Contemplating Entrepreneurship in a Core Required Introductory Economics Course

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***Abstract* —Every business major is required to take at least one introductory economics course in college, but most students detest the subject. The aim of this paper is to find ways for students to enjoy the subject through contemplating the practical application of entrepreneurship and business planning in the curriculum. In particular, a large segment of microeconomics covers chapters on supply and demand, elasticity, production functions, costs of production, market structures, and international trade. These very same concepts are core to the development of a business plan in the spirit of entnrepreneurship. The focus of this paper then, is to present a case study of how core economic concepts were applied to entrepreneurship and business development in the introductory course at Stetson University.**

***Index Terms*—contemplative economics, entrepreneurship, introductory economics, pedagogy**

I. Introduction

In Economics, entrepreneurial ability is considered one of the four core resources that is center-stage for economic growth amidst scarcity. Entrepreneurship is lauded as a worthy and spirited means to overcome scarcity through innovation. In fact, the term entrepreneurship itself was coined by French economist Jean Baptiste Say [1], who sought to overcome the weakness in Adam's Smith's treatise on the "Wealth of Nations," namely, its negligence on understanding entrepreneurship in promoting efficiency through competition and innovation. In addition, Austrian economist Joseph Schumpter [2] applauded entrepreneurship for its impact on economic development [3], [4]. But for the dismal science of economics, the concept of entrepreneurship was essentially relegated to the margins of theoretical discourse on scarcity.

During the 1960s the concept of entrepreneurship began to attract numerous scholars from different academic fields, borrowing applied concepts and theories from sociology, psychology, management and therefore becoming essentially multi-disciplinary [3], [5]. By the 1970s this relatively new academic field [6]-[8] found its home within the business school of most academic institutions in the US and around the world [9], [10]. Since the early 2000s at the height of globalization, the demand for entrepreneurship programs in the curriculum across universities worldwide has exploded because of its potential to profoundly impact economic, political and social structures of accumulation [11] in a world with shrinking employment, profits and economic growth.

Economics Departments however, have been slow to integrate entrepreneurship into their curricula at the undergraduate level and into research specialties at the graduate level. In a survey of economic textbooks, Stull [12] found only a limited coverage of entrepreneurship within them, with only three texts actually incorporating analysis beyond mere definitions and references. The objective of this paper is to demonstrate that integrating entrepreneurship into the Economics curriculum at the basic level may not only improve students' perceptions of the value of the subject, but it may also make way for future economists to take on entrepreneurship as a way of thinking and being in Economics and to take leadership in this field.

II. Stetson University Case Study

The Economics Department at Stetson University in the US state of Florida, has for a long time emphasized a curriculum that is relevant to its local and global communities. Within that context, the Department addresses social issues of among others, poverty and inequality. It has developed the first university-based microcredit program in the blighted local community of Spring Hill and in a rural village in Tanzania. More recently the Department has taken this program into the prison communities. At the core of the curriculum in these programs is the development of a business as a means of entrepreneurship and empowerment. The result of these entrepreneurship programs was evident in our students as well as our clients in the community and is documented elsewhere. [11].

In 2011 the University launched a strategic effort to integrate entrepreneurship into the curriculum across the University. The Economics Department, along with several other Departments, convened at this historic meeting with the intention of developing ways to centralize the study and practice of entrepreneurship, or more broadly, innovation, from an interdisciplinary perspective. Within a few years, Stetson University was named one of 19 colleges and universities across the United States to participate in the prestigious Coleman Foundation Faculty Entrepreneurship Fellows Program. The Program provides

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grants to faculty for integrating entrepreneurship into their courses and for presenting their research at conferences. Based on the Economics Department's previous work on entrepreneurship, and its intention to make the Introductory Economics course more relevant to our students, it was naturally selected to participate in this Fellows Program through its Essentials of Economics Course.

The Essentials of Economics Course at Stetson University, as with most US universities, is a one-semester course that builds on introductory macroeconomic and microeconomic concepts.[1] The component of the course integrating entrepreneurship emerges from the core assumption in economics, namely, that entrepreneurship, as one of society's four scarce resources, may be developed as a means to economic self-determination from a micro and macro perspective.

The structure of the microeconomics component of the course lends itself appropriately to the application of business planning and development. In particular, a large segment of microeconomics covers chapters on supply and demand, elasticity, production functions, costs of production and market structures. These very same concepts are core to the development of a business plan. For example, a typical business development program's first module raises the question of what makes an entrepreneur; this is also an applied question on how to overcome scarcity through entrepreneurship in the introductory chapter of most textbooks. A second building block of a typical business plan engages one in "identifying business opportunities" or in other words, identifying one's product, customers, and competition, all of which correlate with demand, demand elasticity, and market structure in the introductory text. Then comes the costs of production, pricing, and break-even analysis to determine what minimum quantity must be produced/sold and at what price and under what market structure in the business plan, and their correlations with introductory economics textbooks is evident.

III. The Fusion of Introductory Economics with Entrepreneurship

A. Definition of Economics and Its Alignment with Module 1 on Being an Entrepreneur

The course syllabus is designed to address the core concepts covered in most introductory-level economics courses and textbooks. During the first part of the semester the course focuses on the definition of economics as a social science that aims to address the problems associated with scarcity in an efficient manner to yield optimal outcomes in a market economy [13]. During the course of this chapter through various readings and videos [14], [15] students are asked to critically think about how entrepreneurship may address their own individual problems that emerge from scarcity of resources. The most common answer by students ties in closely with what the literature finds is that of student debt. Indeed, according to Demos [16], American student loan debt exceeds credit card debt. At the same students expect more of a work-life balance than their parents [17] leading to the half-truth that the flexibility of self-employment would allow for this balance.

To address the scarcity problem, students are taught the tenets of different market systems ranging from capitalist systems to command economies. At this stage of the course students investigate the potential for successful entrepreneurship under different market structures. To their surprise they realize that although the US is the most advanced country in the world, it ranks only 37th in terms of entrepreneurship. Further, unlike their textbook coverage, most poor countries have a high entrepreneurial spirit whether they are defined as capitalist or not. This reality allows for pause on what makes an entrepreneur: extremely hard work and true grit, mastery over what a person is compassionate about, and a supportive legal, business, political and social environment. Videos (http://www.ted.com/talks/dan_pink_on_motivation) and other assigned readings (for example http://www.huffingtonpost.com/entry/5-ways-to-tell-you-were-raised-by-helicopter-parents_us_5609de6ee4b0dd850308e260) are analyzed to reinforce the importance of these processes for a successful business.

The structural skeleton of the entrepreneurship module that closely correlates with the foundational explanation of economics is: **Being an Entrepreneur; developing a business concept:** This module is designed to get a potential small- business owner/grant-writer/project manager to realize what being an entrepreneur/innovative thinker entails. Through this Module, participants will contemplate, and develop a clear idea of their strengths and weaknesses as entrepreneurs/leaders, and learn ways to develop their comparative advantage in business.

Engaging in this entrepreneurship module opens up an opportunity to critically discuss the role of entrepreneurship in shifting the production possibilities function outward in an economy. This naturally spawn's active discussion on vital economic concepts such as comparative advantage, trade and specialization.

IV. Supply, Demand, and Elasticity and their Alignment with Module 2 on Product, Customer, and Competition

Thereafter, concomitant with the introductory text [13], the course focus shifts to demand and supply in individual free markets that determine prices and quantities traded. Equipped with these tools, students see the impact of demand and supply elasticity. At this juncture they glimpse into the importance of demand elasticity in determining prices, revenue, and profits. In essence, through elasticity, the concept of success in entrepreneurship is revisited. Studies show time and again that the more flexible a person is, the more they are likely to succeed in their personal lives and in their careers, holding other things constant

[1] Most US universities below the top 20 have transitioned from requiring two separate introductory macroeconomics and microeconomics courses, to one course, for the business degree. Stetson university has followed national trends.

(http://www.inc.com/peter-economy/11-habits-of-exceptionally-flexible-and-successful-people.html). Similarly, the more flexible a business is in learning from competitors, the more likely it is to succeed. Flexibility and elasticity are parallel indicators of success.

The entrepreneurship module that closely correlates with the market from a consumer perspective is: **Identifying Your Opportunities, Your Product, Your Customers &Your Competition:** To be a vibrant and successful business (person) it is important for participants to know their product or service extremely well. To make it stand out, a business must be able to clearly distinguish its product from other similar products on the market so that customers see its unique properties. Knowledge of their competitors is essential to gather insight into how to improve its product's strengths and overcome the product/service's weaknesses. However, none of these matters if a business does not know its customers' needs, tastes, interests and background. In other words, a business cannot survive solely on a hunch; it must do its research to succeed.

After developing an almost romantic affair with entrepreneurship as a means for economic autonomy and empowerment, comes what is considered one of the hardest topics in the textbook: production functions and the costs of production. To make these abstract concepts more concrete, students participate in simulations of production functions and calculations of their associated costs. A simple contemplative way to get students to calm their minds is to ask them to do the *breath of fire* which studies show can have a positive effect on their brain functions.

Once students understand these core concepts, they are able to perceive the importance of researching their markets to accurately gauge their actual production functions and costs of production that would ultimately affect the shape of the supply curve for their particular business and industry.

Students are then introduced to sample business plans that describe how businesses use these concepts to develop their business plans (see for example, http://www.bplans.com. During this time, students learn how different kinds of jargon are used by businesses and by Economics textbooks to describe the same fundamental concepts. For example, they realize that the equivalent terms for Total Variable Costs (TVC) and Total Revenue (TR) in economics are the cost of goods sold (COGS) and gross income respectively, in business. It is at this juncture that students also see the intersection of economics with marketing, finance and accounting, among other disciplines. It is here too that they are led to understand why some form of mathematics is a core requirement for business students. But more importantly, they see Economics less as a dismal science, and more as a vibrant subject matter.

A. Pricing and Profits under Different Market Structures and their Alignment with Modules 3&4 on Prices, Revenue and Costs of Targeted Business Structure.

Building on these difficult concepts, the course advances to an analysis of different market structures [13], starting from perfect competition and then delving into to imperfect market structures where most businesses are located. This is one of the most enlightening times for students as they explore the various types of demand curves facing businesses depending on their market structure. They also learn that profits depend on the market structure in which their business operates, which is beyond their control, as much as it does on their micro cost and revenue decisions. They also begin to appreciate why their internet lives are so inundated by marketing and other forms of advertising - business's intention to eke out every iota of profits they can in whichever way possible. Students realize that a tomato is not just a tomato – it may be a food or an idea or a health topic. It may come small, medium or large; it may come raw, cooked, frozen, ketch-upped, juiced, and whatever other form possible to create a niche market. The concepts of elevator pitch (https://www.sba.gov/offices/district/mo/st-louis/resources/what-elevator-speech-or-pitch-and-why-do-i-need-one) and fixed costs are central to an understanding of product differentiation and barriers to entry and exit under different market structures.

The entrepreneurship module that closely correlates with these sections of the textbook are: **Prices, Revenue & Costs:** As with every business, one must know the costs of production, revenue, break-even point of their particular business. That requires an understanding of how to price products or services so they are competitive and sustainable. Keeping accurate financial records and performing a financial health check are equally important attributes of a successful and thriving business. Cash-flow, income statements, and balance sheets are all central to business planning and development. Providing reasonable financial data are essential for securing loans and/or donations. Cash-flow analysis allows a business to conduct a periodic check on the company's financial health. A projected cash-flow statement estimates the stream of money into and out of the business in coming weeks or months or years, based on a history of sales and expenses. Cash-flow analysis is important because it is the core tool for maintaining control of business finances. For example, one can show profits in a company, but still be short on cash if a customer is late on payments. While costs can usually be cut, a business can't always generate income or sales immediately upon need. A balance sheet is another important financial statement providing a financial snapshot of a business at any given point in time. An income statement, unlike a balance sheet, covers a period of time, usually monthly or quarterly to examine business performance over the period and is sometimes referred to a Profit and Loss Statement.

B. The Final Product: A Complete Business Plan

Throughout the first part of the course, students explore the ideas of entrepreneurship through theories and core economic concepts. The next phase of the course involves each student deciding what business he/she would like to launch, and after completing a series of the business development modules described above, each student formulates his/her own business plan focusing on a product or service that they are passionate about. Several examples of such businesses include creating an environmentally green organic restaurant, a micro-brewery, and a consultation service for new business owners.

The reality is that while many students are eager to think about starting a business at some point in their lives, others are more interested in creating non-profit organizations to address some societal concern. Since the structure of the business plan parallels those of grant-writing as well as non-profit organizations, those students not interested in developing a for-profit business are encouraged to build their project/grant writing skills by developing anon-profit organization of interest or develop a socially conscientious business. A few examples of such organizations involves a special-skills school for low-income families, an after-school youth athletic clinic, a coffee-shop for the poor; a microcredit program, and an orphanage in a developing country.

V. Discussion

To determine whether or not integrating entrepreneurship in a required course in introductory economics during one semester, course grade and course numeric evaluations and qualitative comments were compared to the same course, without integrating entrepreneurial modules, in previous semesters. A few points are noteworthy:

Economics Departments face a huge, but surmountable challenge: An introductory economics course forms the core requirement for Business degrees across the world. Many of these Business students treat the subject as the dismal science for different reasons than originally conceived and treat the course as a gut level course merely to tolerate. Within this context several students who seemed lackluster during the first part of the course, awakened to this contemplative applied challenge. Interestingly, in thinking about entrepreneurship and what makes businesses succeed or fail, several of these hitherto lackluster students began to show a deep interest in the subject matter. In line with what makes a successful entrepreneur, they even took responsibility for their lack of performance and felt energized about keeping their eyes on the prize even when the going gets tough. Students' academic performance improved on average by 12% over the previous time the course was taught.

Several of the top performing students enjoyed the pace of this business development model and felt that it tied very well to the rest of the microeconomics component of the course and brought them to life. The Economics Department attracted 2 more economics majors than the previous semester.

Considerable time was spent showing a few students the use value of completing a business plan, namely that at worse, they would have developed a marketable skill over and above learning core economic concepts. It is clear that not all students enjoy being entrepreneurs in the traditional context. By demonstrating that creating a business plan paralleled that of project development and non-profit organizations, they were more excited about doing this work. Students at the end of the semester mostly made comments that the entrepreneurship models were their favorite part of the course.

Quantitative evaluations on a 5-point scale increased by at least 1 full point compared with the previous semester. In comparing particular module-related assignments, grades were comparable to previous semesters, except for components relating entrepreneurship to textbook material. For example, total costs and marginal cost concepts and answers were clearer in the current course than previous courses that did not include entrepreneurship. Students also felt the course was more effective than previous semesters, yet they felt the course was equally rigorous and demanding than previous courses. This speaks to the effectiveness of the entrepreneurship module.

Academic institutions have been striving towards interdisciplinary learning. Engaging in the pedagogy of entrepreneurship and business development is inherently interdisciplinary. (Kuratko, 2017; Hynes, 1996). Students began to see the intersection of economics with marketing, finance and accounting, among other disciplines.

VI. Conclusion

Having gone through this experience one semester, our hypothesis that integrating entrepreneurship into the introductory economics course may be one of the fastest way to make Economics seem contextual, rather than abstract and real rather than dismal, to students who are required to take the course. Through group-formations during the business development planning, it may unify students with similar aspirations, whether they be individualistic tendencies towards accumulation or social approaches to a holistic life. And as important, Economics Departments may create future entrepreneurs as well as entrepreneurship scholars.

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