

ECONOMICS 113 — MIDTERM EXAMINATION #1

PART I. Table Identification (12 points total; 8 minutes total) Answer both questions.

- (1) Briefly, what are the data in the table saying? (2 points)
 What is an explanation of the increase over time? (4 points)

Skill Premium	
<i>daily wage of machinist</i> <i>daily wage of common labor</i> <i>in urban Massachusetts</i> × 100	
1825	150
1831-40	156
1841-50	190
1851-60	220
Source: Walton & Rockoff, Table 11-6.	

- (2) Briefly, what are the data in the table saying? (2 points)
 How can the rate of growth for the North be smaller than the rates of growth for its subregions, while the rate of growth for the South is larger than the rates of growth for its subregions? (4 points)

Differences in Regional Growth			
	Real Income per capita (1860 \$, total population)		
	1840	1860	% Δ
NORTH	109	141	1.3
North East	129	181	1.7
No Central	65	89	1.6
SOUTH	74	103	1.7
So Atlantic	66	84	1.2
E. So. Ctrl	69	89	1.3
W. So. Ctrl	151	184	1.0
Source: Walton & Rockoff, Table 13-5.			

Part II. Using Economic Models and Concepts to Explain Historical Events (36 points total; 25 minutes total)
Answer all three questions.

- (1) (12 points) Critique the old-age security motive model of fertility. (Do these steps only: replicate the argument, identify a critical assumption, explain how the conclusion rests on that assumption.)
- (2) (12 points) Use the concept of asymmetric information to explain why, according to Naomi Lamoreaux (reading #4 in the reader, "Insider Lending"), insider lending was not bad for the antebellum New England economy.

- (3) (12 points) Explain why Gavin Wright (reading #5 in the reader, “The Political Economy of the Cotton South”) concludes “the very forces that were strengthening the economic incentives for slaveowners to retain slavery were slowly weakening the political supports for the institution.” Wright’s Table 2.8 is excerpted below.

Shares of Southern Farms by Slaveholding Class, 1850 & 1860

		0 slaves	1-15 slaves	16-50 slaves	51+ slaves
Western Upland	1850	54 %	15 %	24 %	7 %
	1860	61 %	13 %	18 %	8 %
Alluvial	1850	20 %	15 %	30 %	35 %
	1860	36 %	4 %	17 %	43 %
Piedmont	1850	29 %	25 %	35 %	10 %
	1860	43 %	15 %	28 %	13 %
Cotton South	1850	39 %	15 %	25 %	21 %
	1860	48 %	12 %	23 %	18 %

Source: Gavin Wright, *Political Economy of the Cotton South*, p. 31.

PART III. Paired Identification (20 points total; 14 minutes total)

Choose **two** of the following **three** pairs of items. First, in your mind, figure out the economic concept that connects the two terms. Then, on your exam, define or identify or describe each term in the pair (6 points), providing enough detail to support the connection between the terms. Then, finally, discuss the connection between the two terms (4 points). Each answer is worth 10 points total. You should spend about 7 minutes on each question.

- (1) (a) Existence of gains from trade in pre-Colombian America, and
(b) Use of young farm women as factory labor in early New England
- (2) (a) Profitability of slave purchase, and
(b) Mechanization of northern farms in the postbellum period
- (3) (a) Sharecropping, and
(b) Land tenure in Spanish colonies

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) Mississippi River
- (2) Erie Canal
- (3) Massachusetts
- (4) Piedmont Region



PART V. Short Essay Question (24 points total; 18 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. (24 points total) In this course we study the process of U.S. economic growth and development, with attention to the inequities that have been part of that process.
 - (a) (8 points) One source of productivity growth in the colonial period was improvements in ocean shipping. Describe the changes that occurred. Using the aggregate production function $Y/P = A \cdot F(K/L, T/L, L/P)$, show how improvements in ocean shipping affected the standard of living.
 - (b) (8 points) Increases in the inputs to the production process can also generate economic growth. One such increase during the antebellum period was the invention and adoption of agricultural implements. Describe the changes that occurred: what implements were developed & adopted, what were the economic incentive(s) driving the adoption of agricultural implements, where were implements adopted and not adopted. Using the aggregate production function $Y/P = A \cdot F(K/L, T/L, L/P)$, show how the adoption of agricultural implements affected the standard of living.
 - (c) (8 points) In the United States, growth and inequities sometimes go hand-in-hand. The rise of pauperism is one example. Describe what we know about the pattern of pauperism in the antebellum period. Explain how economic growth and development contributed to the rise of pauperism.
2. (24 points total) In this course we study the process of U.S. economic growth and development, with attention to the inequities that have been part of that process.
 - (a) (8 points) One source of productivity growth in the antebellum period was improvements in river transport. Describe the changes that occurred. Using the aggregate production function $Y/P = A \cdot F(K/L, T/L, L/P)$, show how improvements in river transport affected the standard of living.
 - (b) (8 points) Increases in the inputs to the production process can also generate economic growth. One such increase during the antebellum period was the development of a factory system in the northeast. Describe the changes that occurred: where were factories located, what was produced in them, what are the defining characteristics of a factory. Using the aggregate production function $Y/P = A \cdot F(K/L, T/L, L/P)$, show how the development of a factory system affected the standard of living.
 - (c) (8 points) In the United States, growth and inequities sometimes go hand-in-hand. The policy of Indian removal is one example. Describe what we know about the living conditions of the Cherokee prior to Removal. Explain how economic growth and development created an incentive for Removal.