PART I. Paired Identification (24 points total; 18 minutes total)

Choose two of the following three pairs of items. Define or identify each term in the pair (6 points). Then, briefly discuss the connection between the two terms (6 points). Each answer is worth 12 points total. You should spend about 9 minutes on each question.

1. (a) Primogeniture and (b) Distribution of wealth in Southern colonies versus in Middle colonies
2. (a) Old age security motive and (b) Pattern of fertility over time, 1800-1900
3. (a) Labor requirements of wheat cultivation and (b) Reaper and thresher

Part II. Using Economic Models and Concepts to Explain Historical Events (36 points total; 27 minutes total) Answer all three questions.

1. (12 points) Use the economic model of supply and demand for tobacco to explain why scholars conclude there must have been an increase in productivity in tobacco farming in the 1600s. Supplement your written explanation with a graph.

2. (12 points) Use the equation \( \frac{Y}{P} = A \cdot F \left( \frac{K}{L}; \frac{T}{T}; \frac{L}{P} \right) \) to explain the differences between England, the Midwest (also known as “Northwest”) and the South in the causes of past growth before 1860 and potential for continued economic growth after 1860.

3. (12 points) Use a model of supply and demand for wheat to explain who benefitted from the transportation revolution of the 1800s. Supplement your written explanation with a graph.

PART III. Table Identification (12 points total; 9 minutes total) Answer both questions.

1. What are the data in the table saying? (2 points) What is an explanation for the pattern shown? (4 points)

<table>
<thead>
<tr>
<th>Year</th>
<th>% of Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>1823</td>
<td>1.1</td>
</tr>
<tr>
<td>1835</td>
<td>1.8</td>
</tr>
<tr>
<td>1849</td>
<td>3.5</td>
</tr>
<tr>
<td>1859</td>
<td>6.8</td>
</tr>
</tbody>
</table>

(2) What are the data in the table saying? (2 points) What is an explanation for the pattern shown? (4 points)

<table>
<thead>
<tr>
<th>Skill Premium</th>
<th>daily wage of machinist</th>
<th>daily wage of common labor</th>
<th>in urban Massachusetts</th>
<th>x100</th>
</tr>
</thead>
<tbody>
<tr>
<td>1825</td>
<td>150</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1831-40</td>
<td>156</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1841-50</td>
<td>190</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1851-60</td>
<td>220</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Walton & Rockoff, Table 11-6.

Part IV. Map Identification (8 points total; 6 minutes total)
Using the map below, sketch in each of the following. Label the area with (1), (2), etc. (2 points each)

(1) Proclamation Line of 1763
(2) 36º 30' parallel
(3) Mississippi River
(4) Chesapeake Bay

PART V. Short Essay Question (20 points total; 15 minutes total)
Answer one of the following two questions. Base your answers on lecture, discussion section, and the assigned reading. Complete answers will draw from all three sources.

(1) Modern day economic concepts help us understand the early development of banking and finance in the United States.
   b. (10 points) According to Naomi Lamoreaux in “Engines of Economic Development,” what were the characteristics of “insider lending” in early industrial New England? Explain how the practice of insider lending solved the asymmetric information problems of adverse selection and moral hazard.
   c. (6 points) Before 1860, individual banks issued their own paper currency. Describe one system that was created to address the asymmetric information problems created by this practice and explain how it addressed the problems.

2. Before America was colonized, the land was already occupied.
   a. (8 points) Describe the geography and climate of the Northeast, the Southeast, and the Southwest, and relate the geography to the primary economic activities conducted in those areas by the Native American people in the era before Columbus. Based on the article by Vernon Smith, “Economy, Ecology, and Institutions in the Emergence of Humankind,” use the concept of opportunity cost to explain why each of the various Indian nations specialized in just a few types of activities. According to Smith, how was information regarding opportunity cost transmitted between generations?
   b. (8 points) In the United States, the Indian Removal Act of 1830 provided for relocation of Indians from many parts of the U.S. to land designated as “Indian Territory.” Based on the article by David Wishart, “Could the Cherokee Have Survived in the Southeast?,” what were two of the U.S. claims regarding the Cherokee and their inability to survive? According to Wishart, what is the evidence on each of these claims?
   c. (4 points) What was the effect of removal on the Cherokee’s accumulated human capital? Explain.