Seminar (M.Sc.)
Industrial Dynamics

Fachbereich Wirtschaftswissenschaften

Economic Policy, Innovation and Entrepreneurship Group (Professor Dr. Guido Bünstorf)

Winter Term 2016-17

Time and location
Monday, 18.00-20.00 (first class on October 24, 2016); Nora-Platiel-Strasse 6, Room 0207

Overview
In recent years, the development of markets and industries has attracted substantial scholarly attention. A rich theoretical and empirical literature on industrial dynamics has been developed to complement the game-theoretic approach to industrial organization. This literature, which is closely related to current work in entrepreneurship and strategic management, has yielded important new insights into the conditions and dynamics of entry, exit, market structure and innovation activities in competitive industries. It has also highlighted the relevance of firm heterogeneity for firm performance and regional agglomeration.

Some of the key issues and findings of the literature on industrial dynamics are summarized and illustrated in the recent book *Experimental Capitalism* (Klepper, 2016). This book will be the background reading of our course. We will also focus on the role of economic policy in shaping industrial dynamics, which is the subject of an ongoing scholarly debate.

This course has a seminar format. Based on students’ independent reading and classroom presentations, we will discuss the key theoretical and empirical contributions to the literature on industry evolution. To be successful, this requires that all participants prepare the mandatory readings ahead of class. Participation in the classroom discussion will be part of the final grade.

Requirements (6 ECTS Credits):
- Seminar paper (about 15 pages; due date February 28, 2017) plus oral presentation (about 20 minutes)
- Completion of mandatory reading assignments before the respective seminar session
- Attendance throughout the course and active participation in the seminar discussion

All individual requirements have to be fulfilled to pass the course.

Registration and choice of seminar topics (listed below as Topics 1-16; max 2 student per topic) by e-mail to buenstorf@uni-kassel.de (starting immediately; please name three preferred topics). Max. number of participants: 32

Key reading for the course:
Additional background reading:

### Topics and reading assignments

**Session 1 (October 24, 2016): Stylized facts of industry evolution / Introduction to survival analysis**

No reading assignment

**Session 2 (October 31, 2016): Modeling industrial evolution**

Reading assignment for all students: Chapter 2 from Klepper (2016)

**Topic 1: Cost spreading and the shakeout**


**Type of reading:** Advanced mathematical model (Note: Cantner and Dressler (2006) provide a good German-language introduction)

**Topic 2: From submarkets to the shakeout**


**Type of reading:** Mathematical model and econometric analysis

**Session 3 (November 07, 2016): Firm performance**

**No reading assignment**

**Topic 3: Time of entry and innovation as determinants of firm survival**


**Type of reading:** Econometric analysis

**Topic 4: Diversification and firm performance**


**Type of reading:** Econometric analysis

**Session 4 (November 14, 2016): Spin-offs**

Reading assignment for all students: Chapter 3 from Klepper (2016)
Topic 5: Intra-industry spin-offs: determinants


**Type of reading:** Econometric analysis (note: if requested by student, this topic can alternatively be based on a theoretical introductory reading)

Topic 6: Intra-industry spin-offs: performance


**Type of reading:** Econometric analysis

No class on November 21, 2016, and on November 28, 2016

Session 5 (December 5, 2016): Firm growth and job creation


Topic 7: Employment dynamics of young and small firms


**Type of reading:** Econometric analysis

Topic 8: Innovation, heterogeneity and firm growth


**Type of reading:** Econometric analysis

No class on December 12, 2016

Session 6 (December 19, 2016): When and why are incumbent firms disadvantaged?

Topic 9: Incumbent disadvantage (I): Architectural innovation


**Type of reading:** Verbal theorizing and qualitative empirical analysis

Topic 10: Incumbent disadvantage (II): Value networks


**Type of reading:** Verbal theorizing and qualitative empirical analysis

Session 7 (January 9, 2017): Regional dynamics: branching and smart specialization

**Reading assignment for all students:** Chapter 4 from Klepper (2016)

Topic 11: Empirical evidence of regional branching


**Type of reading:** Econometric analysis

Topic 12: Smart specialization of regions?


**Type of reading:** Verbal theorizing

Session 8 (January 16, 2017): Industrial and regional decline

**Reading assignment for all students:** Chapter 5 from Klepper (2016)

Topic 13: Industrial decline and labor mobility


**Type of reading:** Econometric analysis

Topic 14: Regional inertia


**Type of reading:** Verbal theorizing
Session 9 (January 23, 2017): The evolution of national economies


**Topic 15: New industries and economic development**


**Type of reading:** Empirical analysis using various methods – prior knowledge of international trade theory and/or social network analysis is helpful

Session 10 (January 30, 2017): Industrial policy – did economics get it wrong? (Part 1)

**Reading assignment for all students:** Introduction (pp. 1-20) and Chapters 3 and 4 (pp. 63-92) from Mazzucato, M. (2015): *The Entrepreneurial State: Debunking Public vs. Private Sector Myths*, revised edition, New York: Anthem Press.

No student presentation but extensive classroom discussion

Session 11 (February 06, 2017): Industrial policy – did economics get it wrong? (Part 2)


**Topic 16: Industrial policy – revisiting a showcase example of apparent success**


**Type of reading:** Qualitative and quantitative empirical evidence plus econometric analysis.