This course introduces the major topics of economics of innovation. It intends to provide students with a solid understanding of theoretical models of the effects of market power on the intensity of innovative activity as well as the alternative incentive mechanisms such as prizes, patents, copyrights and trade secrecy. Topics include economics of the intellectual property (IP) protection system; IP licensing and research joint ventures; enforcement and litigation; strategic choices in innovation & competition; the value of innovation & patent races; process and product innovation; the diffusion of knowledge; venture capital; interaction between public and private sector innovation; network effects; current policy issues regarding the conflicts between IP rights and antitrust regulation.

This course will often motivate the analysis of economic concepts using case studies, empirical facts and consider simple economic models to explain individuals behavior. The primary tool for understanding firm, consumer or government choices is the maximization paradigm which assumes individuals behave as if they maximize an objective function; such function may represent the level of profits, happiness or social welfare. Thus, much of the course will be devoted to applying that paradigm to various settings. The academic objective of this course is to elaborate students’ skills to use theoretical tools to formulate and solve economic problems. The goal is for the students to interpret the economic aspects of innovative activity and IP protection system.

The course grade will be a weighted average of the followings: Four problem sets (20%), Case study/attendance/participation (20%), Midterm exam (30%), Final exam (30%).

Prerequisites: intermediate microeconomics or equivalent

Semester offered: Spring
Undergrad Course Category: Industrial Organization