Instructor:
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Office Hours: Tuesdays 11:30-1:00

Objectives:
Innovation is the primary driver of economic growth and hence of improvements to our standard of living. In this course we will study, both from a theoretical and empirical perspective, the incentives to innovate, and how institutions and public policy shape these incentives. The primary question that we will be addressing is how best to incentivize innovation. We will examine the nature of ideas and innovation, intellectual property rights, technology clusters, knowledge spillovers and diffusion, whether immigration contributes to innovation, and numerous other topics.

Textbook (not required):

Prerequisites:
I will assume that you have taken senior undergraduate microeconomics and econometrics.

My Expectations:
- You will come to class and you will participate
- You will stay on top of the material
- You will complete what you are assigned

Assigned Work:

4 Assignments: The first two assignments will be theory based. For the last two, you will have to work with data. You will therefore require knowledge of Stata or a similar statistical package. The 4th assignment will be a major assignment worth 20% of your grade. I strongly encourage you to start it at least a month ahead.

Readings: For the second part of the course, I will be assigning required readings for each class. You are responsible for reading these ahead of class so that we may discuss them during class.

Presentations: One student will be assigned to be the resident “expert” for each assigned reading in the Paper Sessions section of the course. He/she will be required to present the
paper and lead a discussion on the paper. The presentation should address the following aspects of the paper:

1. Research question/main hypothesis
2. Empirical approach/methodology
3. Results
4. Your opinion of the paper (gems and criticisms)
5. Proposed research question (to further push the frontier)

**Method of Evaluation:**

- **Midterm Examination:** 35% of final grade (Thursday November 10th)
- **Assignments (4):** 35% of final grade (3%, 3%, 7%, 22%)
- **Paper presentation:** 15% of final grade
- **Participation:** 15% of final grade

**Participation:** Your participation grade will depend primarily on 2 things:

1. Your general in-class participation (I am looking for quality not quantity)
2. Your preparedness (in the second half of the course you will be asked to read papers ahead of time so that we can discuss them in class)

**Late Assignment Submission:**

Late submissions will not be accepted and will earn a grade of 0. Failure to submit will also earn a grade of 0.

**Failure to present:**

Failure to present your assigned paper on the day that it was to be presented also earns a grade of 0.

**Absence from Midterm Exam:**

Failure to write an exam results in a grade of zero. Exceptions will only be made under the most extreme circumstances, with a written note, and according to the policies of the department of economics and faculty of Arts.
Course Outline:

The course will be loosely divided into two halves. The first half will focus on theory and draw mostly from Scotchmer’s textbook. The second part will be mainly empirical and draw from academic journal articles.

The following is a tentative course outline and will be completed/updated as we proceed through the course.

**Part 1**

**Class 1: Introduction**

**Class 2&3: Innovation in Canada**

**Class 4: Productivity in Canada**

**Class 5: A Brief History (Ch. 1)**

**Class 6&7: Incentivizing Innovation (Ch. 2)**

**Class 8: Substitutable Ideas (Ch. 2)**

* Note: Assignment 1 is due at the beginning of class

**Class 9: Intellectual Property Rights (Ch. 3)**

* Note: Assignment 2 is due at the beginning of class

**Class 10&11: Optimal Patent Design (Ch. 4)**

**Class 12: Uncertain Success (Ch. 4)**

**Class 13&14: Cumulative Innovation (Ch. 5)**

**Class 15&16: Innovation and the Global Economy (Ch. 11)**

**Class 18: Midterm ()**

**Paper Sessions**

* starred readings are optional

**Class 19: Patent Protection and Business R&D**

* Assignment 3 is due at the beginning of class

Class 20: IPR and Follow-On Innovation


Class 21: Knowledge Diffusion


**Class 22: FDI as a Channel for Knowledge Diffusion**

**Class 23: Immigration and Innovation**

**Class 24: Immigration and Innovation in Canada and Wrap-Up**
• *Assignment 4 is due at the beginning of class*
• Blit, Joel, Mikal Skuterud, and Jue Zhang (2016) “Immigrants and patents: evidence from Canadian cities.” University of Waterloo working paper.
Economics Department Deferred Final Exam Policy


Academic Integrity
In order to maintain a culture of academic integrity, members of the University of Waterloo community are expected to promote honesty, trust, fairness, respect and responsibility. See the UWaterloo Academic Integrity webpage and the Arts Academic Integrity webpage for more information.

Discipline
A student is expected to know what constitutes academic integrity, to avoid committing academic offences, and to take responsibility for his/her actions. A student who is unsure whether an action constitutes an offence, or who needs help in learning how to avoid offences (e.g., plagiarism, cheating) or about “rules” for group work/collaboration should seek guidance from the course professor, academic advisor, or the Undergraduate Associate Dean. When misconduct has been found to have occurred, disciplinary penalties will be imposed under Policy 71 – Student Discipline. For information on categories of offenses and types of penalties, students should refer to Policy 71 - Student Discipline. For typical penalties check Guidelines for the Assessment of Penalties (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/guidelines/guidelines-assessment-penalties).

Grievance
A student who believes that a decision affecting some aspect of his/her university life has been unfair or unreasonable may have grounds for initiating a grievance. Read Policy 70 - Student Petitions and Grievances, Section 4 (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-70). When in doubt, please be certain to contact the department’s administrative assistant who will provide further assistance.

Appeals
A decision made or penalty imposed under Policy 70, Student Petitions and Grievances (other than a petition) or Policy 71, Student Discipline may be appealed if there is a ground. A student who believes he/she has a ground for an appeal should refer to Policy 72, Student Appeals (https://uwaterloo.ca/secretariat-general-counsel/policies-procedures-guidelines/policy-72).

Note for Students with Disabilities
The AccessAbility Services office, located on the first floor of the Needles Hall extension (NH 1401), collaborates with all academic departments to arrange appropriate accommodations for students with disabilities without compromising the academic integrity of the curriculum. If you require academic accommodations to lessen the impact of your disability, please register with the AS office at the beginning of each academic term.