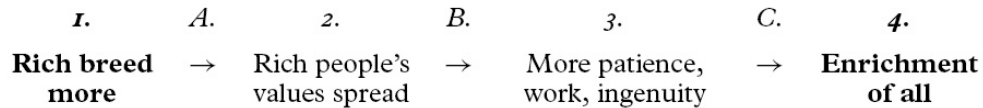# Final Exam

You have until 3:30pm 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. No electronic devices may be used during the exam. 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) Explain two reasons why we might expect poor countries to catch up to rich countries over the course of the late 1800s and early 1900s in terms of industrialization and income per capita. In other words, explain two reasons why the Great Divergence is particularly surprising.

2. (30 points) Consider McCloskey's critiques of Clark's social evolution explanation of the Industrial Revolution. One issue McCloskey had was that there were many parts of the social evolution story that Clark did not demonstrate with empirical evidence. Recall the following diagram from McCloskey showing the necessary links for Clark's hypothesis:

The Clark hypothesis: Rich people are better and drive out the poor

1.		*A.*	*2.*		*B.*	*3.*		*C.*	*4.*
Rich breed more	→		Rich people's values spread	→		More patience, work, ingenuity	→		**Enrichment of all**

McCloskey claimed that Clark provided evidence for items 1 and 4 in the diagram but did not demonstrate items 2 or 3 or the links A, B and C. Choose any two of these missing pieces (2, 3, A, B, or C) and describe the data and analysis you would use to test whether that piece of Clark's argument holds.

3. (30 points) Consider the technological changes covered by Goldin and Katz: the shift from artisanal or hand trades to factory production, the shift from factory to assembly-line production, and the shift from assembly-line to continous-process (or batch) methods. For each technological change, explain how you would expect it to effect the Gini coefficient and the intergenerational income elasticity for a country. Be certain to fully explain your answers.

4. (20 points) Use a graph of isoquant and isocost curves to show the effects of hookworm eradication on the optimal combination of capital and labor used by firms. Your graph should have capital on the vertical axis and labor on the horizontal axis. Provide a written explanation of how hookworm eradication would affect capital per worker and average wages for workers. Your written explanation should explicitly reference your graph but can also discuss effects not captured by the graph.