

Examen Global Value Chains (1/2/2019)

Question 1 (/6)

- a. Draw the smile curve of the sport shoes industry and indicate at least 5 activities
- b. Give 2 dynamic forces and indicate them on the smile curve in a.

Question 2 (/6)

- a. Activities can differ in skill-intensity and routine-intensity. Give for each of the 4 combinations (high skill – high routine, high skill – low routine, low skill – high routine, low skill – low routine) an example for an occupation
- b. Which of these occupations are evidence for the evolution of ‘disappearing middle’ or ‘job polarization’?
- c. In the cases above, is the evolution driven by offshoring or technology?

Question 3 (/8)

Statements on the VAX, true or false and give a small explanation

- a. Germany having a larger economy than Portugal is one of the reasons why the VAX ratio of Germany to Portugal is higher than the VAX ratio of Portugal to Germany.
- b. The implicit output transfers from A to B exceed the gross exports from A to B and the value added exports from A to B
- c. These 3 factors all lower the VAX ratio: low exports of mining products, high import rates, being part of an FTA
- d. An increased VAX ratio of A to B without any change to the exports from A to B means that the national welfare of A has increased

Question 4 (/8)

We saw 2 different frameworks to explain the sourcing decision (in-house or outsource) of a firm, namely i) the Property Rights Theory and ii) the Governance of GVCs.

Evidence from Mexico: selling men’s business shoes is done in a store controlled by the manufacturer (i.e. the store owner is a company employee) whereas selling women’s dress shoes is done in an independent store. Can you explain the different sourcing decisions using both frameworks? Which framework is easier to explain the sourcing decision? Please also explain the concepts the frameworks are based on (incomplete contracts, specific investments, codifiability, ...)

- a. Property rights theory (one page of answer space)
- b. Governance of GVCs (one page of answer space)

Question 5 (/6)

- a. Explain why in the same industry (same situation) some firms choose vertical specialization while other firms choose branching.
- b. Explain why in different industries some industries choose vertical specialization while other industries choose branching