Final exam questions
Spring 2013
Econ 113

## PART I. QUESTIONS FROM LAST THIRD OF COURSE (60 points possible; 52 minutes)

Answer four of the five questions in this part.

1. (15 points; 13 minutes)
(Draws on #21, Martha Bailey, "More Power to the Pill: The Impact of Contraceptive Freedom on Women's Life Cycle Labor Supply.") There are three tables at the right: the effect of the Pill on fertility, the changes in women's educational attainment, and the changes in marriage patterns. Provide an argument that draws on the data in the tables and explains how these three things are connected.

**Effect of the Pill on Fertility**
(Robust standard errors in parentheses)

| | First birth before age . . . | | | # children ever born |
|---|---|---|---|---|
| | age 22 | age 19 | age 36 | |
| ELA to Pill | -0.093 | -0.011 | -0.001 | -0.062 |
| | (0.043) | (0.037) | (0.031) | (0.086) |
| ELA to abortion | -0.074 | -0.086 | -0.006 | 0.242 |
| | (0.057) | (0.045) | (0.006) | (0.120) |
| ELA to both | 0.057 | 0.002 | 0.005 | -0.186 |
| | (0.082) | (0.065) | (0.008) | (0.114) |

Source: Bailey, "More Power to the Pill," Table III, columns 3-6.

**Percent of population with 4+ years of college**

| | Ages 25-29 | | Ages 25+ | |
|---|---|---|---|---|
| | men | women | men | women |
| 1950 | 9.6 | 5.9 | | |
| 1960 | 14.8 | 7.6 | 9.7 | 5.8 |
| 1970 | 20.0 | 12.9 | 13.5 | 8.1 |
| 1980 | 24.1 | 20.9 | 20.1 | 12.8 |
| 1990 | 23.7 | 22.8 | 24.4 | 18.4 |
| 2000 | 27.9 | 30.1 | 27.8 | 23.6 |
| 2010* | 27.4 | 35.1 | 30.3 | 29.6 |

*Sources*: 1950-1980, Columns 1 & 2 from U.S. Bureau of the Census, *Population Profile of the United States, 1991*, pp. 4-5. Columns 3 & 4 from *Statistical Abstract 2012,* Table 230. 1990-2010 data from http://nces.ed.gov/programs/digest/d11/tables/dt11_008.asp (Accessed 4/29/2013)
*2010 data in columns 1 & 2 are for age group 25-34

**Percent of 30-34 year olds never married**

| | Women | Men |
|---|---|---|
| 1970 | 6.2 | 9.4 |
| 1980 | 9.5 | 15.9 |
| 1990 | 16.4 | 27.0 |
| 2000 | 21.9 | 30.0 |
| 2010 | 27.1 | 36.5 |

Source: *Population Profile of the United States, 1991*, p. 8. *Statistical Abstract, 2002*, Table 48 and *Statistical Abstract 2012*, Table 57.

2. (15 points; 13 minutes)
(Draws on #20, Kevin J. Stiroh,"Information Technology and the U.S. Productivity Revival: A Review of the Evidence.") What do we mean by "productivity growth slowdown" and "productivity growth resurgence" (or "revival")? When was the slowdown? When was the resurgence? Use the concept of the aggregate production function and the table at the right to discuss the role of information technology (IT) in the productivity growth resurgence.

**Explanations for 1995-1999 Productivity Revival**
(Figures are percentage points)

| gain in Y/H between pre- and post-95 | capital deepening (more K/H) | | labor quality (L/H) | TFP | |
|---|---|---|---|---|---|
| | IT | other | | IT | Other |
| 1.2 | 0.5 | -0.1 | 0.1 | 0.3 | 0.4 |

Source: Stiroh, "Information Technology and the U.S. Productivity Revival," Table 1. Each entry is the average of the 4-5 entries reported in Stiroh's Table 1.

3. (15 points; 13 minutes)
(Draws on #17, Congressional Budget Office, "The 2012 Long-Term Budget Outlook.") Define "government deficit" and "government debt," being sure to draw a distinction between the two terms. Describe the pattern of U.S. federal government debt over the past 100 or so years. Draw the connections between the demographic changes we've seen in the last half-century and the forces putting upward pressure on federal government debt. Why is rising government debt a concern now but not a century or more ago?

4. (15 points; 13 minutes)
(Draws on #19, Robert Rowthorn and Ramana Ramaswamy, "Growth, Trade, and Deindustrialization.") Give four examples: two of "good" service jobs and two of "bad" service jobs. Briefly state why those are "good" or "bad" service jobs. Drawing on the table at the right, discuss why there has been an increase in services in the U.S. economy. According to Prof. Olney's research, what is an apparent effect of the rise of services on the pace of economic recovery from recessions?

**Internal vs External Causes of Deindustrialization**
(t-stats in parentheses)

| Independent Variables | Manufacturing / Real GDP | Manufacturing / Employment |
|---|---|---|
| Log Y | 6.55 | 11.65 |
| | (7.02) | (10.92) |
| $(\text{Log Y})^2$ | -0.363 | -0.643 |
| | (7.09) | (11.01) |
| Log Relative Price | -0.611 | |
| | (9.82) | |
| Exports - Imports | 0.020 | 0.015 |
| | (6.39) | (4.16) |
| Imports from LDCs | -0.003 | -0.041 |
| | (0.14) | (1.57) |
| Investment / GDP | 0.018 | 0.014 |
| | (6.16) | (4.26) |
| $R^2$ | 0.84 | 0.91 |
| Turning Point | $8,276 | $8,673 |

Source: Rowthorn & Ramaswamy (1999), Table 3 (8AVG) and Table 4 (9AVG).

**Answer this question only if you skipped one of the previous four.**

5. (15 points; 13 minutes)
(Draws on #18, Atif Mian and Sufi Amir, "House Prices, Home Equity–Based Borrowing, and the US Household Leverage Crisis.") Explain the connections between the availability of mortgage credit through subprime lending, the post-1990 pattern of house prices, the availability and use of HELOCs, and the post-2007 drop in consumption spending.

## PART II. QUESTIONS FROM ANY TIME IN THE COURSE (45 points total; 39 minutes total)

Answer three of the four questions in this part.

6. (15 points; 13 minutes)
Use the concept of "historical analogy" to explain how Katherine Swartz, "Challenges in an Aging Society: Presidential Address to APPAM" (article #23) constructs her argument. Choose one historical episode she uses in her paper that we also covered in class this term. Discuss the episode and how it relates to Swartz's argument.

7. (15 points; 13 minutes)
In the first third of the course, we used maps a lot. In the last third, we didn't use maps at all. Why are maps important only in the early centuries of U.S. history? Discuss one example in which geography is important for understanding history. Discuss a second example in which geography is not important for understanding history.

8. (15 points; 13 minutes)
Using the tables below, discuss the similarities between and differences between explanations for the state-by-state differences in high school graduation rates in the early 20th century, and explanations for the state-by-state differences in high school graduation rates in the early 21st century.

**Analysis of High School Graduation Rates, 2010**
(t-stats in parentheses)

| | | |
|---|---|---|
| % Black | -0.180<br>(4.68) | -0.178<br>(5.14) |
| % Hispanic | -0.003<br>(0.11) | |
| % Asian | -0.024<br>(0.40) | |
| % Foreign Born | | -0.121<br>(2.45) |
| Minimum Wage * 1000 /<br>State Median Annual Y | -39.51<br>(2.94) | -37.10<br>(2.86) |
| Gini Coefficient Residual[1] | -0.942<br>(4.42) | -0.819<br>(3.50) |
| Adjusted $R^2$ | 0.58 | 0.59 |
| n | 50 | 50 |

[1]Gini coefficient residual = actual gini - gini predicted from a regression of gini on % black and (either %Hisp & % Asian - or - % foreign born) in population.
Source: Professor Olney's calculations using data from Statistical Abstract and other government websites.

**Determinants of High School Graduation Rates, 1910, 1928**

| | 1910 | 1928 |
|---|---|---|
| log per capita wealth | 0.236<br>(0.09) | 0.852<br>(0.37) |
| % population ≥65 yrs old | 2.13<br>(0.26) | 1.423<br>(0.79) |
| % labor force in<br>manufacturing | -0.067<br>(0.034) | -0.144<br>(0.097) |
| % population Catholic | -0.0913<br>(0.031) | -0.377<br>(0.09) |
| Auto registrations per capita | | 0.0568<br>(0.02) |
| South (0/1 dummy variable) | -0.0449<br>(0.01) | -0.0935<br>(0.03) |
| New England (0/1 dummy<br>variable) | 0.0444<br>(0.01) | 0.100<br>(0.03) |
| $R^2$ | 0.895 | 0.874 |
| n | 48 | 48 |

Source: Goldin & Katz, "Human Capital and Social Capital," Table 1.
Standard errors in parentheses.

# Answer this question only if you skipped one of the previous three.

9. (15 points; 13 minutes)
List the immigration restrictions imposed in the 1920s. What was the 1965 immigration reform? Compare and contrast the effects of the immigration restrictions of the 1920s with the effect of the immigration reform of 1965, both in terms of the amount of immigration and the mix of *who* migrated to the U.S. Discuss whether a push-pull framework is equally useful for explaining immigration after the 1920s reforms and after the 1965 reform.

## Part III. Essay Question from Whole Course (60 points; 60 minutes)

When a professor gets it in his or her mind to write a new textbook, the first step is to develop a rather thorough outline of the book which is then sent out to other professors for review. The reviewers don't talk with the author(s) and sometimes aren't even told who the author(s) are. The reviewers have only what's emailed to them and must use that to decide if the author(s) have done a good job capturing what the focus of the textbook should be.

***Your task: be that author!*** Write an outline of the first chapter of your proposed U.S. economic history textbook and then flesh out a few minor sections so they can be sent out for review.

Part I
Draft an outline for a first chapter of a new U.S. economic history textbook. The chapter should do four things:

I. give students a taste for how studying the past can provide insights into debates over contemporary issues

II. introduce the models, tools, and methods used by economic historians to understand the economy

III. introduce the main themes of economic growth, development, and inequities, offering very brief illustrations in multiple time periods.

IV. spell out the benefits of studying U.S. economic history

Your outline should be in usual outline format. Use the standard numbering system

I. (This is "level 1")
   A. (This is "level 2")
      1. (This is "level 3")

You should have at least two "level 2" sections in part I, and at least three "level 2" sections in parts II, III, and IV. "Level 3" sections are optional.

You can use phrases rather than sentences, but be sure the meaning is clear. Remember you won't be there to interpret the phrase when it's read. If it takes a sentence to make it clear, write a sentence rather than a phrase.

You can rearrange the order I - IV if you think a different order would flow better. You must include all four major sections above.

Part II

Now write out a minor (level 2 or 3) section for each of the 4 major sections I-IV above. (four minor sections total)

Label each section clearly using your outline numbering system. If for instance, you have sections A, B, C in section I, and in section B you have 2 sub-sections 1 and 2, and you choose to expand on what's in your outline for sub-section 1, you'd label that section as "I.B.1."

You'll wind up with four minor sections here, one for section I, one for section II, one for section III, and one for section IV.

Each minor section should be 1-3 paragraphs in length.