



KANDIDAT

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PRØVE

POL2012 1 Teorier og modeller i politisk økonomi

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1 Del 1

Del 1

Svar på **ALLE** de følgende spørsmålene (50%):

Spørsmål 1: Forklar Ricardo's teori om leie.

Spørsmål 2: Modeller og forklar en endring i etterspørsel.

Spørsmål 3: Annta at Italia kan produsere enten 120 tonn oliven eller 7000 liter rødvin, og at Hellas kan produsere enten 80 tonn oliven eller 2000 liter rødvin. Bruk Ricardo's teori om handel til å forklare potensiell handel mellom de to landene.

Spørsmål 4: Forklar Marx's teori om fallende profi

Spørsmål 5: Hva er de vanligste analyseenhetene i den neo-klassiske tradisjonen?

Spørsmål 6: Forklar hvorfor jordreform er et sentralt første steg innen økonomisk utvikling i følge Studwell (2013).

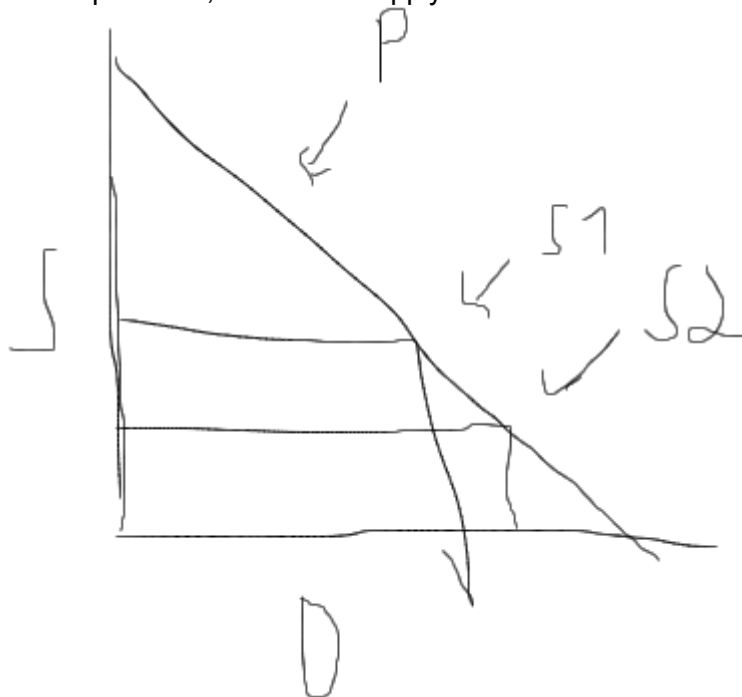
Spørsmål 7: I følge Bates (2008), hva er problemet med det han kaller 'kontrollregimer' ('control regimes')?

Skriv ditt svar her**Spørsmål 1: Forklar Ricardo's teori om leie.**

Richardo's theory of rent can be summarized as stopper on capital accumulation. For Richardo rent is negative in that it does not contribute to the economy, land owners or someone who rents out building or homes do provide housing, but it is not often by their own labor. Landowners are claiming rent simply by owning a property which allows them to accumulate wealth from other people's wages. In addition, this also causes further issues in regard to demand. If demand for accommodation is high, prices will tend to rise, which means that people paying rent will need to pay more and more rent which in turn also causes other issues like a drop in demand for other goods.

Spørsmål 2: Modeller og forklar en endring i etterspørsel.

A change in demand is usually caused by a change usually caused by a shift in supply, for example, a new supplier coming into the market which leads to competition. In capitalist societies the price of a product has a tendency to fall because of competition and changes in production, and so a shift in supply means a shift in demand as well. because of the tendency of P (price) to fall, D (demand) might also fall over time because of a lack of interest or new products dominating the market. So let's say there is a supply of 50 toys (S1) and the price is 10\$ per toy, but then there is a shift in demand, which causes it to move to (S2) a new supply and demand equilibrium, where the supply is reduced to 40 and the price per unit is now 7,5\$



per unit.

Spørsmål 3: Anta at Italia kan produsere enten 120 tonn oliven eller 7000 liter rødvin, og at Hellas kan produsere enten 80 tonn oliven eller 2000 liter rødvin. Bruk Ricardo's teori om handel til å forklare potensiell handel mellom de to landene.

Richardos theory states that countries should produce that which they have a clear advantage in. In this case Italy has a clear advantage for producing redwine but not such a big advantage in olive production. For the deal to be reasonable each of them has to make a profit. If Italy decides to produce 60 tonnes of olives, this means that they can only produce 3500 liters of redwine. It is more effective for Italy to produce redwine and it is more effective for Greece to produce olives, therefore, they should trade. To find the perfect trade you need to calculate the per unit cost of production for each of the countries, and then the countries will have to work out a deal within that margin that benefits both parts. In this scenario, Italy should focus on producing redwine because of their absolute advantage, and they should sell their wine to Greece and buy olives from them as well.

Spørsmål 4: Forklar Marx's teori om fallende profit

The falling rates of profit is one of Marx's big arguments for why capitalism leads to periodic economic crisis. According to Marx society is split into two groups, the owners of the means of production and the laborers. The owners of the means of production use the laborers to make products which are sold for a profit and the laborer earns a wage. for example, a company producing chairs, the laborer will receive the materials require and make the product for the owner, who then sells the product and pays part of the profit as a wage to the laborer. The laborers usually never have the control of all the things required to produce the chair themselves which means they need to work for someone else. Because of the nature of the capitalist society the economy always needs to grow, which in turn also means that factories need to increase their production (always produce more). For the company to produce more chairs they will need to hire more workers and maybe also have each worker focus on doing one specific thing, like making the legs for the chair. But, when you hire more workers you will need more space for them to work in, and you also need to pay wages to more people. When this happens the profits of this production will tend to fall, meaning that each chair produced is now more expensive since you need to pay for more space and more workers. efficiency also tends to fall the more people you hire. In conclusion, all these effects will eventually lead to a stagnating market since the wages of the workers will be pushed down more and more so that the owners of the means of production can make a profit, and accumulate capital. More and more of all the wealth will accumulate at the top (the owners of the means of production), eventually leading to a fall in demand because the laborers wages are no longer enough for them to keep spending money which leads to Marx's idea of repeated economic crises. In essence, lower wages leads to a lack of capital accumulation, which leads to a decrease in demand, which means a lack of profits for companies, these companies will need to fire workers or shut down since nobody is buying their products and suddenly you have entered a big economic crisis.

Spørsmål 5: Hva er de vanligste analyseenheterne i den neo-klassiske tradisjonen?

The unit of analysis in neo-classical political economy is usually firms and individuals. The reason for this is based on the assumptions made by neo-classicals. It is assumed that people are rational and utility maximizing. for example, if a person is offered more of something, they should take it, because it is rational to take more if you can get it for free or cheap. Perfect competition and information is also assumed, meaning that there is competition in the market and there is no colluding on prices, and that consumers have perfect information. to make rational decisions, one needs information about the market, so it is assumed that people always think about how to maximize their gains or utility. if these assumption hold true, then you can use models like supply and demand to make predictions about the future about the demand for apples. A fitness blogger has recently talked about hw healthy apples are and a company could now use this information to increase their production of said product to meet the expected demand. Therefore, the unit of analysis is based on the individual, and firms, so in other terms, the emotional human and emotionless firm or company.

Spørsmål 6: Forklar hvorfor jordreform er et sentralt første steg innen økonomisk utvikling i følge Studwell (2013).

This can be explained through the different stages that countries usually go through, starting with the hunter-gatherer societies moving to the agriculture and then industrializing, and also the usefulness of protectionism in letting a country develop before trading. Land reform is something that is quite difficult to achieve, especially in a country where private ownership is normalized and recognized. Asia is an example of where landreform was done in a way that benefited both the state and the population. For example, in China, by the state taking control of the land and giving plots of land to people to work, it allowed its agricultural sector to grow, so not only people could support themselves but also the state and further the economy growth of the country. Also in the switch from only agriculture to industrializing the state can also protect its economy growth through trade-protection, giving newly established industries a chance to become competitive before opening the market for free trade.

Spørsmål 7: I følge Bates (2008), hva er problemet med det han kaller 'kontrollregimer' ('control regimes')?

Control regimes are problematic because of their tendency to predate on their citizens for short-term monetary gains and also the way they can control their markets. For example, in coffee producing countries it is not unusual for the state or one big company to buy up all the coffee beans produced in the region at a fixed price set by the government, usually an artificially low price which is bad for the workers since they won't be paid nearly as much as that coffee will sell for. Coffee producers tend to produce a lot more than the citizens in that country can consume and it is a huge export to the rest of the world, but in this scenario it is the government and the connected company that reaps the benefits of the coffee production, not the citizens actually doing the work. In addition, private ownership can be quite shaky under such a regime. Lets say there is a diamond mine in a village that is being worked and used for profit by the people living there, a control regime could decide to just take this diamond mine and use it for personal gain since this would mean that the government wouldn't necessarily be dependent on taxes from their population maximizing their freedom as a totalitarian regime.

Besvart.

2 Del 2

Svar på 1 av følgende spørsmål (50%):

Spørsmål 1: Forklar enten den vellykkede økonomiske utviklingen eller mislykkede økonomiske utviklingen i et valgfritt land, fra et 'evolutionary economics'-perspektiv.

Spørsmål 2: Velg et relevant teoretisk perspektiv å diskutere problemet med økonomisk ulikhet, samt mulige botemidler.

Spørsmål 3: Diskuter den globale finanskrisen (2008-2009) i lys av en statsgjeldskrise, slik tilfellet var for Hellas og Island.

Skriv ditt svar her**Spørsmål 2: Velg et relevant teoretisk perspektiv å diskutere problemet med økonomisk ulikhet, samt mulige botemidler.**

"Is economic inequality an issue, and if so, how can it be resolved?"

Economic inequality can be described as one of the remaining big issues with the capitalist society. But what is economic inequality? There are several types of inequality, for example, gender inequality, income inequality and wealth inequality. What I will be discussing here is the inequality in the capitalist system, primarily wealth inequality and income inequality. I will be using Marx as a vantage point to pinpoint the issues with the economic system that causes economic inequality and later I will utilize newer ideas and models to look for solutions outside of Marx's ideas

One of Marx's focus points was trying to better understand capitalism. Though he acknowledges that the capitalist system was better than any previous economic system like feudalism he also recognizes the clear implications of the capitalist system. Marx's unit of analysis was the system itself, and he did not believe that capitalists were evil, but rather a product of the system they were part of. Capitalism is a collection of several ideas and most of them can be identified as causal factors for inequality.

Inequality of wealth has been an issue in almost every society and economic system through history, where there is a clear pattern of wealth or capital accumulating at the top. In feudal societies that wealth accumulated at the top for the vassals (landowners) and the king/emperor (rulers), and the same can be shown in the capitalist society, the idea of private ownership. Landowners or owners of the means of production are the ones accumulating capital. This can be explained through the idea of falling rates of profit. According to Marx society is split into two groups, the owners of the means of production and the laborers. The owners of the means of production use the laborers to make products which are sold for a profit and the laborer earns a wage. Because of the capitalist system need to always expand the output of factories also need to expand to keep up with demand, but the more people you hire, the more space you need for them and for each additional worker, the marginal cost of each unit produced will increase. The glaring problem here is that the owner of the means of production is either someone who somehow amassed more wealth than the other economic classes and therefore had the option to invest in tools and material and workers, or someone who inherited land or owns land allowing them to rent it out. Through ownership of either land or the means of production capitalist can exploit workers since people need money to feed themselves and housing to stay alive. What this means in practice is that the capitalists use the labor of the labor class to meet their own goals and the laborers won't see many of rewards for their work (a factory worker might never see the result for their labor). Because the laborers need to rent a place to live they will be paying part of their wage to the landowners who receive money from owning a house or a plot of land. One of the classical-political economists, David Ricardo explained through his theory of rent, that such a system would hamper the consumers (laborer for Marx) chance to accumulate capital which leads to Marx next major point.

When the laborers can't accumulate capital to keep spending money, this not only increases the inequality of wealth between the workers and the owners of the means of production, but it will also cause a vicious cycle which leads back to Marx's theory of the falling rates of profit. In other words, the capitalist system will cease to function because of inequality of wealth and income. Marx recognizes that the class society is the underlying cause of this inequality and proposes a classless society which can be won through revolution. Marx also admits that such a change is possible without a violent revolution, so the question is how?

We have established that economic inequality is an issue for the current economic system, but how can this be changed? One way of solving the problem is a change in the quality of production. Marx's theory came about in a period where work mainly consisted of menial and repetitive tasks like producing only legs for a chair for 8-12 hours a day every day. A change in the quality of production means moving away from using labor to work on menial tasks and instead moving towards work that requires more training and expertise to complete, for example, a country should produce golf balls instead of baseballs. There are several reasons for this, a baseball can not be manufactured by machines and requires a lot of labor per ball and they are static, in that they do not change and are all the same. Golf balls on the other hand can be manufactured by machines, and they also have some synergy with the market otherwise, the reason for this is that golf balls are not static, there is a research field connected to the production of golf balls. The production and use of golf balls has a connection to aerodynamics which is an important research field for both cars, planes and many other areas, but golf balls were the reason for discoveries such as dimples on the ball will increase the flight range of a golf ball. To avoid the problem of the falling rates of profit, all production that can be done by machines should be done by machines and humans should instead focus on tasks that can only be done by human like specialized fields such as dental care or computer engineering. Such a shift could change the power balance in society, but for this to work there needs to be equality of opportunity. Equality of income and wealth is not easy to argue for since there are good arguments for why wages often are different. People need incentives to invest several years of their life to go to medical school and there should be a reward for it (like a higher than average wage). The same goes for the capitalists, capitalists decided to take a risk and either invest in property or the tools and material require for producing something and they need an incentive to do so, which in this case is increased capability of capital accumulation. This also correlates well with the ideas of supply and demand, for example, Norway has a shortage of pre-school and middle-school teachers in the northern part of Norway and to incentivize people to go there they offer large compensations for finish the require education and living and working there for a specific amount of time. This is related to the idea of the three different types of power and the government can use incentives to change the type of production.

Economic inequality might not always be negative, as economic gains should function as a motivation to specialize and train more so that everyone can contribute to the growth of the economy. This idea however, rests on the assumption that equal opportunity is a given, which means that everyone has the option to get an education, but it does not mean that there is equality of outcome. Based on my usage of Marx I identified some of the problems with the capitalist system, but using other theories and methods might yield different results. My analysis finds that economic inequality can kill the economy over time, but it can also been seen as an engine for economic growth and innovation.

Besvart.