

STS.002: FINANCE AND SOCIETY

Spring 2016

IN-CLASS EXAM INFORMATION AND FORMAT

The Exam will have two parts: **I. Identifications** (30 points) and **II. Short Answer** (45 points). The exam is out of 75 total points. The lecture will cover only material up through **Session 16**.

The format of those sections will be as follows:

I. Identifications (30 points): 10 points each; choose 3 of 5; taken entirely from Exam Review sheet. For each of the terms you choose, please:

- (i) **Describe** what the term means or refers to within the framework of the course.
- (ii) Place that term in **historical context**. For specific historical events, individuals, or institutions, please identify the relevant historical place(s) and time(s) in which those events occurred, individuals lived, or institutions were formed or flourished. (If relevant, please try to provide some information regarding the date or time period in which the term was situated. You will not be expected to memorize every specific date, of course, but give the best indication you can – a decade, a century, etc.)
- (iii) Explain the **significance** of that term within financial history and within the broader themes of the course.

*Example: Chamber of Assurances*¹

“The Chamber of Assurances was a new institution founded around 1600 (*actually, 1598*) in Amsterdam, a port city in the Dutch Republic. The Chamber was established to organize Amsterdam’s business in marine insurance. The Chamber offered insurers and their customers a site to officially register marine insurance contracts and also established regulations for insurance brokers. By making the buying and selling of insurance more transparent and organized, the Chamber aided the growth of Amsterdam’s insurance industry and contributed to the city’s further development as a commercial center. Amsterdam’s dominance in the international insurance industry became so pronounced that even traders from rival nations, like Portugal, relied heavily on the Dutch insurance market. More broadly, the Chamber is an example of a regulatory institution that contributed to market development and commercial growth by improving available information and reducing the uncertainty surrounding transactions.”

[This would be an example of a very thorough and polished answer, worth 10/10 points. Partial credit will be awarded for answers with less detail, and solid answers that do not contain such a complete level of detail might still earn 10 point. For example: An answer that included all of these main points but failed to give a date of any kind or left out any mention of broader significance might receive 8.5 or 9 points.]

¹ Note that this was not a term we discussed particularly extensively in class, so don’t be alarmed. I’m including it purely for representative purposes, to give you a sense what a good ID answer “looks like.”

II. Short Answer (45 points): 15 points each; choose 3 of 5.

The Short Answer questions might take a variety of forms, and each question will have specific guidelines on what to provide. The questions will involve slightly more writing than the Identifications, and will test much of the same content covered in the list of ID terms.

Examples of Short Answer questions might involve:

- Asking you to specifically compare events, institutions, or financial technologies
- Asking you to identify the source of a specific passage of primary text and answer certain questions about it. These include passages from readings (see below), as well as quotations and images from the lecture slides.
- Asking you to explain a certain financial object or historical event

Example 1: Consider the following passage:

Rais'd upon Hope's aspiring Plumes,
The young Advent'rer o'er the Deep
 An Eagle's Flight and State assumes,
And scorns the middle way to keep:

 On *Paper* Wings he takes his Flight,
With *Wax* the *Father* bound them fast;
 The *Wax* is melted by the Height,
And down the tow'ring Boy is cast.

 A Moralist might here explain
The Rashness of **the *Cretan Youth***,
 Describe his Fall into the Main,
And from a Fable form a Truth.

 His *Wings* are his *Paternal Rent*,
He melts his *Wax* at ev'ry Flame;
 His Credit sunk, his Money spent,
In South Seas he leaves his name.

 Inform us, You, that best can tell,
Why in yon dang'rous Gulph profound,
 Where Hundreds and where Thousands fell,
Fools chiefly float, the *Wise* are drown'd.

This passage is in the public domain.

- (a) Identify the *author* of the text from which this passage is taken. (3 points)
- (b) Identify the event in financial history that prompted this text to be written. (3 points)
- (c) In the metaphor established in this passage, the central character is “the *Cretan Youth*,” namely the mythical figure Icarus. Who does the character of Icarus represent *in financial history*? (3 points)
- (d) Comment on the significance of this passage in the context of the text as a whole. What argument is author using the Icarus metaphor to make? (6 points)

Example 2: Consider the following image:

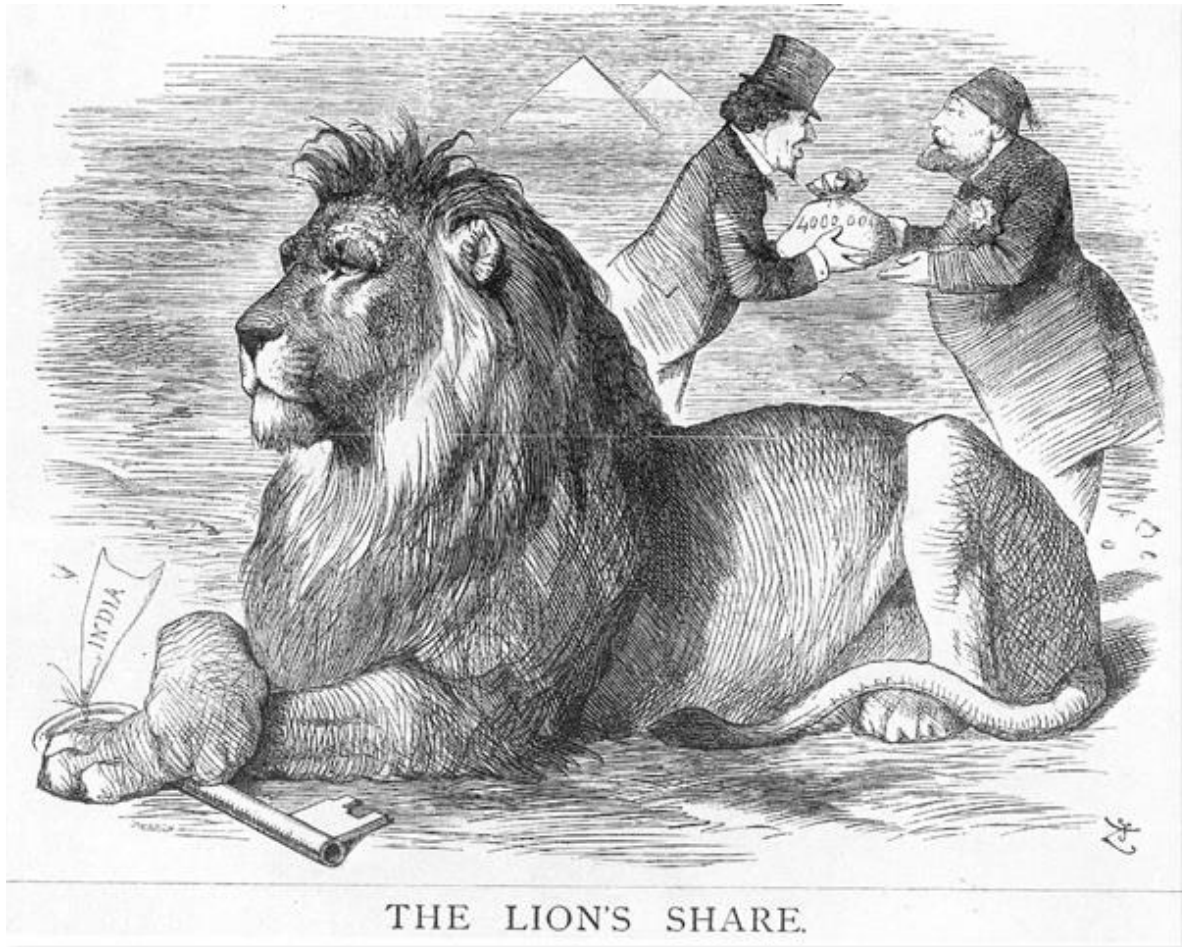


Image via the Miriam and Ira D. Wallach Division of Art, Prints and Photographs: Print Collection, The New York Public Library. "[The lion's share \(gare à qui la touche!\)](#)" New York Public Library Digital Collections. This image is in the public domain.

- (a) In the top right hand corner, a transaction is taking place. What nations are being represented in this transaction? What is being exchanged for what? (6 points)
- (b) Approximately when did this transaction take place? What financial events helped to trigger this transaction that is depicted? (3 points)
- (c) Comment briefly on this cartoon. What does it suggest about the nature of finance and global geopolitics at the time that it is depicting? (6 points)

NOTE ON READINGS

Many of the questions from the “Short Answer” section are likely to drawn from the course readings, particularly the primary source readings. You may be asked to identify and/or comment on key passages from those readings. Note, the goal of the exam is not to “trick” you by asking specifically obscure passages. Any passage that is tested on the Exam will be selected because it has a direct connection to the broader concepts, questions, and themes of the course. The Exam will emphasize those texts that we have attended to the most closely in lecture and recitation.

The following are the texts that will be considered “fair game” for Part II the Exam. (In other words, there will not be any questions on Part II that are primarily about texts that are *not* on this list):

Primary Sources:

- Class 2.** “Usury: Six Texts (1161-1419),” trans. Lawrin Armstrong, in *Medieval Italy: Texts in Translation*, ed. Katherine L. Jansen, Joanna Drell, and Frances Andrews (Philadelphia: University of Pennsylvania Press, 2009), 104-09.
3. Pieter van Dam, “Description of the Founding of the V.O.C., the Dutch East India Company” (1693-1701), trans. Herbert H. Rowen, *The Low Countries in Early Modern Times: A Documentary History* (New York, 1972), 145-49.
3. “A Conversation between Waermond and Gaergoedt about the Rise and Decline of Flora” (1637), trans. Herbert H. Rowen, *The Low Countries in Early Modern Times: A Documentary History* (New York, 1972), 165-70.
5. Jonathan Swift, *The Bubble: A Poem* (London, 1721).
5. John Trenchard and Thomas Gordon, *Cato’s Letters* (1720-1721), ed. Ronald Hamowy (Indianapolis: Liberty Fund, 1995), vol. I, pp. 40-63. (*note change of pages from earlier syllabus)
6. Alexander Hamilton, *First Report on the Public Credit* (1790), in Lance Banning, *Liberty and Order: The First American Party Struggle* (Indianapolis: Liberty Fund, 2004).
6. George Logan, *Five Letters... Containing Some Observations on the Dangerous Scheme of Governor Duer and Mr. Secretary Hamilton* (Philadelphia: Printed by E. Oswald, 1792), Letters I-III & V (pp. 1-19, 23-28).
7. Josiah Nott, “Life Insurance at the South.” *The Commercial Review of the South and West*, ed. J. D. B. De Bow, III, no. 5 (May, 1847): 357-364 (only).
7. Josiah Nott, “Statistics of Southern Slave Population. With Especial Reference to Life Insurance.” *The Commercial Review of the South and West*, ed. J. D. B. De Bow, IV, no. 3 (Nov., 1847): 275-290.
8. Andrew Jackson, “Veto Message Regarding the Bank of the United States” (July 10, 1832).
9. “Panic in Wall Street,” *Harper’s New Monthly Magazine* 48, no. 283 (Dec., 1873): 126-134.

10. *A Corner in Wheat* (silent film, dir. D. W. Griffith, 1909), based on the novel *The Pit: A Story of Chicago*, by Frank Norris.
11. Charles Arthur Conant, *Wall Street and the Country: A Study of Recent Financial Tendencies* (New York: Knickerbocker, 1904), preface (pp. iii-viii) and ch. 3 (pp. 83-116).
11. Louis D. Brandeis, *Other People's Money: And How the Bankers Use It* (New York: Frederick A. Stokes, 1914), ch. 1 ("Our Financial Oligarchy").
12. H. W. Moorhouse, "What's Happening in Wall Street?" *The North American Review* (Dec., 1928): 673-679.
12. Samuel Crowther, "Everybody Ought to Be Rich: An Interview with John J. Raskob," *Ladies' Home Journal* 46, no. 8 (Aug., 1929).
13. Franklin D. Roosevelt, "Fireside Chat 1: On the Banking Crisis," (March 12, 1933).
14. Alfred Cowles, 3rd, "Can Stock Market Forecasters Forecast?" *Econometrica* 1, no. 3 (Jul., 1933): 309-324.
14. Eugene F. Fama, "Random Walks in Stock Market Prices," *Financial Analysts Journal* 21, no. 5 (Sep.-Oct., 1965): 55-59.
16. Milton Friedman, "The Social Responsibility of Business is to Increase Its Profits," *The New York Times Magazine*, September 13, 1970.
16. Michael C. Jensen, "The Takeover Controversy: The Restructuring of Corporate America," *THE PODIUM* (Beta Gamma Sigma: St. Louis, MO, September 1987).

Secondary Sources – you may be asked to discuss the specific ideas and arguments contained in the following readings:

4. Douglass C. North and Barry R. Weingast. "Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England," *The Journal of Economic History* 49, no. 4 (Dec., 1989): 803-832.
15. Donald MacKenzie, *An Engine, Not a Camera: How Financial Models Shape Markets* (Cambridge, MA: MIT Press, 2006), chap. 4-5.

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