

## **MSc Construction Economics and Management**

### **C01 Economics of construction: economies, sectors and industries**

**January 2003**

Candidates must answer **two** questions

1] Why does, or does not, the construction sector require its own special branch of economics? (70% of the marks for this question)

What assumptions, frameworks and approaches, if any, are characteristic of construction economics but uncommon in the general body of economic theory? (30% of the marks)

You should illustrate the second part of your answer with reference to the work of as many different construction economists as possible.

2] Define and explain the functioning of a non-capitalist economy of simple commodity production and exchange. (40% of the marks)

What are the key differences between such an economy and a capitalist economy? (30% of the marks)

What elements and institutions, other than commodity production, are required for the functioning of an actual modern capitalist economy? (30% of the marks)

3] How might an increase in physical labour productivity in an industry effect values of each of the following variables for the same industry:

- value added per worker;
- total value added;
- total wage bill;
- total profits;
- wage and profit shares in value added;
- unit labour cost;
- unit output price;
- sales revenue (gross output);
- profit margin?

4] Why does investment demand grow much more rapidly than GDP during economic booms, and fall more rapidly than GDP during recessions? (80% of the marks)

What happens to investment demand during a typical 'growth recession' (a period when GDP is still growing, but at below the trend rate of growth)? (20% of the marks)