

OLD FINAL (FALL 2000)

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. Then describe one way in which the two items are different. Each answer is worth 12 points total. You should spend about 9 minutes on each question.

- (1) (a) Labor market opportunities as a factor explaining changes in fertility in the 19th century and (b) Labor market opportunities as a factor explaining changes in fertility in the second half of the 20th century
- (2) (a) Price of natural resources as a factor explaining labor productivity growth in the late 19th century and (b) Price of natural resources as a factor explaining labor productivity growth in the late 20th century
- (3) (a) Prejudice versus “rational” economic behavior as a factor explaining the existence of marriage bars and the reason they ended and (b) Prejudice versus “rational” economic behavior as a factor explaining the existence of slavery and the reason it ended

PART II. Table and Graph Identification (24 points total; 18 minutes total) Answer all three questions.

- (1) (8 points total; about 6 minutes) What is the first graph saying? What is the second graph saying? What are the economic and historical implications of the graphs?

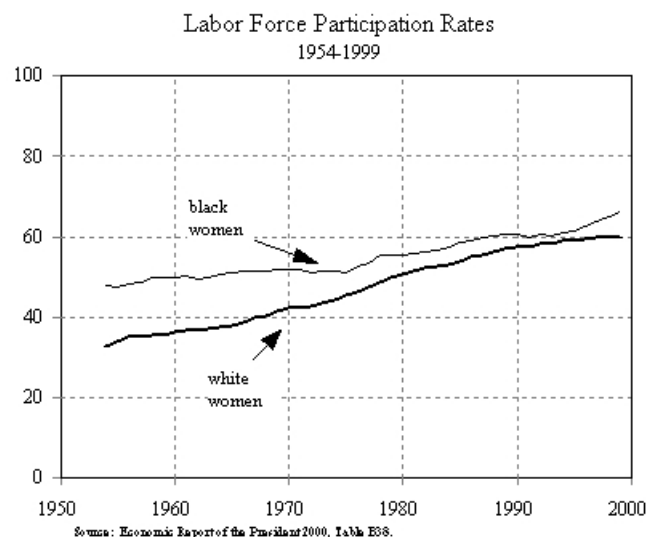
(Graphs were taped in by hand)

- (2) (8 points total) What are the data in the table saying? What is the graph saying? What is the economic connection between the data in the table and the data in the graph?

Percent of Bachelor
Degrees Earned by Women

1950	24
1970	43
1990	53

Source: *Statistical Abstract 1999*,
Table 331.



- (3) (8 points total) What are the data in the first table saying? What are the data in the second table saying? What accounts for the difference in the patterns between the first and second tables?

Wholesale Price Index	
	(1850-59=100)
1776	108
1777	330
1778	598
1779	2,969
1780	10,544
1781	5,086
1782	140

Source: U.S. Bureau of the Census, *Historical Statistics of the United States, Colonial Times to 1970*, (1975), Series Z557, p. 1196.

Wholesale Price Index	
	(1967 = 100)
1940	40.5
1941	45.1
1942	50.9
1943	53.3
1944	53.6
1945	54.6

Source: U.S. Bureau of the Census, *Historical Statistics*, Series E23.

Part III. Using Economic Models and Concepts to Explain Historical Events

(36 points total; 27 minutes total) **Answer all three questions.**

- (1) (12 points) What are the demographic factors contributing to a “crisis” in Social Security funding? According to Lee and Skinner, what changes must be made to make the Social Security program financially viable over the next 30 or so years?
- (2) (12 points) Following Segal and Sullivan, use the concepts of fixed costs and variable costs to explain the pattern of demand for workers in the temporary help industry since 1972. Be sure you demonstrate your knowledge of “fixed costs” and “variable costs” in your answer.
- (3) (12 points) Following Rowthorn and Ramaswamy, use your knowledge of the differences between productivity growth in services and productivity growth in manufacturing to explain deindustrialization.

PART IV. Short Essay Question (16 points total; 12 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) a. (10 points) Using an aggregate production function that includes both private capital and public capital, explain why the *type* of government spending matters to long-run economic growth. Over the last 30 or so years, has the U.S. federal government been shifting its spending toward or away from growth-enhancing expenditures? Describe one policy of the Clinton Administration that contributed to long-run economic growth.
- b. (6 points) Government policy in the 1960s and 1970s was focused on short-run unemployment and inflation tradeoffs. Using the concept of the Phillips Curve, describe one policy of the Kennedy, Johnson, or Nixon Administrations that attempted to change unemployment and inflation.

- (2) a. (10 points) Describe and explain what is meant by “the rise of the service sector.” Are service jobs “good” or “bad” jobs? Explain.
- b. (6 points) Some economists claim the rise of the service sector is equivalent to “deindustrialization” of the American economy. Give one reason why economic policy should be designed to slow the rise of the service sector. Give one reason why policy should *not* be designed to slow the rise.

Final Essay Question (28 points)

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, we discussed the removal of Native Americans from the land, the financial and governmental institutions that enabled increases in land ownership, and the role of increased land and land productivity in contributing to economic growth. 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.

In this essay, you will:

- First, set the stage. Present and explain the aggregate production function that can be used to discuss issues of growth in contemporary and historical contexts. Show the relationship between output per capita (Y/P) and its determining factors. Highlight the theoretical sources of growth. Discuss the role for development of infrastructure.
- Next, 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.

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 specific and 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. As we enter the 21st century, what is the potential for further economic growth? What are the likely sources of and impact of further infrastructure development? What is the potential for future inequities?