

# [Construction economics for quantity survey](https://assignbuster.com/construction-economics-for-quantity-survey/)

[Economics](https://assignbuster.com/essay-subjects/economics/)

At this price, a firm can sells any number or quantity of the homogeneous commodity. In case of monopoly market, a monopoly firm is a price maker. It is also because there is no close substitute of its commodity. Depending upon the kinds of elasticity of demand of the concerned commodity, a monopoly firm may change different price from different buyers. In the case of monopolistic competition, there also prevails product differentiation. Consequently one price cannot prevail in such a market. In monopolistic competition, there exists non-price competition as well.

In such a market determination depends upon the umber of close substitutes and price policy ofthe rivalfirms. And when doing this I gathered lot to knowledge on construction industry and also about problems that are facing by a country during recessions as well as about the steps government should take in order to minimize the threats and also about the significance of the construction industry in a national economy are some areas. 4 Carry out a literature survey and establish the fundamental differences between the theoretical operation of free market and planned economics in terms of economy and its vital processes and basic problems.

An economic system is the set of mechanism and institutions that solves the basic economic problems of what to produce, how to produce and for whom to produce. Free market Economy: - This is an economic system where factor endowment (factor of production + factor productivity) are owned and controlled by private individuals and firms. Here resources are allocated according to price mechanism. Planned/ Command Economy: - This is an economic system where factor endowment (factor of production + factor productivity) are owned and controlled by private individuals and firms.

Here resources are allocated according to a plan. Differences between free market economy and planned economy, Free market Economy Main intention is profit minimization. Less government intervention. Resources are allocated according to price mechanism. Privet property ownership. Planned Economy Main intention is social welfare. High government intervention. Resources are allocated according to a plan. Public property ownership. Due to scare city of resources, people have to make choices among alternative uses of resources. Due to choice, opportunity costs arise.

There are 03 main questions that should be faced by any economy. 1 . What to produce in what quantity? 2. Whom to produce? 3. How to produce? Free market economy solves the basic economic problems as follows; 1 . What to produce in what quantity? Free market economy producers goods according to the customer requirements. They produce the products which are mostly demanded by the customers. 5 The market economy produces goods to the people who has an purchasing power. It does not provide goods freely. Market economy produces goods services for the people who can buy it/ who has an ability to purchase.

An economy should decide whether to use capital incentive production method or to use labor incentive production method. Free market economy use capital incentive reduction method in order to reduce the cost and to increase the quality of a good or a service. It will increase both the efficiency and effectiveness. Command/ Planned economy solve the basic economic problems as follows; 1 . What to produce in what quantity? Planned economy produces goods and services which are needed by the society. It does not consider about the purchasing power. It produces essentials of the society. 2. Whom to be produce?

A planned economy producegoalsand services for both who have and don't have purchasing power. It doesn't produce by only considering the demand. Its main aim s not profit minimization but social welfare. Planned economy uses labor incentive production methods in order to reduce unemployment. It also uses capital production methods, but its main method is labor incentive production method. Advantages of free market economy Competition will increase which result quality products. Use of newtechnology. New innovation. Disadvantages of free market economy 6 Not provide common/ public goods.

High income disparities. Advantages of command economy Equal and better standard of living for everyone. Less crime andpoverty. Products/ needs are provided by the government for affordable prices for everyone. Provide common goods as main aim is social welfare. Disadvantages of command economy 7 Less innovations Quality of products are low. Less choices for customers. Explain with the aid of an example the operation of the price mechanism in the market Price mechanism Price mechanism can define as a system of interdependence between supply of a good or service and its price.

It generally sends the price up when supply is below demand, and down when supply exceeds demand. Price mechanism also restricts supply when suppliers leave the market due to low prevailing prices, and increases it hen more suppliers enter the market due to high obtainable prices. The price mechanism plays three important functions in a market, these are given below, 0 Signaling function 0 Prices perform a signaling function - they adjust to demonstrate where resources are required, and where they are not. 0 Prices rise and fall to reflect scarcities and surpluses. If prices are rising because of high demand from consumers, this is a signal to suppliers to expand production to meet the higher demand. 0 If there is excess supply in the market the price mechanism will help to eliminate a surplus off good by allowing the market price to fall. Egg. Or signaling function. Price of Computer Game Price of Smart Phone Price Quantity IQ figure 2. 1 Higher demand signals to producers to step up 8 production. Total revenue is higher at price PA and output SQ. Figure 2. 2 An increase in supply leads to lower market prices - a signal to consumers that their real income has increased.

In the example on the right, an increase in market supply causes a fall in the relative prices of digital cameras and prompts an expansion along the market demand curve Transmission of preferences 0 Through their choices consumers send information to producers about the changing nature of needs and wants Higher prices act as an incentive to raise output because the supplier stands to make a better profit. 0 When demand is weaker in a recession then supply contracts as producers cut back on output. 0 One of the features of a market economy system is that decision-making is decentralized.

Egg. There is no single body responsible for deciding what is to be produced and in what quantities. This is a remarkable feature of an organic market system. Rationing function 0 Prices serve to ration scarce resources when demand in a market outstrips supply. 0 When there is a shortage, the price is bid up - leaving only those with the illnesses and ability to pay to purchase the product. Be it the demand for tickets among England supporters for an Ashes cricket series or the demand for a rare antique, the market price acts a rationing device to equate demand with supply. The popularity of auctions as a means of allocating resources is worth considering as a means of allocating resources and clearing a market. Http://www. Objectifications. Com/definition/price-mechanism. HTML#ixzz3GOfKZefX http://en. Wisped. Org/wick/price\_mechanism 9 Illustrate with examples of supply and demand curves from the identified data, slighting some of which include taxes and subsides and determine equilibrium points Supply This is the willingness and ability of a person to supply goods and services over a given to time ate given prices.

The supply curve Supply curve is the graphical representation of law of supply. It shows that there's a positive relationship between price and quantity supply. It slopes upward to the right. Figure 3. 1 (hand draw by myself) Shifts in supply curve versus movement along supply curve 10 Movement along supply curve Movement of supply curve due to changes of prices of considered product while other actors affecting to supply remain constant. Figure 3. 2 (hand draw by myself) Shifts of supply curve Supply curve shifts right or left due to changes of other factor affecting for supply while price of considered remain constant.

Figure 3. 3 (hand draw by myself) Law of supply This explains that there's a positive relationship between price and quantity supply. When price increase quantity supply also increase. Egg:- Price of cement $50 11 quantity supply 140 When prices of cement has increase from 50$ to 60$ quantity supply has increase trot 00 units to 1 Factors affecting supply 0 Prices of related product. 0 Prices of other products Substitutes o Complements Prices of inputs used in production. Technology Supplier expectations Taxes and subsidies.

Demand This is the willingness and ability of a person to purchase a product over a given period of time at given price. Demand is regarding the future. Demand curve This is graphical representation of low of demand. Demand curve slops down ward. Shifts in demand versus movement along demand curve. Movement along demand curve. Movement of demand curve due to changes of process of related product while other factor effecting for demand remain constant. Figure 3. 4 (hand draw by myself) 12 Shifts of demand curve Shifts of demand curve due to changes of other factors effecting for demand while the price of related product remain constant.