
Midterm Exam

You have until 12:20pm to complete the exam, be certain to use your time wisely. Answer all questions directly on the exam. You may use any printouts and notes that you brought with you or any files you have saved on your computer. You may not access the internet or exchange any type of messages during the exam. If using any sort of electronic device, turn off the wifi connection. Answer questions completely but concisely. Including additional incorrect information in an otherwise correct answer may result in a loss of points. Remember to put your name on the exam. Good luck!

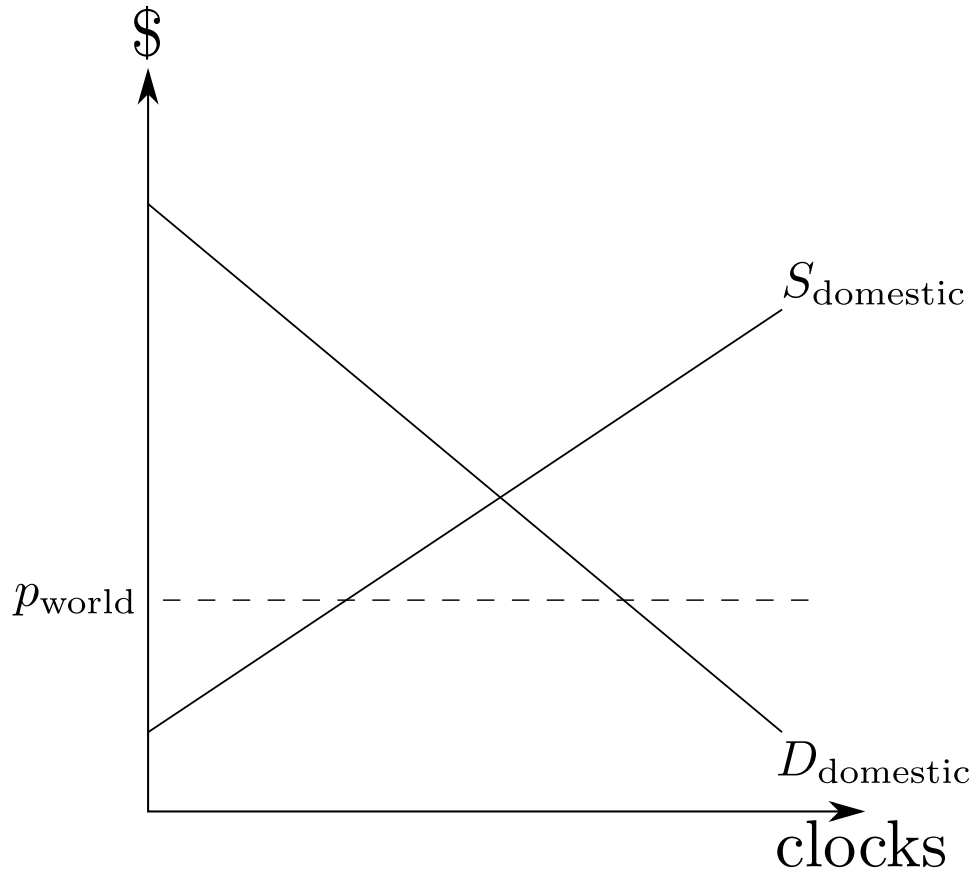
Name:

1. (20 points) The direct role played by President Jackson's policies in the Panic of 1837 remains a topic of debate among economic historians.
 - (a) Describe two actions of Jackson that may have contributed to the Panic of 1837. For both, be certain to explain why those actions would increase the likelihood of a panic.
 - (b) What empirical evidence would convince you that these actions contributed to the panic? Be as specific as possible. Note that this evidence does not need to exist, I am asking you about your ideal evidence.
 - (c) Explain one contributing factor to the Panic of 1837 that was outside of Jackson's control. Fully explain why that factor increased the likelihood of a panic.

2. (20 points) We have discussed both how the Navigation Acts prior to independence and tariff policy after independence had different impacts on different groups of Americans. Consider the subset of founding fathers who were disproportionately harmed by the Navigation Acts. Would these founding fathers be in favor of high tariffs after independence? Base your answer on the personal economic impact for the founding fathers, not any political concerns or concerns for their constituents. In your answer, be certain to explain why the subset of founding fathers you are discussing suffered an economic burden due to the Navigation Acts and why that does or does not suggest that they would face large economic burdens from high tariffs.

3. (30 points) This question focuses on the findings of Feir, Gillezeau and Jones related to the slaughter of the bison and reversal of fortunes on the Great Plains.
- (a) In no more than three sentences, explain what Feir, Gillezeau and Jones mean by reversal of fortunes in the specific context of the Great Plains Native Americans.
 - (b) Explain why the bison slaughter could lead to a reversal of fortunes for Native Americans from the Great Plains rather than simply a convergence of their outcomes to those of tribes who were not bison-dependent.
 - (c) Much of Feir, Gillezeau and Jones' analysis focuses on height as an outcome variable. In no more than two sentences, explain why height is a useful proxy for the standard of living.
 - (d) Do you think that relying on changes in height leads to an overestimate or underestimate of the impact of the bison slaughter on the standard of living for Native Americans? Be certain to fully explain your answer.

4. (30 points) The graph below shows the market for clocks in the United States. Domestic clock makers have a supply curve given by S_{domestic} . The domestic demand for clocks in is given by D_{domestic} . Consumers in the United States can acquire clocks from Europe at a price of p_{world} (shipping costs are included in this price). Domestic clock makers only sell clocks to the US market, they do not sell any clocks overseas. (Note that there is a part (c) on the next page.)



- (a) Suppose that the United States government imposes a tariff on all imported clocks. On the graph, show the impact that a tariff will have on the number of clocks sold by domestic clockmakers, on the producer surplus of domestic clockmakers and on federal revenue. Be certain to clearly label all relevant prices, quantities and areas on the graph.
- (b) Now suppose that other countries retaliate, imposing tariffs of their own on metal imported from the U.S.. These tariffs end up increasing the costs of the gears that U.S. clockmakers import from Switzerland (they have no other source for these gears). On your graph, show how these retaliatory tariffs will impact consumer surplus for Americans buying clocks, producer surplus for American clockmakers, and government revenue from tariffs on imported clocks relative to part (a). Be certain to clearly label all relevant prices, quantities and areas on the graph.

- (c) Suppose that instead of placing a tariff on clocks, the federal government decided to place a tariff on cotton textiles. At this time, clocks are a luxury; demand for clocks is highly responsive to price (highly elastic). Cotton textiles are more of a necessity, demand is very insensitive to price (rather inelastic). Explain whether a tariff on cotton textiles will lead to bigger or smaller changes in domestic consumer surplus and domestic producer surplus compared to a tariff on clocks.