

ECON 106E  
The Economics of Entrepreneurship  
Tuesday & Thursday 8:30am – 10:35am  
Public Policy 1246

University of California – Los Angeles  
Department of Economics  
Summer 2005  
Instructor: Kenneth Ahern

## SYLLABUS

### COURSE DESCRIPTION

Entrepreneurship is a driving force in any growing economy. Yet, much of economic theory ignores its importance, providing little guidance to would-be entrepreneurs or those who will work with entrepreneurs, such as venture capitalists. This course will combine strategy lessons from industrial organization, entrepreneurial finance as taught in business schools, and empirical evidence on real-world entrepreneurs to provide a solid framework for understanding the economics of entrepreneurship. The course schedule begins by asking, “Who are entrepreneurs and where do they come from?” Then decision problems, such as advertising, innovation, and product differentiation, will be analyzed. Finally, the course will cover the topics of obtaining funding and business plans, with a possible guest presentation by a working venture capitalist.

### COURSE ORGANIZATION

**Class Webpage:** <http://www.sscnet.ucla.edu/051/econ106e-1/>

**Office Hours:** Bunche 2265. Tuesday & Thursday 10:45am – 12:30pm  
Email: [ahern@ucla.edu](mailto:ahern@ucla.edu)

**Prerequisites:** Econ 101 – 1<sup>st</sup> Year Calculus

**Required Texts:** Carlton, D. & J. Perloff, 2000. *Modern Industrial Organization*, 3<sup>rd</sup> Ed.  
Sharma, P. 1999. *The Harvard Entrepreneurs Club*  
Various articles posted on the course webpage.

**Lecture Notes:** Lecture notes will be posted to the class website before every lecture.  
It is to the student’s benefit to bring a copy to class.

**Grading:** Course grades will be comprised of two problem sets, three quizzes,  
a midterm exam, and a final exam, as follows:

Homework (2)	15%
Quizzes (3)	20%
Midterm Exam (6/28–7/12)	25%
Final Exam (Cumulative)	40%

Late homework will not be accepted and there will be no makeup dates for quizzes or exams. If a student misses the midterm exam, the final exam will be weighted 65%. The homework assignments are used as a review before the midterm and final exams and answer keys will be provided on the due date.

Final grades will be based on a ranking of weighted scores according to the following distribution,

- A 20%
- B 40%
- C 30%
- D 10%

If a student gets a final score of 90% of the maximum possible score, or higher, he or she is guaranteed an A. Higher than 80% guarantees a B.

## COURSE SCHEDULE

Week	Date	Topic	Reading (* indicates a required reading.)
1	06/28	Introduction:	*Gartner (1988) *Carland et al. (1988) Bhide (1996)
	06/30	Innovation	*Carlton and Perloff (2000, Chapter 16) *Sharma (1999, Chapter 6) Acs and Audretsch (1988)
2	07/05	Market Competitiveness <b>Quiz 1</b>	*Carlton and Perloff (2000, Chapter 8) Porter (1998) Bygrave and Zacharakis (2004, Chapter 2)
	07/07	Entry Models	*Carlton and Perloff (2000, Chapter 3, pp.73–82) *Carlton and Perloff (2000, Chapter 4, pp. 107–118) Lieberman (1987)
3	07/12	Location Product Differentiation <b>Quiz 2</b>	*Carlton and Perloff (2000, Chapter 7) Klepper (2002)
	07/14	Advertising and R&D <b>Homework 1 Due</b>	*Carlton and Perloff (2000, Chapter 14) *Carlton and Perloff (2000, Chapter 11, pp. 347–353) *Sharma (1999, Chapter 2)
4	07/19	<b>Midterm Exam</b>	
	07/21	The Supply of Entrepreneurs	*Lazear (2003) *Evans and Leighton (1989, pp. 519–521) Kihlstrom and Laffont (1979) Hamilton (2000)
5	07/26	Industry Evolution <b>Quiz 3</b>	*Jovanovic and MacDonald (1994, pp. 322–331) Klepper and Graddy (1990)
	07/27	Entrepreneurial Finance	*Sharma (1999, Chapter 3) *Smith and Smith (2000, Chapters 1, 2) Tobias (2004, pp. 5–35)
6	08/02	The Business Plan Guest Presentation: Venture Capitalist <b>Homework 2 Due</b>	*Sharma (1999, Chapter 4) *Smith and Smith (2000, Chapter 3)
	08/04	<b>Final Exam</b>	

## REFERENCES

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- CARLAND, J. W., F. HOY, AND J. A. C. CARLAND (1988): "'Who Is an Entrepreneur?' Is a Question Worth Asking," *American Journal of Small Business*, 12, 33–40.
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- GARTNER, W. B. (1988): "'Who is an Entrepreneur?' Is the Wrong Question," *American Journal of Small Business*, 12, 11–32.
- HAMILTON, B. H. (2000): "Does Entrepreneurship Pay? An Empirical Analysis of the Returns of Self-Employment," *The Journal of Political Economy*, 108, 604–631.
- JOVANOVIC, B. AND G. M. MACDONALD (1994): "The Life Cycle of a Competitive Industry," *The Journal of Political Economy*, 102, 322–347.
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- PORTER, M. E. (1998): *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: Free Press.
- SHARMA, P. (1999): *The Harvard Entrepreneurs Club Guide to Starting Your Own Business*, New York: John Wiley and Sons, Inc.
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