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### **Economic History Field Exam**

This field exam comes in four parts. Answer one question from Part A, one question from Part B, one question from Part C, and one question from Part D. Be sure to write legibly.

Part A (answer one of the following two questions).

1. In 1789 Alexander Hamilton engineered a “federal bailout of the states,” as the federal government assumed responsibility for state debts. Then in the 1840s Hamilton’s successors refused to again bail out the states. Thomas Sargent argues that this history has important implications for Europe today. What exactly is the relevant history, and what are the lessons for Europe?
2. The post- World War II period has witnessed large budget deficits and rising debt-to-GDP ratios in a number of advanced economies. What accounts for this trend? Does history provide any guidance about whether or how this trend is likely to be reversed?

Part B (answer one of the following three questions).

1. The U.S. banking system crashed and crashed hard in the Great Depression. In contrast, the Canadian banking system survived unscathed. What regulatory and other policies had Canada adopted that led to this better outcome, and what if any costs did these regulatory and other policies entail?
2. At the recent AEA session commemorating the 50th anniversary of the publication of Friedman and Schwartz's *A Monetary History of the United States*, Robert Lucas declared: "If you don't like monetary aggregates, you can't like the *Monetary History*." Do you agree or disagree with Lucas's statement? Why? (A good answer will use a discussion of Lucas's statement to evaluate the overall contribution of *A Monetary History* and Friedman and Schwartz's historical methods.)
3. Paul Krugman has recently argued that the interwar period is an obvious place to look for evidence of the size of the fiscal-policy multiplier under conditions like those that prevail today. But an earlier academic, E. Cary Brown, argued that the interwar period provides no evidence on the effects of fiscal policy because the policy was not tried. Is Professor Krugman right, and if so why? Was Professor Brown wrong, and if so why?

Part C (answer one of the following three questions).

1. The United States became a manufacturing powerhouse behind a high protective tariff. Canada had a very different tariff policy. Did Canada's 19th and early 20th century pattern of sectoral specialization reflect what one would anticipate from a naive Ricardian model, or do you need to bring in other factors to make sense of history?
2. Economic historians from de Vries to Acemoglu, Johnson and Robinson argue that long-distance trade was important for inducing institutional changes that helped to set the stage for modern economic growth. What evidence do they adduce in support of the hypothesis that trade was critically important for growth? Are the arguments of these and other authors making similar points convincing?
3. A large literature has grown up around the role of the railroad in American economic growth. China today is making very extensive investments in building a network of high-speed rail lines, mainly in support of passenger traffic. What does the historical literature on the United States suggest about the likely effects of those investments?

Part D (answer one of the following three questions).

1. What lessons are there, if any, from the late nineteenth century economic development and political economy experience of the U.S. for China today?
2. Robert Gordon has controversially argued that the First Industrial Revolution that began in the late 18<sup>th</sup> century and the Second Industrial Revolution of the period 1870-1900 were both more important for improving the human condition than the Third Industrial Revolution that began around 1960 with the development of computers, robots and the internet. What does the historical record and evidence on consumption standards, morbidity and mortality, and other variables tell us about the validity of Gordon's conclusion?
3. A common theme in the economic history literature is that resource-rich economies develop differently from resource-poor economies. Describe some of the evidence on the impact of natural resource abundance on growth and development. On net, has resource abundance been a curse or an advantage? Do you believe that the impact of resource abundance has changed over time?