POL2022:
Petroleum Management, Political Economy and Ethics
(Petroleumsforvaltning, politisk økonomi og etikk)

FINAL EXAM
8 December 2014

The exam includes three components, each of which constitutes 1/3 of the final grade.

I. Provide short (e.g., one paragraph) descriptions for each of the following five terms:

- **Corporate Citizenship**
  - This concept was discussed in the ethics reading from lecture 9. In particular, the Matten and Crane (2005) article, which points out that CC was mostly initiated by corporations, themselves. Matten and Crane, however, juxtapose corporate citizenship with T. H. Marshall’s (1965) notion of citizenship, which comprises three different aspects of entitlement: social rights; civil rights; and political rights.

- **Hjemfallsrett**
  - Hjemfallsrett, and is based on the German Heimfall, which means that the land, or block, ‘falls’ back to the state after a certain period of time. Based on the principle of escheat, it was the central component of the 1906 panic laws, which granted permission, for a limited time, to companies willing to exploit the resource—but where ownership of the resource returned back to the state after a fixed period of time.

- **Honey Pot**
  - From Karl chapter: state that resembles a “Honey Pot” (Karl 2007: 257), and this special means of generating revenues (from resource rents) affects the nature of state autonomy and efficiency, on both the international and the domestic front. First of all, the special and demanding nature of oil extraction requires an exceptionally high level of foreign/external dependence and intervention (i.e. the honey pot attracts IOCs of significant size and influence). Second, the unique nature of resource rents affects a country’s (internal) institutional development, usually in negative ways (i.e., the honey pot provides perverse incentives for political authority, in terms of how they relate to their constituents). In short, the Resource Curse has an international and a domestic dimension, both of which are related—and both of which can be seen as balances of power, or negotiated settlements.

- **The internal control principle**
  - The principle of internal control was introduced in Norway in 1976; guidelines issued in 1979. These are based on the fundamental principle that it is the licenses who are responsible for compliance with the rules and regulations in their activities. They are therefore also responsible for their own internal auditing and control. The role of the authorities, on the other hand, is twofold: firstly to specify the objectives and overall standards for work on health, safety and environmental protection; secondly, the authorities in their monitoring of activities would focus on ensuring that the licensees conduct their operations in accordance with their own codes and standards.

- **Corporatism**
o Tripartite political arrangement, where representatives for Capital, Labor and the
Government plan long terms incomes and investment decisions. This particular
institution proves useful for controlling wage growth in the Norwegian model (via
the so-called Aukrust model), in that wage growth in the exposed sector is kept
below that of the country’s main competitors (and wage growth in the sheltered
sectors follows behind these “front” sectors)

II. Respond to one of the following two essay questions:

- How can a National Oil Company become too powerful?
  A good response might note that it is important for an NOC to be powerful enough to stand
  up to IOCs, but not too powerful to overrun domestic political and economic actors. The
  latter challenge might be outlined with reference to the Norwegian Model’s tripartite
  institutions, where commercial interests need to be balanced against policy and regulatory
  interests. A too powerful NOC can dominate policy (at the expense of the public’s best
  interest) or determine regulations (prioritizing commercial interests over the environment
  and workers). Examples from Statoil’s history might be used to illustrate.

  Or

- What can a country do to build local competencies (increase local content)?
  Students should begin by defining what is meant by local content (e.g., registered address in
  a country), and then consider any number of policies/institutions use to promote these. E.g.,
  a strong political signaling (e.g., 10 Commandments); a NOC which is carried; protectionist
  regulations, Technology and Goodwill Agreements; licensing agreements that include local
  partners; local supplier requirements; visas for foreign workers, etc. Examples from Norway
  can and should be used to illustrate the argument.

III: What can a country do to overcome the Resource Curse?

  The student first needs to define the Resource Curse (RC) then develop a strategy for
  overcoming it. The more ambitious students might start with a broad definition (which
  includes political and economic components). Political components can be overcome by
  institutional changes that allow democratic and political control over the resource (linking
  into the first essay in part 2 above). The economic components (e.g., Dutch Disease) can be
  dealt with by controlling the pace, sanitizing the revenue stream (e.g., sovereign wealth
  fund), fighting off the real appreciation (and factor mobility that results), etc. Examples from
  Norway can and should be used to illustrate the argument.

Essay responses should address the question being asked in a clear, explicit, and organized fashion—
streams of consciousness should be penalized. We are not looking for “canned” histories of the
Norwegian case, but direct answers ot hte questions being asked (with example from Norway, if
useful). Students are expected to reference the class reading in support of their arguments.