

SS 129: Final. Winter 2009 Professor Rosenthal

Please complete the exam in about four hours.

While you are free to examine the readings assigned for this class, please do not use outside sources (it is how you think about this material that matters).

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You may take the exam at any time. It is due no later than 5 pm Wednesday March 18. You may email your copy to me, or turn it in class.

Part 1 FINANCE

3pts Complete one of two (≈100 words)

1a. Lamoreaux argued that insider lending was efficient. What specific incentives did it provide to make bankers direct funds to worthy borrowers.

1b. What were the consequences of entry restrictions in banking according to Haber?

3pts Complete one of two (≈100 words)

2a. Why were insurance companies able to sustain interregional lending when other firms were not according to Snowden?

2b. Why were cities so much more affected than the countryside by the housing crash of the great depression??

8pts Complete one of two (≈350 words)

3a. Rajan and Zingales make a big deal of trade openness in explaining financial development. Does the US case confirm or contradict their argument? Why? Can a large domestic market be a substitute for the international market?

3b. Piketty and Saez argue that negative shocks to capital income are largely responsible for the major changes we observe in income inequality. In the US do we also see large scale adjustment of the financial institutions as a result of shocks like wars or recessions?

12pts Complete one of two (≈500 words)

Prior to your essay: please provide (1) an outline of your answer and (2) a two sentence thesis. Failure to do so will cost you 2pts

4. Please reread Sylla and Haber. Haber takes the US as the best example of institutions that promote competition in banking. Sylla argues that US banking policy restricted entry, increased the cost of capital and, reduced market integration. Who is right? Why? 4b.

Part 2 CUMMULATIVE

10 pts Complete one of two (≈350 words)

- 5a. Please read Mary O'Sullivan's paper on the reading list (that we did not read for Class). Then returning to the arguments developed by Lamoreaux et al about the reorganization of inventive activity and consider whether the slow rise of R&D departments in the US could be explained by the structure of the financial market. Page | 2
- 5b. Please read Aldo Mussachio's on the reading list (that we did not read for class) and consider whether the law might explain why financial markets in Brazil grew until WWI. What are the key ways in which investors were

15pts Complete one of two (≈600 words)

Prior to you essay: please provide (1) an outline of your answer and (2) a two sentence thesis. Failure to do so will cost you 2pts

6. Engerman and Sokoloff argued that factor endowments were critical in shaping institutions across the Americas. To what extent is the material in this course consistent with the argument that as the U.S' stock of human, physical, and knowledge capital grew, institutions changed. Conversely is there evidence that some early decisions about institutions had a long term impact on the accumulation of human, physical, or knowledge capital