian, and Juan Pablo Couyoumdjian. 2009. "Entrepreneurship and Growth: A Latin American Paradox?" *Independent Review* 14(1):81-100.
- Selected articles from the March 14, 2009 Special Section of the *Economist*, "Global Heroes"
 - "The United States of Entrepreneurs"
 - "The More the Merrier"
 - "Lands of Opportunity"

11. April 12: Venture Capital

- **Guest Speaker:** Roger Guidi is a serial entrepreneur and venture capital investor. From 2001 to 2009, Mr. Guidi was Vice President of Venture Investments with Johnson & Johnson Development Corporation. His charter was to make and manage private equity investments in early stage medical device and pharmaceutical companies. Mr. Guidi's professional background spans a broad range of experiences ranging from Silicon Valley start-ups to Fortune 50 healthcare companies. He began his career at J&J in sales and marketing management. Mr. Guidi then moved on to senior management positions at Alza, Coherent Medical, and Cooper LaserSonics. He subsequently launched several start-ups, including Advanced Interventional Systems, Inc. (founder and General Manager), VISX, Inc. (Vice President, Sales and Marketing, and Business Development) and Intella Interventional Systems, Inc. (President and CEO). Both Advanced Interventional Systems and VISX completed successful IPOs. Intella Interventional Systems was acquired by its Japanese distributor. Mr. Guidi also served on the Boards of Directors for over 20 medical technology companies. To date, nine of these firms have had successful liquidation events. He is a founding member and Fellow of the American Society for Laser Medicine and Surgery. Mr. Guidi holds three issued medical device patents.
- **Reading:** Zider, Bob. 1998. "How Venture Capital Works." *Harvard Business Review* 76(6):131-139.
- **Please review the website** www.jjdevcorp.com

12. April 19: Good Capitalism, Bad Capitalism I

- Baumol, William J., Robert E. Litan, and Carl J. Schramm. 2007. *Good Capitalism, Bad Capitalism*. New Haven: Yale University Press, chs. 1-5.

13. April 26: Good Capitalism, Bad Capitalism II

- Baumol, William J., Robert E. Litan, and Carl J. Schramm. 2007. *Good Capitalism, Bad Capitalism*. New Haven: Yale University Press, chs. 6-8.
- Holcombe, Randall. 2007. *Entrepreneurship and Economic Progress*. New York: Routledge, chs. 1-2.