ECONOMIC HISTORY FIELD EXAM

August 2014

Instructions

Do four of eight. Name-dropping to authors and sub-literatures is encouraged:

Questions

1. **Neoclassical Political Economy:** The conventional theory of long-run economic growth saw it as a dialectic among resources, accumulation, and invention. The neoclassical political economy literature since Doug North adds "institutions" to this mix. In your view, what insights as this neoclassical political economy literature added to our understanding of economic growth? In your view, how has this neoclassical political economy literature been hobbled by its confining "institutions" to a straitjacket in which they are noted only after a neoclassical-theory rationale has been provided?

2. **Culture and Economy:** For more than a century, at least since Max Weber's *The Protestant Ethic and the Spirit of Capitalism*, economic historians have tried to wrestle with the question of how much cultural patterns shape and how much they are shaped by the process of economic growth and development. Take a step back and assess the current state of this literature. In your view, what are the most important conclusions we have been able to establish? In your view, what are the unsettled aspects on which future research would be most valuable? In your view, what rough consensus positions that economic historians have reached are likely to be in error?

3. **Theories of the Commercial and Industrial Revolutions:** Gregory Clark has taken an out-their position and claimed there is really only one important date in global economic history since the invention of agriculture: 1760, the start of the Industrial Revolution. Jan de Vries, by contrast, would claim that there are two important dates: he would add 1492/1498, the voyages of Cristóbal Colón and Vasco da Gama that sparked the Commercial Revolution. Which of these grand narratives provides, in your view, the best framework for understanding global economic history? Why?

4. **Financial Crises:** Rinehart and Rogoff famously argued, in This Time is Different, that when it comes to financial crises there is nothing new under the sun. Many economic historians would argue, in contrast, that the causes and consequences financial crises in the 19th century and the 1930s differed in important ways from 21st century financial crises. How, specifically, did they differ?

5. **Quantitative Easing in the Great Depression and in the Great Recession:** Is monetary policy effectively out of ammunition to fight recessions when short-term safe nominal interest rates fall to zero? The conventional macro-finance literature from John Hicks through James Tobin to today says "yes, central banks are out of ammunition". When the short-term safe nominal interest rate hits zero monetary policy is then just the government swapping two short-term assets that are perfect substitutes. Only to the extent that the central bank carries out fiscal policy or banking policy in disguise can monetary policy be effective. Milton Friedman and Ben Bernanke say "no, monetary policy is not out of ammunition." Eventually, a large enough increase in the monetary base will tell. How does the experience of the Great Depression of the 1930s shed light on the policy dilemmas faced by central bankers trying to find an effective monetary policy path over the past six Great Recession years? Are the lessons history teaches of the effectiveness of "quantitative easing" the same in the two periods?

6. **"Exceptionalism":** A major theme in economic history is that in certain areas certain regions are "exceptional"--that they are extraordinarily favored by chance and situation so much so that the normal rules that govern economic development elsewhere simply do not apply. Pick your favorite (or disfavorite) case (or two) in which economic historians have argued for "exceptionalism". What valid insights in your opinion have been gained via this theme, and what confusions have been spread?

7. **Long-Run Inequality:** Thomas Piketty has argued that there has been a tendency for the rate of return on capital (“r”) to exceed the rate of growth of the economy (“g”), resulting in a growing tendency over time for wealth to concentrate in the hands of the few. What light does the historical literature shed on this contention?

8. **Methodology:** Cliometricians are inclined to argue that the use of modern statistical methods has resulted in significant advances in our understanding of key issues in economic history. Do you agree with this statement? If so, suggest and analyze three key issues where you believe that this is the case. If you disagree, describe three instances where the use of such methods has led not to greater understanding but to misunderstanding.