

HONR-3000-099

Honors Colloquium on Creative Destruction

Fall 2010

(last revised August 23, 2010)

Arthur Diamond

Office: Mammel Hall (MH) 332K

Office phone: 554-3657

Office hours: 4:10 - 5:40 PM Tues., and by appointment.

Email address: adiamond@unomaha.edu

Academic Home page: <http://cba.unomaha.edu/faculty/adiamond/web/diahompg.htm>

Colloquium Rationale:

Creative destruction is the process through which innovative new products are created, and the older obsolete products are destroyed. In transportation, for example, cars creatively destroyed the horse and buggy, trains creatively destroyed horse-drawn wagons. Such innovations contribute to longer and richer lives, but may come at the cost of greater uncertainty in the labor market. Schumpeter claimed that the process of creative destruction is the essential fact about capitalism. Although Nobel-prize-winner George Stigler has described creative destruction as “heresy,” a growing number of economists and non-economists have found the concept useful in understanding the world. While most of the emphasis in the colloquium will be on the application of creative destruction to business and the economy, other applications of the concept will also be explored.

Some Questions Asked in the Colloquium:

1. To what extent is money the motivator of entrepreneurs, and to what extent do entrepreneurs have other motives?

2. Does capitalism, as envisioned by Schumpeter, encourage and enable more or less ethical behavior on the part of market participants?
3. Does creative destruction capture more of what is important about capitalism than does the standard textbook model of price competition?
4. To what extent do consumers benefit from the new products and processes of creative destruction?
5. To what extent does labor suffer from the new products and processes of creative destruction?
6. If creative destruction is essential for economic growth and progress, what government policies would most promote creative destruction?

Method of the Colloquium:

The course will be taught in a colloquium-style, where student discussion of core readings, based on instructor questions, will predominate. Each student will be asked to lead the discussion of one of the readings for one of the sessions of the class. Students will also be expected to deliver a final presentation related to their critical review.

Student Graded Activities:

Students will be expected to read a book related to creative destruction, write a ten page critical review of the book and give a seven minute presentation of the review to their fellow students. Student participation in class discussions is also expected. On one day during the semester, each student will lead the discussion of one of the day's readings. At the end of the semester, each student will complete a take-home essay final exam.

Prerequisite:

Member of the University Honors Program or permission of the instructor.

Required Texts:

Christensen, Clayton M. and Michael E. Raynor. *The Innovator's Solution*. Harvard Business School Press, 2003. [ISBN # 1-57851-852-0]
Assigned reading: Chs. 1-3.

Diamond, Arthur M. *Openness to Creative Destruction*. **Draft chapters in PDF format will be made available to students free through posting on BlackBoard.**

Other Required or Supplemental Readings:

Additional journal articles and chapters from monographs will be assigned on a weekly basis related to the topics that are to be discussed. Readings are listed under the date to which they apply, in the “Partial, Tentative Outline of Readings Assignments” that appears a few pages below.

Course Requirements:

Course grades will depend on the grades received on classroom participation (30 points), leading class discussion of one of the readings (10 points), a ten page critical review of a book related to creative destruction (40 points), a seven minute presentation based on your critical review of a book related to creative destruction (20 points) and an essay take-home final exam focusing mainly on the course readings (40 points).

In addition, I may occasionally give an extra credit point to a student who makes an exemplary contribution to the class discussion.

The review should be ten pages of double-spaced, typewritten text (not including the title page and any footnotes and references). The review should summarize the substantive content of the book, stating the main themes or theses in each major section. The review should state the intended audience for the book, the clarity of the writing style, and the accuracy and usefulness of the information and analysis in the book. The student should search for published reviews of the book, and summarize a few of the best of these in the student’s review. A bibliography at the end of the review should include a full bibliographic citation to the book under review, as well as citations to any other cited sources.

Presentations should make use of PowerPoint slides. PowerPoint will not be taught during the class, but the instructor can guide the student toward resources, that will help the student to learn the basics of PowerPoint.

The critical review should be submitted in paper form and also in digital form using the "Assignment" feature of BlackBoard. Please name the file with your last name. The review, with due attribution to you as the author, will be posted either to BlackBoard or to Diamond’s web site (or both) for future students to read and study.

As an educational experiment, Diamond will attempt to record video clips of the critical reviews and also will attempt to load them either to Amazon, or to his web site, or to both. (So try not to say anything in the reviews that you do not want posted to the web.)

BlackBoard (aka MyUNO):

Much information concerning the course will be posted to the web pages of BlackBoard which has a URL of: <https://myuno.unomaha.edu/>. For example, any PowerPoint slides that accompany class discussions will generally be posted to BlackBoard. Assignment grades will also be posted there. Announcements pertaining to the class will either appear on BlackBoard or be sent out via Notes email through BlackBoard.

The following table provides the grading scale in terms of percentages, and total points in the course:

Grades	Percentages	Points
A+	93-100	130-140
A	88-92	123-129
A-	83-87	116-122
B+	80-82	112-115
B	76-79	106-111
B-	73-75	102-105
C+	70-72	98-101
C	66-69	92-97
C-	63-65	88-91
D+	60-62	84-87
D	56-59	78-83
D-	53-55	74-77
F	52 or less	73 or less

Plagiarism:

Copying the work of others without attribution is a form of intellectual theft known as plagiarism.

Most clearly, any material that is directly quoted, should appear within

quotation marks, if a sentence or less, or indicated with a 'block indent' if more than a sentence (which means that the whole quote is indented 5 spaces from the left edge of the text). **Failure to use either quotation marks, or block indent, with direct quotations will result in zero points for the assignment.**

When a source is used in the text, internal references should be given in the text that consist of a parenthetical mention of the author's last name, the date of the publication and a specific page number (if appropriate). For each brief parenthetical reference, a complete bibliographic reference should be provided in the Bibliography.

Mandatory Statement on Disability Services

“Reasonable accommodations are provided for students who are registered with Disability Services and make their requests sufficiently in advance. For more information, contact Disability Services (EAB 117, Phone: 554-2872, TTY: 554-3799) or go to the website: www.unomaha.edu/disability.”

Partial, Tentative Outline of Readings Assignments:

Some of the special value of a special topics seminar is that we can be especially responsive to the special and evolving interests of the students and professor; and can include the latest breaking research on the topics studied. As a result, the following schedule is very tentative and may be modified and expanded as the semester progresses. Readings with an asterisk (*) in front of them are recommended, but not required.

1. 8/24/10 **Why Does Creative Destruction Matter?**

2. 8/31/10 **Research Tools in Economics; How to Write Clearly; How to Present; Readers' Guide to Creative Destruction**

McCloskey, Deirdre. "Economical Writing." *Economic Inquiry* 23 (April 1985): 187-222.

Tufte, Edward R. *The Visual Display of Quantitative Information*. Cheshire, Conn.: Graphics Press, 1983, pp. 13-15, 53-54, 93-96, 107-110.

3. 9/7/10 **Preface and Ch. 1 "Introduction"**

Schumpeter, Joseph A. Chapter 7 (creative destruction) of *Capitalism, Socialism and Democracy*. 3rd ed. New York: Harper and Row, 1950.

McCraw, Thomas K. "Schumpeter Ascending." *American Scholar* 90 (Summer 1991): 371-92.

Rosenberg, Nathan. "Joseph Schumpeter: Radical Economist." In *Schumpeter in the History of Ideas*, edited by Yuichi Shionoya and Mark Perlman, 41-57. Ann Arbor: The University of Michigan Press, 1994.

4. 9/14/10 **Ch. 2 "The Innovative Entrepreneur"**

Schramm, Carl J. *The Entrepreneurial Imperative: How America's Economic Miracle Will Reshape the World (and Change Your Life)*. New York: Collins, 2006. **Read Ch. 1 posted on BlackBoard.**

Gilder, George. "The Enigma of Entrepreneurial Wealth." *Inc.* 14, no. 10 (Oct. 1992): 161- ?.

(Critical review book choices due.)

5. 9/21/10 **Ch. 3 "The Benefits of Creative Destruction"**

DeLong, J. Bradford. "Cornucopia: The Pace of Economic Growth in the Twentieth Century." In *NBER Working Paper*, 2000.

Gordon, Robert J. "Does the "New Economy" Measure up to the Great Inventions of the Past?" *Journal of Economic Perspectives* 14, no. 4 (2000): 49-74. **(only required to read pp. 57-60.)**

6. 9/28/10 **Ch. 4 “The Labor Pains of Creative Destruction”**

Blanchflower, David. "Review of Job Creation and Destruction. By Steven J. Davis; John C. Haltiwanger; Scott Schuh." *Journal of Economic Literature* 35, no. 3 (Sept. 1997): 1398-400.

Picot, Garnett. "A Review of S. J. Davis, J. C. Haltiwanger, and S. Schuh, Job Creation and Destruction." *Review of Income & Wealth* 43, no. 2 (June 1997): 253-60.

Kane, Tim J. "The Importance of Startups in Job Creation and Job Destruction." Ewing Marion Kauffman Foundation, 2010.

7. 10/5/10 **Ch. 5 “The Labor Gains from Creative Destruction”**

Cox, W. Michael, and Richard Alm. "The Churn: The Paradox of Progress." FRB Dallas, 1992.

Levy, Frank, and Richard Murnane. "Book Excerpt: The New Division of Labor." *Milken Institute Review* 6, no. 4 (2004): 61-82.

8. 10/12/10 **Ch. 6 “Institutions, Culture, Policies, and Choices”**

DeLong, J. Bradford, and Lawrence H. Summers. "The “New Economy”": Background, Questions and Speculations." *Federal Reserve Bank of Kansas City Economic Review* (Fourth Quarter 2001): 29-59.

Garrett, Thomas A., and Howard J. Wall. "Creating a Policy Environment for Entrepreneurs." *Cato Journal* 26, no. 3 (2006): 525-52.

9. 10/19/10 **UNO Fall Break---no class**

10. 10/26/10 **Ch. 7 “Industrial Organization and Antitrust Policy”**
- Katz, Michael L., and Howard A. Shelanski. Schumpeterian Competition and Antitrust Policy in High-Tech Markets." *Competition* 14, no. 2 (Fall/Winter 2005): 47-60.
- Dean, Andrea M., and Russell Sobel. "Has Wal-Mart Buried Mom and Pop?" *Regulation* (2008): 38-45.
11. 11/2/10 **Ch. 8 “Labor Policy”**
- Greenspan, Alan. "Economic Flexibility." Washington, D.C., 2005.
- Kugler, Adriana. "The Effects of Employment Protection in Europe and the U.S." In *American Economic Association*. New Orleans, 2008.
12. 11/9/10 **Chs. 9 & 10 “Research and Teaching; Conclusions”**
- Becker, Gary S. "Make the World Safe for ‘Creative Destruction’." *Business Week*, February 23, 1998, 20.
- Krugman, Paul. "Reckonings; Create and Destroy." *The New York Times*, October 8, 2000.
13. 11/16/10 **Chs. 11 & 12 “Afterword on Why Creative Destruction Has Been Neglected; and Afterword on Evidence that the Neglect May Be Ending”**
- Robinson, Joan. "Review of Capitalism, Socialism and Democracy." *Economic Journal* 53, no. 212 (1943): 381-83.
- Drucker, Peter F. "Modern Prophets: Schumpeter or Keynes?" In *The Frontiers of Management*, 104-15. New York: Penguin Putnam, Inc., 1999. [first published in 1983 in *Forbes*]

14. 11/23/10 **Christensen on Disruptive Innovation**
Christensen & Raynor. *The Innovator's Solution*, Chs. 1 - 3
15. 11/30/10 ***Student Presentations/Discussions*; Critical Reviews due.**
16. 12/7/10 ***Student Presentations/Discussions*; Hand out essay take-home finals.**
17. 12/14/10 **Take-Home Finals Due.**

Important Dates:

October 19: class cancelled for fall break.

November 5: Last day to drop course with a grade of "W".

December 16: Take-Home Final exam due.