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Spring 2008, Tu 2:00 - 4:40
Office Hours: Mondays 1-3, and by appt.
<http://www.rochester.edu/College/PSC/primos>

PSC 239K/239W/CAS 239K: The Nature of Entrepreneurship

Course Description

Together, we will use theory, data, case studies, and guest speakers to investigate what it means to be an entrepreneur and what characterizes the entrepreneurial society. The term entrepreneur conjures up the image of a risk-taking maverick, but many entrepreneurs are in fact risk-averse. It is important, then, to 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 non-market 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.

Readings

There are three required books for the course, which are available at the bookstore and at most any online bookstore.

- 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.

Other readings are available on Blackboard or will be provided by the instructor. The required books will be placed on 2-hour reserve at the 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 Essays

Two take-home critical essays (5 pages each) will be due as follows:

- Essay 1 will be handed out on Feb. 12 and will be due on Feb. 26
- Essay 2 will be handed out on March 25 and will be due on April 8

Each assignment will count toward *20 percent* of your grade.

Research Paper

All students will write a research paper for the course. Topics must be approved by me and are in due in writing on March 4. Papers should be 10-15 pages in length. W students must turn in a draft of the paper on April 15. Papers are due on April 29. *Students who do not turn in a draft of their paper on April 15 will not be eligible to receive W credit for the course.* Papers count toward *30 percent* of your grade. Details will follow later in the semester.

Course Meetings

1. January 22: Introduction

2. January 29: 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.
- Green, William S. 2004. "Entrepreneurship, Education, and Freedom." Kauffman Foundation Occasional Papers Series.

3. February 5: Economics and the Entrepreneur

- Schneider, Mark, and Paul Teske. 1995. *Public Entrepreneurs*. Princeton: Princeton University Press, ch. 2.
- 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.
- Von Mises, Ludwig. 1969. "Profit and Loss." In *Planning for Freedom*. South Holland, IL: Libertarian Press, pp. 108-125.

4. February 12: Innovation and Entrepreneurship

- Baumol, William J. 2002. *The Free-Market Innovation Machine*. Princeton, NJ: Princeton University Press, chs. 1-4, 14, 16.
- Johansson, Frans. 2004. *The Medici Effect*. Boston, MA: Harvard Business School Press, pp. 1-20.
- Drucker, Peter F. 1985. *Innovation and Entrepreneurship*. New York: Harper & Row, pp. 1-29.

5. February 19: Strategies for Research and Writing on Entrepreneurship (with Ann Marshall, Political Science Reference Librarian)

- Abbreviated Meeting Time: 2:00 – 3:15 PM
- *Required* for W students
- *Optional* for other students
- Special Location: Meet Ann Marshall in first floor lobby of Rush Rhees; session to be held in Training Room (Rm 214)

6. February 26: 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.
- Bruck, Connie. 2006. "Millions for Millions." *New Yorker*, October 30.
- Bhide, Amar, and Carl Schramm. 2007. "Phelps's Prize." *Wall Street Journal*, January 29, p. A16.
- Kristof, Nicholas D. 2007. "You, Too, Can Be a Banker to the Poor." *New York Times*, March 27, p. A19.
- We will watch a video in class on microcredit.

7. March 4: Political Entrepreneurship

- Riker, William H. 1986. *The Art of Political Manipulation*. New Haven: Yale University Press, pp. ix-xi, 106-113.
- 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.
- Baumgartner, Frank R., and Bryan D. Jones. 1993. *Agendas and Instability in American Politics*. Chicago: University of Chicago Press, ch. 1.
- Doig, Jameson W., and Erwin C. Hargrove, eds. 1987. *Leadership and Innovation: A Biographical Perspective on Entrepreneurs in Government*. Baltimore: Johns Hopkins University Press, ch. 1.
- Diamant, Anita. 1989. "The Koop Prescription." *Boston Globe*, June 4, p. BGM20.

8. March 18: The Role of Law and Institutions I

- Hayek, F. A. 1945. "The Use of Knowledge in Society." *American Economic Review* 35:519-530.
- Baumol, William J. 2002. *The Free-Market Innovation Machine*. Princeton, NJ: Princeton University Press, ch. 5.
- Demsetz, Harold. 1967. "Toward a Theory of Property Rights." *American Economic Review* 57:347-359.

9. March 25: The Role of Law and Institutions II

- De Soto, Hernando. 2000. *The Mystery of Capital*. New York: Basic Books, all.

10. April 1: 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.
- Jackson, Thomas H. 1986. *The Logic and Limits of Bankruptcy Law*. Cambridge: Harvard University Press, pp. 1-19.
- Fan, Wei, and Michelle J. White. 2003. "Personal Bankruptcy and the Level of Entrepreneurial Activity." *Journal of Law and Economics* 46:543-567.
- Thomas, John R., and Wendy H. Schacht. 2007. "Patent Reform in the 110th Congress: Innovation Issues." CRS Report for Congress RL33996.

11. April 8: The Role of Religion and Values

- Sen, Amartya. 1999. *Development as Freedom*. New York: Knopf, pp. 3-33.
- Ferguson, Niall. 2004. "Economics, Religion, and the Decline of Europe." *Economic Affairs* 24:37-40.
- Lipset, Seymour Martin. 2000 [1970]. "Values and Entrepreneurship in the Americas." In *Entrepreneurship: The Social Science View*, ed. Richard Swedberg. Oxford: Oxford University Press, pp. 110-128.
- Sunstein, Cass. 1996. "Social Norms and Social Roles." *Columbia Law Review* 96:903-968, skip section 6.

12. April 15: 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 22: 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.

14. April 29: Conclusion