

UNIVERSITY COLLEGE LONDON

University of London

EXAMINATION FOR INTERNAL STUDENTS

For The Following Qualification:–

M.Sc.

ESGC2: The Economic Institutions of the Construction Industry

COURSE CODE : ENVSGC02

DATE : 03–MAY–05

TIME : 14.30

TIME ALLOWED : 2 Hours

MSc Construction Economics and Management

ENVS GC02 The economic institutions of the construction industry

May 2005

Candidates must answer **two** questions.

1] Explain why Keynesians hold that, if the economy is left to find its own equilibrium, it is possible (or probable) that equilibrium in the market for output (between aggregate demand and aggregate supply) will not involve full employment in the market for labour. What are the key assumptions that underpin this view? (50 marks)

Why will an injection of 'autonomous demand' (extra investment demand, whether by firms or government) have a multiplied effect on the equilibrium level of output, income and employment? (50 marks)

2] What are the sources of economic growth? (50 marks) Why do growth rates differ over long periods of time, and between countries? (25 marks) What can the government of a country do in order to increase the long-run rate of growth of that economy? (25 marks)

3] Imagine an economy with no economic growth and no net investment, but with technological change, and un-adaptable capital stocks of different vintages, each embodying the technology of the time at which it was built.

Explain the economic processes that will cause the scrapping of older vintages and their replacement by new vintage stock, and that will determine the rate at which this occurs, relative to the size of the stock and the level of GDP.

4] "The biggest economic problem for construction firms is that construction demand is highly variable; the biggest economic problem for construction clients is that, because of the nature of the construction transaction, it is difficult to obtain value-for-money by relying on ordinary forms of price competition and classical forms of contract." Critically discuss.

5] How would you describe the "intensity of competition" (Michael Porter) in the construction industry compared to other industries? (75 marks) How could you test whether your comparison was correct? (25 marks)

End of paper