

UNIVERSITY COLLEGE LONDON

University of London

EXAMINATION FOR INTERNAL STUDENTS

For The Following Qualification:-

M.Sc.

The Economic Institutions of the Construction Industry

COURSE CODE : BENVCM02

DATE : 02-MAY-06

TIME : 10.00

TIME ALLOWED : 2 Hours

University of London

MSc/PgDip Construction Economics & Management

Course Examinations – May 2006

BENVCM02 : The Economic Institutions of the Construction Industry

Time allowed: 2 hours

- Answer TWO questions
- Answer each question in a separate answer book
- Include diagrams where they assist in providing explanation
- All questions carry equal weighting. Where questions are split into sub-categories, the marks are distributed as percentages shown in parentheses
- You are advised to spend an equal amount of time on each question

Question 1

- [a] Explain the Keynesian idea that the level of output and income in an economy will depend on the level of autonomous demand, and explain the concept of the multiplier effect.

(50% of marks)

- [b] What are the key assumptions about behaviour and prices needed for the theory to work? What aspects of modern economies will tend to reduce the size of the multiplier effect?

(25% of marks)

- [c] What has happened when governments have decided to combat a threat of recession by increasing their demand for public works and buildings?

(25% of marks)

Question 2

- [a] Take an example of a country in which there is or was a period of high and growing investment demand for construction. What factors, in your view, lay behind this high construction demand?

(50% of marks)

- [b] What factors do you think brought or might bring that boom to an end?

(50% of marks)

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Question 3

- [a] Use the economic theory of transaction costs (TCE) to discuss the extent of the vulnerability of construction clients and contractors to being 'held up' by opportunistic demands made by the other party after the first party has incurred investments with transaction asset specificity.

(50% of marks)

- [b] What are the recommendations of TCE regarding the most appropriate solutions to the hold-up problem?

(50% of marks)

Question 4

Discuss the respective importance and impact on the profitability of a construction firm of: (a) each of the 'five forces' (Michael Porter) of competition in the market in which it operates, and (b) the firm's strategy for achieving competitive advantage.

Question 5

- [a] In what circumstances will construction buyers possess bargaining power over their potential suppliers? In what circumstances will construction suppliers possess bargaining power over their potential customers? How might each take advantage of possession of power? Define what you mean by 'power' in this context.

(75% of marks)

- [b] Why is (or is not) the concept of power necessary to understand construction transactions?

(25% of marks)

END OF PAPER