

# Guide for examination

**Course: STV 2220**

**Semester: Spring 2022**

The evaluation of the exams shall relate to the following learning outcomes:

## **Knowledge**

- Knowledge the key theories and perspectives in the field of International Political Economy
- Understanding of the political aspects of what we call 'economic globalization'
- Understanding of the mechanisms that govern international trade and finance
- Ability to identify powerful actors, the rules of the game, who defines them and the role of international institutions.

## **Skills**

- Ability to conduct systematic and critical thinking in the seminars, in exam writing and oral discussion.
- Ability to conduct a free and independent academic reflections on the questions mentioned above
- Ability to apply theories to explain empirical even in the field of international political economy
- Ability to identify mechanisms that governs various sectors the international economy
- *Written Exam:*
  - Ability to structure an academic text based on the assignment for the written exam.
  - Ability to disseminate the essence of the entries in the reading list of the course when answering the exam assignments.
  - Ability to perform, in writing, a scientific discussion, as for instance as a pro and con discussion or a critical discussion of a given proposition.
- *Term papers:*
  - Ability to structure an academic text with research questions and design, a theoretical discussion or empirical analysis and a clear presentation of findings and conclusions.
  - Ability to relate a research question to the academic literature in the area and assess how the choice of research question determines the choices of research design, the need for sources/data and the research method.
  - Ability to communicate academic knowledge in writing and orally and provide constructive criticism of other students' assignments.

The grading of the exams shall relate to the following grading scale:

<b>Grade</b>	<b>General qualitative description (Norwegian Association of Higher Education Institutions/UiO)</b>	<b>Description of grades for Bachelor's degree courses (political science)</b>
<b>A Excellent</b>	Excellent performance, clearly outstanding. The candidate demonstrates excellent judgement and a high degree of independent thinking.	The candidate demonstrates an excellent mastery of the course curriculum. When discussing subject-related issues, the candidate applies concepts, theories and empirical knowledge with a very high degree of certainty and in a manner that shows independent thinking and reflection. Correct use of sources and References.
<b>B Very good</b>	Very good performance. The candidate demonstrates very good judgement and degree of independent thinking.	The candidate demonstrates very good mastery of the course curriculum. When discussing subject-related issues, the candidate applies concepts, theories and empirical knowledge with a high degree of certainty and in a manner that shows independent thinking and reflection. Correct use of sources and References.
<b>C Good</b>	Good performance in most areas. The candidate demonstrates good judgement and independent thinking with respect to the most important considerations.	The candidate demonstrates good mastery of the course curriculum. When discussing subject-related issues, the candidate applies concepts, theories and empirical knowledge with certainty and in a manner that shows independent thinking. Correct use of sources and references in general.
<b>D Satisfactory</b>	Satisfactory performance, but with significant shortcomings. The candidate demonstrates limited judgement and independent thinking.	The candidate demonstrates incomplete knowledge of the course curriculum. Concepts, theories and empirical knowledge are applied inconsistently, and there are some deficiencies in the use of sources and References.
<b>E Sufficient</b>	Performance that meets the minimum criteria, but no more. The candidate demonstrates very limited judgement and independent thinking.	The candidate clearly demonstrates incomplete knowledge of the course curriculum, and shows substantial weaknesses in the application of concepts, theories and empirical knowledge, as well as a poor understanding when discussing subject-related issues.
<b>F Fail</b>	Performance that does not meet the minimum academic criteria. The candidate demonstrates a lack of both judgement and independent thinking.	The candidate shows no mastery of even elementary parts of the course curriculum, and demonstrates wide gaps in knowledge or an erroneous representation and application of key concepts and theories.

# GENERAL GUIDELINES

## Term papers

### *Introduction*

Is the research question presented? Is it formulated precise and clearly? Is it adapted to the format of the term papers and the time frame? Is it obvious what is to be described, explained or evaluated in the paper, empirically, normative or theoretical? Is the research question scientifically and/or generally relevant?

### *Concepts*

Are key concepts precisely explained and consistently used? Are potential hypotheses or propositions well founded empirically, normative or theoretical? Are alternative explanations identified?

### *Methods*

Is it obvious what observations would support and/or contradict the research question? Is the method appropriate given the sources and/or data available? Is the quality of the sources and data evaluated?

### *Analysis*

Is the discussion systematic and transparent? Is there a close connections and relevance between the research question, methods, sources and analysis?

### *Conclusion*

Is there a clear answer to research question? Is the answer well argued? Are general or scientific implications made explicit?

### *Structure and presentation*

Is there an appropriate balance and connection between the introduction, methods, discussion and conclusion? Is the language lucid and in accordance with academic norms? Do the paper meet the formal requirement, including references in the text and in the bibliography?

## Essays

In the essays, the students are primarily supposed to address the learning outcomes categorized as 'skills' above. The evaluation shall emphasize the ability to discuss the question in the assignment, rather than the factual aspects of the answer. Nevertheless, in all the essays there are elements of factual knowledge that is necessary for a good grade (C or better). Primarily, a good grade on the essay, require ability to conduct a discussion of concepts, theories or arguments, and that this discussion relates to the theoretical and empirical literature in the reading list. A very good grade (B or better), will generally require some identifiable efforts by the student to demonstrate his or her own independent contribution to the arguments in the text. Simply to refer to the lectures or reading list is normally not enough for a very good grade.

## Note regarding Covid-19

Due to the restrictions imposed in connection with the Corona virus, the students had the exam at home. Thus, they had access to all relevant literature, both in and off the reading list. Furthermore, they could easily access all information available on the internet.

It follows, that the evaluation of the exams cannot emphasize factual accuracy in the same way as if the exam had been under controlled conditions.

## SPECIFIC GUIDELINES

Note that the term paper count 50% and the exam 50%

The students are supposed to choose *one* of the three essay assignments below.

### ***Essay A:***

***Perform a pro et contra discussion identifying causal factors and mechanisms that increase or decrease the possibility of a deglobalization of the global economy following from the Covid pandemic and the war in Ukraine. You are free to emphasize specific regions, countries or topics, or theoretical perspectives. The following short text is intended as an inspiration.***

“Will Putin Kill the Global Economy?”

Excerpt from Paul Krugman, *The New York Times*, March 21, 2022

“Economic commentators always reach for historical analogies, and with good reason. ... Right now, many people are harking back to the stagflation of the 1970s. I’ve argued at some length that this is a **bad parallel** ... There are, however, good reasons to worry that we’re seeing an economic replay of 1914 — the year that ended what some economists call the **first wave of globalization**, a vast expansion of world trade made possible by railroads, steamships and telegraph cables.

In his 1919 book “The Economic Consequences of the Peace,” John Maynard Keynes — who would later teach us how to understand depressions — **lamented** what he saw, correctly, as the end of an era, “an extraordinary episode in the economic progress of man.” On the eve of World War I, he wrote, an inhabitant of London could easily order “the various products of the whole earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep.” But it was not to last, thanks to “the projects and politics of militarism and imperialism, of racial and cultural rivalries.” Sound familiar? Keynes was right to see World War I as the end of an era for the global economy. ... So, are we about to see a second deglobalization?”

This assignment is of course thematically open. Students can choose to emphasize trade, finance, investments, or other topics; or they can combine various segments of the general literature. Likewise, they can choose empirical focus in time and space.

It follows that the evaluation must focus on the ability of the students to structure and conduct a systematic analytical discussion given their theoretical and/or empirical foci. The factual basis provided in the course is wide. Trade relations and the free trade regime in WTO has been presented and discussed both in the literature and in the lectures. Likewise, the financial system from Bretton Woods up until today. The concept of financialization is important, but in this context the global

financial ramifications of the economic sanctions against Russia is one possible focal point. Finally, Foreign Direct Investments and the (lack of an) investment regime is a key topic in the literature and lectures.

The assignment might seem to invite the students to speculate about the future, but if read carefully, this is not the case. The aim is an analytical discussion of factors that can increase or decrease the possibility of a deglobalization. A good discussion would use the course literature to develop clear and lucid arguments in both directions.

***Essay B: Briefly present the theory of comparative advantage. Discuss to what extent this theory is relevant in today's global economy?***

Both in the textbook and in the lecture the theory of comparative advantage has been presented as follows:

- A country has a comparative advantage if it can produce a good at a lower opportunity cost than another country.
- A lower opportunity cost means it has to forego less of other goods in order to produce it.
- If countries specialize in producing goods where they have a lower opportunity cost – then there will be an increase in economic welfare.
- This is different to absolute advantage (Adam Smith) which looks at the monetary cost of producing a good.
- Even if one country has absolute advantage, and thus is more efficient in the production of all goods than the other country; both countries will still gain by trading with each other, as long as they have different relative efficiencies.

Source: O'Brien and Williams, box 4.4. p. 81

Arguments related to the relevance of the theory today are (at least) threefold. First, the theory of comparative advantage presupposes **inter-industry** trade, i.e.. trade between countries with *different factor endowments* (land, labor, capital, innovations and so on.) Example is the trade between the US and China. Countries will export those goods that make intensive use of locally abundant factors and will import goods that make intensive use of factors that are locally scarce. However, most of the present global trade is **intra-industry**. In particular among geographically close countries with *similar factor endowment* and productivity levels. Such trade is better explained by monopolistic competition and increasing returns to scale. Secondly, most of global trade is directed by **multinational corporations** through ownership, contracting, outsourcing. Movement of commodities, goods and services within multinational companies are seldom regarded as trade at all, and it hardly relates to the comparative advantage of the country where the company is located. Finally, free movement of capital reduces the relevance of the comparative advantage for the relative economic growth of countries and thus for wealth of the individuals. Capital movements also creates additional mechanisms of unequal distribution of wealth within a country as capital owners can make foreign investments and accumulating financial income unrelated to the productivity of the home country. Capital mobility will *ceteris paribus* reduce the productivity of domestic labor and real wages will fall. There is little explicit on such more pure economic mechanisms in the reading list, but if students are able to discuss such aspects, it should be welcomed in the evaluation. Most students are more likely to address more overarching implications of capital mobility for the relative gains from free trade. These aspects are more intuitive and 'political'. Without either the Gold Standard creating fixed exchange rates, or the Embedded Liberalism of the Bretton Woods in addition prohibiting capital movement, the capital mobility of the present global economy lacks correction mechanisms. A single country can loose trade, capital and labor at the same time and over time.

**Essay C: Describe briefly various ways to govern global value chains. Discuss costs and benefits of the market vs. an integrated value chain. You might use a specific industry as example.**

This covered in the article by Gereffi et. al. The various governance forms are:

1. *Markets*. Market linkages do not have to be completely transitory, as is typical of spot markets; they can persist over time, with repeat transactions. The essential point is that the costs of switching to new partners are low for both parties.
2. *Modular value chains*. Typically, suppliers in modular value chains make products to a customer's specifications, which may be more or less detailed. However, when providing 'turn-key services' suppliers take full responsibility for competencies surrounding process technology, use generic machinery that limits transaction-specific investments, and make capital outlays for components and materials on behalf of customers.
3. *Relational value chains*. In these networks we see complex interactions between buyers and sellers, which often creates mutual dependence and high levels of asset specificity. This may be managed through reputation, or family and ethnic ties. Many authors have highlighted the role of spatial proximity in supporting relational value chain linkages, but trust and reputation might well function in spatially dispersed networks where relationships are built-up over time or are based on dispersed family and social groups (see for example, [Menkhoff, 1992](#)).
4. *Captive value chains*. In these networks, small suppliers are transactionally dependent on much larger buyers. Suppliers face significant switching costs and are, therefore, 'captive'. Such networks are frequently characterized by a high degree of monitoring and control by lead firms.
5. *Hierarchy*. This governance form is characterized by vertical integration. The dominant form of governance is managerial control, flowing from managers to subordinates, or from headquarters to subsidiaries and affiliates.

Basically, the discussion should in one way or another relate to the observation by Ronald Coase: As soon as transaction costs and organization costs are taken into consideration, predictions concerning the (optimal) size of firms can be generated:

- a firm will grow until the marginal revenue of integrating yet another activity is equivalent to the marginal costs that have to be incurred in order to integrate that activity.
- Or: the expansion of a firm will stop as soon as the transaction cost savings from integration are less than the additional organization costs to be incurred.

Gereffi provides addition aspects to this proposition and makes the possible governance structures more complex. A focused discussion capturing the essence of the argument is sufficient, more text is not in itself better.