# ECONOMICS 113:  FINAL EXAMINATION

## PART I.        QUESTIONS FROM LAST THIRD OF COURSE  (60 points possible; 60 minutes)

### A.       Paired Identification (24 points total; 24 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 no more than 12 minutes on each question.

(1)      (12 points; 12 minutes)
         (a)  Changes in women's labor force participation rate, 1970 - 2000, and
         (b)  Changes in fertility rate, 1970 - 2000

(2)      (12 points; 12 minutes)
         (a)  Pattern of educational attainment by race and ethnicity, 1980 - 2000, and
         (b)  Earnings of Mexican immigrants relative to native born whites, 1980 - 2000

(3)      (12 points; 12 minutes)
         (a) Effect of 1970s OPEC oil embargo on prices, and
         (b) Changes in productivity growth rate, 1970 - 1990

### B.       Using Economic Models and Concepts to Explain Historical Events (24 points total; 24 minutes total)  Answer **two** of the following **three** questions.  Allocate no more than 12 minutes to each question.

(1)      (12 points; 12 minutes) Use the concept of comparative advantage and the pattern of change in educational attainment to explain the post-1980 changes in marriage patterns.

(2)      (12 points; 12 minutes) Use the concept of the old age dependency ratio and late 20$^{th}$ century demographic trends to explain why Ronald Lee & Jonathan Skinner predict that Social Security tax rates will increase in the 21$^{st}$ century.

(3)      (12 points; 12 minutes) Use the regression results reported in the table below to explain why Rowthorn and Ramaswamy conclude that, in general, internal factors explain most of deindustrialization.

| Determinants of Manufacturing's Share of Total Employment (t-stats in parentheses) | |
| --- | --- |
| Log Y | 11.65 (10.92) |
| (Log Y)$^2$ | -0.643 (11.01) |
| Exports - Imports | 0.015 (4.16) |
| Imports from LDCs | -0.041 (1.57) |
| Investment / GDP | 0.014 (4.26) |
| R$^2$ | 0.91 |
| Turning Point | $8,673 |

## C. Graph and Table Interpretation (12 points total; 12 minutes total) Answer **both** questions.

(1) (6 points; 6 minutes) What is the graph saying? What is the implication of the graph for the post-1990 pattern of economic growth?
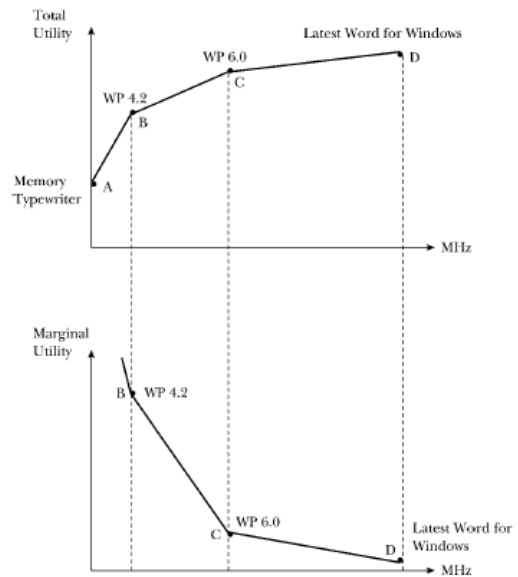
Federal Government Deficit & Surplus

1971-2003



Source: Economic Report of the President 2002, Tables B1, B3, B81.
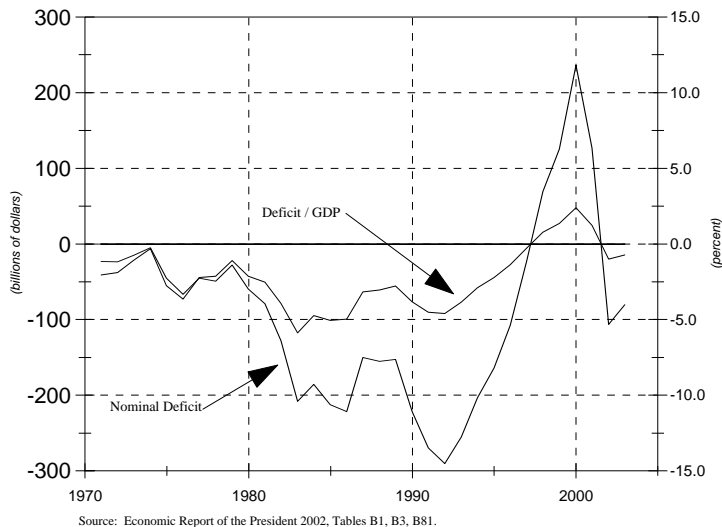
(2) (6 points; 6 minutes) What is the figure saying? According to Bob Gordon, what is the implication of the figure for future improvement in productivity growth?

*Figure 3*
**A Total and Marginal Utility Curve for Word Processing**



Source: Gordon, *Journal of Economic Perspectives* (Fall 2000).

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## PART II.  QUESTIONS FROM ENTIRE COURSE  (100 points possible; 100 minutes total)

### A.  Paired Identification (24 points total; 24 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 no more than 12 minutes on each question.

(1)  (12 points; 12 minutes)
   (a) Earnings gaps between immigrant & native born workers, and
   (b) earnings gaps between male & female workers

(2)  (12 points; 12 minutes)
   (a) educational attainment, and
   (b) the share of manufacturing in total employment

(3)  (12 points; 12 minutes)
   (a) labor productivity growth in agriculture in the late 19th century, and
   (b) labor productivity growth in manufacturing in the late 20th century.

### B.  Using Economic Models and Concepts to Explain Historical Events (36 points total; 36 minutes total)  Answer **three** of the following **four** questions.  Allocate no more than 12 minutes to each question.

(1)    (12 points; 12 minutes) Use the concept of asymmetric information to discuss how insider relations in antebellum banking and the banking crises of the 1930s each affected investment spending.

(2)    (12 points; 12 minutes) Why is econometrics used to demonstrate relationships in economic history? Illustrate your answer with any one example from the semester.

(3)    (12 points, 12 minutes) Use the concept of profit maximization to discuss similarities between the institution of slavery and marriage bars.

(4)    (12 points; 12 minutes) Discuss how then-current economic thought regarding the determinants of unemployment affected federal government policy during the 1930s Franklin Roosevelt Administration, and during the 1980s Ronald Reagan Administration.

## C.    Essay Question from Whole Course (40 points; 40 minutes)

We have woven together three strands of U.S. economic history in Economics 113: economic growth, development of infrastructure, and inequities in economic treatment. Sometimes these three strands came together in one tale. For example, in the discussion of agricultural change, we discussed the role of increased land and land productivity in contributing to economic growth, the financial and governmental institutions that enabled increases in land ownership, and the removal of Native Americans from the land. We also discussed inequities in the context of slavery, discrimination, and distribution of income and wealth. Economic historians — and hopefully now you, too — believe that studying history can provide new perspectives on recent economic patterns and on the potential for further economic growth and development in the 21st century.

You will write an essay that uses examples from economic history to illustrate factors which contribute to increases in living standards, and the costs borne by some individuals or groups as the rest of the economy experiences rising living standards. Your essay will conclude with a look toward the future: what lessons do we learn from history as we assess the potential for growth in the American economy in the 21st century?

Your essay should include these three sections:

- First, set the stage. What is the aggregate production function that can be used to discuss issues of growth in contemporary and historical contexts? What are the factors that determine changes in output per capita (Y/P)? Highlight the theoretical sources of growth. Discuss the role for development of infrastructure.

- Second, illustrate the three strands of economic history (growth, infrastructure, inequities). Choose three examples — one illustrating growth, one illustrating development, one illustrating inequity — with one example from each of three time periods: pre-1860, 1860-1940, and 1940-2000. You will have **three** examples in total (not nine).

  For each example, describe the historical event/episode. How does it illustrate economic growth, development, or inequities in economic history? What happened? Why? How? What was the impact? The determinants? Provide any relevant economic analysis.

  *The more complete your examples, the more coherent your writing, and the more appropriate your examples to a discussion of American economic history, the better your grade.*

- Conclude your essay by pointing to the future. What is the potential for further growth in the American economy? What are the likely sources of and impact of further infrastructure development? What is the potential for future inequities?