
Midterm Exam

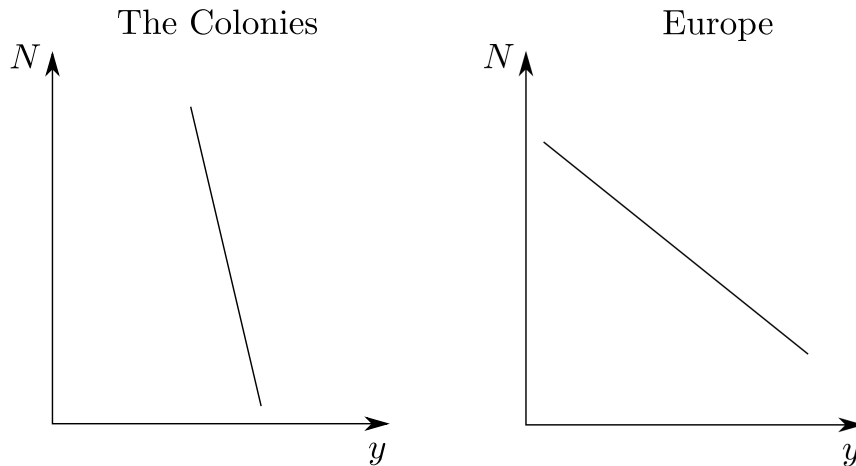
You have until 3:20pm to complete the exam, be certain to use your time wisely. Answer all questions directly on the exam. You may use any handwritten or typed notes that you brought with you that you wrote yourself. You may not use any other materials (articles, lecture slides, etc.). Answer questions 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. (10 points) In class we discussed the ways that bank notes functioned as currency in the antebellum economy. This had potentially positive and negative impacts on the American economy. Explain one way in which the proliferation of bank notes may have helped promote economic growth and one way in which it may have hindered economic growth. While you do not need to cite specific historical facts, both of your answers should be specific to the general characteristics of money and banking in the antebellum economy.

2. (25 points) The Feir, Gillezeau and Jones (2018) study highlights the complex relationships between human capital, the historical role of bison in the Native American economy and the restrictions placed on tribes by federal policies. In this question, you will explore some of the key elements of their study.
- (a) Explain why the slaughter of the bison led to a *reversal of fortunes* for Native American societies.
 - (b) The authors take multiple approaches to measuring the standard of living for Native Americans before and after the slaughter of the bison. Discuss two of the different measures they use. For each measure, explain what the measure is and discuss its advantages and disadvantages as a proxy for the standard of living.
 - (c) Differences in the types of human capital held by different Native American societies are critical to Feir, Gillezeau and Jones' story. How would you ideally measure these differences in human capital? Explain what measure you would use and why that measure is particularly well suited to the paper's arguments.

3. (25 points) The graphs below show our Malthusian model technology curves for the colonies in North America and for Europe in the 1600s. These curves relate population size, N , to output per capita, y .



- Explain why the technology curve is downward sloping in our Malthusian model. In other words, why do higher populations lead to lower output per capita?
- Why would we expect the technology curve for the Colonies to be steeper than the technology curve for Europe in the 1600s?
- Suppose the relationships between birth rates and income and between death rates and income are the same for the Colonies and Europe. How would the effects of an identical improvement in technology on long run equilibrium birth rates, death rates, population size and output per capita differ between the Colonies and Europe? Be certain to fully explain your answer.

4. (15 points) With specific reference to arguments made in the Federalist Papers, explain two distinct reasons that granting the federal government the power of taxation benefits the overall growth of the American economy.

5. (25 points) Consider the introduction of the Erie Canal and its impacts on apple growers in upstate New York. The Erie Canal substantially reduced shipping costs for these growers to get their produce to New York City (NYC). On a graph with apples sold in New York City on the horizontal axis and price on the vertical axis, use supply and demand curves to show the following:
- (a) The equilibrium price paid by NYC consumers for apples before the canal is built. Label this p_{before} .
 - (b) The equilibrium price paid by NYC consumers for apples after the canal is built. Label this p_{after} .
 - (c) The gain in producer surplus for upstate apple growers due to the decreased shipping costs on the apples they were already selling to NYC before the Erie Canal. Label this A on your graph.
 - (d) The gain in producer surplus for upstate apple growers due to the surplus on additional apples that are sold to NYC after the canal that were not sold before the canal. Label this B on your graph.

Clearly label any and all relevant supply and demand curves on your graph. You can assume that upstate New York apple growers provide all of the apples for the New York City apple market.