University of California - Davis
Department of Economics
Economic History

Date: June 27, 2008
Time: 3 hours
Reading Time: 20 min

PRELIMINARY EXAM

Please answer **FOUR** of the following questions, including at least one from each of the three Parts.

Part A (answer at least one)

(1) Explaining the timing and rate of productivity growth in the world economy is one of the great questions of economic history. Settled agriculture was found in the fertile crescent perhaps as early as 8,000 BC. The Babylonians had a complex civilization with cities, writing, and markets. Yet the rate of productivity growth is believed to have been close to zero until 1700 or later.
(a) Is the perception of very slow aggregate productivity growth before 1700 correct?
(b) Discuss and evaluate some theories for the apparent discontinuity in productivity growth rates at the time of the Industrial Revolution.

2. Explain why political and technological developments of the mid-nineteenth century seemed to presage the rapid economic development of many poor countries. Why did this development fail to occur?

3. Institutions are just the sets of rules that govern interactions. In this case explain the circumstances in which societies can get stuck with inefficient institutions. Are there examples of such failures?

Part B (answer at least one)

1. What is the macroeconomic policy trilemma? How have researchers used this framework to understand the evolution of monetary policies, capital mobility, and exchange rate regimes in the nineteenth and twentieth centuries? Some have argued that the trilemma implies that only the "corner solutions" (hard peg or free float) are feasible exchange rate regimes. Do you agree? What is the evidence?

2. Does globalization cause inequality? Discuss historical (1870–1914) and contemporary evidence. Do you think the inequality predictions of the Heckscher-Ohlin model are sufficient to guide our understanding of past trends and future prospects? If not, where does the model fall short?

3. Are democracy and globalization compatible? Discuss the work of Meissner/Lopez-Cordova and O'Rourke/Taylor.

<u>Part C</u> (answer at least one)

1. Capital does not flow very plentifully to poor countries today. Does this reflect (a) the poor countries' low productivity? (b) their distortions? (c) their weak institutions (country risk)? (d) other forces? Discuss. Contrast with conditions in the 1870–1914 era.

2. "Natural resources are a curse"—discuss the theoretical ideas behind this statement, and the historical evidence for and against.

3. Contrast and contrast the Acemoglu/Johnson/Robinson "Colonial Origins" story with the Engerman-Sokoloff story. How could one test for one versus the other empirically?