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). You may take the exam at any time. It is due no later than 5 pm Tuesday March 16. You may email your copy to me, or turn it in to my box, or office. Good luck Maximize the pts!

Part 1 FINANCE

2pts each Complete three of four (≈100 words each)

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

1b. Why was the corporate governance of utilities and finance companies different from those of manufacturing firms according to Hilt?

1c. Did J-P Morgan add value, for whom and how?

1d. What were the key forces behind long term changes in income inequality in the US according to Piketty and Saez?

8pts Complete one of two (≈350 words)

3a. In recent times scholars have emphasized the design of business organizations is critical to their access to finance. To what extent is the evidence we saw in the class consistent with this argument? Might corporate governance’s change over time if so how.

3b. As the U.S. digs itself out of the financial crisis, it must confront the process of institutional change. As part of the immediate efforts to deal with the crisis the concentration of the banking sector has increased. In light of the arguments of Rajan and Zingales, is that a good thing for the future growth of the financial sector. Are there other forces that might go in the opposite direction?
12pts  (≈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 Who is right? Why?
In New England banks seems to be able to control the quality of their loan portfolios while in the mortgage sector problems arose with regularity. What was the core problem of the inter-regional mortgage market. Has the growth in scale of the US economy made this problem more general or have information technologies made it easier to assess and maintain the quality of loan portfolios.

Part 2 CUMMULATIVE

10 pts  Complete one of two (≈400 words)
5a. Please re-read the paper by Lamoreaux et al about the reorganization of inventive activity, and the paper by Richard Sylla that is attached. Then consider whether the slow rise of R&D departments in the US could be explained by the structure of the financial market.

5b. Please re-read the paper by Rajan and Zingales then read the paper by Haber that is attached. To what extent does Haber’s account of the evolution of capital markets in Brazil and Mexico confirm or disprove the general arguments of Rajan and Zingales?

15pts  (≈600 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

6. In the 1970s Douglass North and Lance Davis argued that institutional change was responsible for the U.S. remarkably persistent and high rates of economic growth. What kind of institutions do you think mattered most (and why)? Were these set down very early on or did they change over time?