

Syllabus

FEM11061 ECONOMICS OF ENTREPRENEURSHIP **Erasmus University Rotterdam**

Instructor: Christian Roessler
(Assistant Prof. Erasmus University, Visiting Prof. Brown University)

Office: H12-12

Contact: Please contact the student assistant, Erik Swets, with any questions related to course administration. If they require my involvement, he will forward them to me.

Assistant: Erik Swets (swets@ese.eur.nl)

Summary: The course is concerned with economic explanations of the role and behavior of entrepreneurs, based on underlying issues such as risk attitude, incentives and asymmetric information. While it is not a “how-to” guide for aspiring entrepreneurs, it develops an analytical perspective from which the viability and social impact of entrepreneurial ventures may be evaluated objectively. Students are asked to complete a small project that applies the economic perspective in a way a banker or consultant might do.

Books: Lectures do not follow a particular textbook; they reflect topics to which the economic literature has made significant contributions, often within the last few years. The books that are best-suited for reference purposes or side reading are:

Simon C. Parker, *The Economics of Self-Employment and Entrepreneurship* (2e), Cambridge University Press, 2006.

Scott A. Shane, *General Theory of Entrepreneurship: The Individual-Opportunity Nexus*, Edward Elgar Publishing Inc., 2003.

Mark Casson et al. (eds.), *The Oxford Handbook of Entrepreneurship*, Oxford University Press, 2008.

In addition, there are many management-oriented textbooks on entrepreneurship that have little to do with this course, but offer practical guidance on starting up a company.

Grading: 30% Project
70% Final Exam (multiple choice and essay questions)

Lecture Schedule and Readings:

<p><i>Tue, Sep 8</i></p> <p>15:00-17:45 CB-037</p>	<p>Lecture 1</p>	<p>Entrepreneurship and Change</p> <p>The introductory lecture is concerned with how entrepreneurs affect market efficiency through arbitrage, long-run growth through innovation, and the income distribution through social mobility.</p> <ul style="list-style-type: none"> - The Nature of Entrepreneurs and Opportunities - Efficiency and Growth - Incomes <p><i>Reading:</i> Baumol, W. J. (1968) Entrepreneurship in Economic Theory. <i>American Economic Review</i>, v. 58, iss. 2, pp. 64-71.</p>
<p><i>Thu, Sep 10</i></p> <p>14:00-16:45 LB-097</p>	<p>Lecture 2</p>	<p>Motives</p> <p>What distinguishes entrepreneurs from non-entrepreneurs? Over the course of two lectures, we consider three factors, beginning with preference for risk and status (as well as subjective perception of risk, e.g. optimism). In each case, we examine the empirical evidence.</p> <ul style="list-style-type: none"> - Risk Attitude and Perception - The Private Equity Premium Puzzle - Status Preference <p><i>Reading:</i> Moskowitz, T. J.; Vissing-Jorgensen, A. (2002). The Returns to Entrepreneurial Investment: A Private Equity Premium Puzzle? <i>American Economic Review</i>, v. 92, iss. 4, pp. 745-78.</p>
<p><i>Thu, Sep 17</i></p> <p>noon</p>	<p>Project Stage 1</p>	<p><i>Form a project group with 1-3 members. Select an entrepreneurial venture that is currently operating (less than five years old). Submit a (1-2 page) description of its background, governance structure and market strategy by e-mail to the Erik Swets.</i></p>

<p><i>Thu, Sep 17</i></p> <p>14:00-16:45 LB-097</p>	<p>Lecture 3</p>	<p>Means</p> <p>We entertain theories that entrepreneurs possess personal or material advantages such as greater talent, education, social privilege or wealth.</p> <ul style="list-style-type: none"> - Talent and Qualifications - Social Barriers - The Liquidity Constraints Debate
<p><i>Thu, Sep 24</i></p> <p>14:00-16:45 LB-097</p>	<p>Lecture 4</p>	<p>Venture Finance</p> <p>We delve more deeply into the issue of funding an entrepreneurial venture. What constrains bank lending? How is the capital structure (debt / equity) determined?</p> <ul style="list-style-type: none"> - Self-Funding - Information Issues and Relationship Finance - Security Choice <p><i>Reading:</i> Aghion, P.; Bolton, P. (1992). An Incomplete Contracts Approach to Financial Contracting. <i>Review of Economic Studies</i>, v. 59, iss. 3, pp. 473-94.</p>
<p><i>Thu, Oct 1</i></p> <p>noon</p>	<p>Project Stage 2</p>	<p><i>Identify consumers / clients that the venture is selling to, as well as its resource needs and competitors. Collect any relevant data that are available (e.g. size and growth of the market, evolution of key resource costs, performance of competitors. Submit a (1-3 page) summary by e-mail to Erik Swets.</i></p>
<p><i>Thu, Oct 1</i></p> <p>14:00-16:45 LB-097</p>	<p>Lecture 5</p>	<p>Entrepreneurial Firms</p> <p>We turn to the form and behavior of the entrepreneurial business, exploring issues such as governance, strategy and cooperation. And we ask which attributes distinguish survivors from failures.</p> <ul style="list-style-type: none"> - Leadership and Strategy - Organization - Survival Factors
<p><i>Thu, Oct 8</i></p> <p>14:00-16:45 LB-097</p>	<p>Guest Lecture: Jolanda Hessels</p>	<p>TBA</p> <p><i>Reading:</i> TBA</p>

<p><i>Thu, Oct 15</i> noon</p>	<p>Project Stage 3</p>	<p><i>Consider any regulatory, legal or economic aspects that may affect the business. Project survival prospects and evaluate the venture as a borrower and investment option. Offer any suggestions you may have to re-organize or re-focus it. Submit a final report (including the parts you prepared in stages 1 and 2) by e-mail to Erik Swets.</i></p>
<p><i>Thu, Oct 15</i> 14:00-16:45 LB-097</p>	<p>Lecture 6</p>	<p>Public Policy The final lecture discusses how the institutional environment and government policy affect the supply of entrepreneurship.</p> <ul style="list-style-type: none"> - Institutions - Regulation - Taxation
<p><i>Tue, Oct 20</i> 13:30-16:30 TBA</p>	<p>Exam</p>	<p>Multiple choice / essay. Hand-written notes (no print-outs, no copies) permitted.</p>