Université PANTHÉON - ASSAS (PARIS II) U.E.C.1

Droit - Economie - Sciences Sociales 7032

Assas

Session : Janvier 2019

Année d'étude : Deuxième année de Licence économie-gestion mention économie et gestion

Discipline : ***Anglais 1° semestre***
(Unité d'Enseignements Complémentaires 1)

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Document(s) autorisé(s) : Aucun document n'est autorisé

Durée de l'épreuve : 1h30.

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INFRASTRUCTURE

Doc 1:

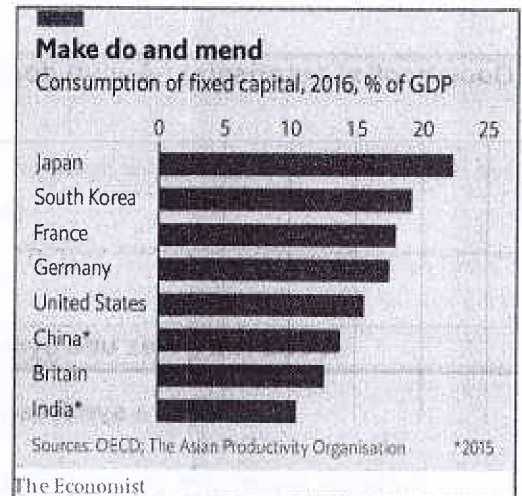
Infrastructure's value is less correlated, that is to say its value may neither strongly increase nor decrease based upon larger economic trends.

This definition differs somewhat from dictionary definitions or commonly held notions which would make it out as "the basic physical structures essential to the operation of a society." This isn't a bad starting point as an investment definition, but the key to understanding the investor's take is the word "essential" and not the word "physical." A toll road may be physical, but its essentiality is the more important and the more nuanced question: are there other surface transportation options? Moreover, its degree of correlation to economic trends is the issue where the investor looks beyond the dictionary: who rides this road, pays the tolls and why?

The key to understanding infrastructure as an investment is to stop thinking of it in the way a member of the public would. An infrastructure asset may be a good idea but not a good investment. Indeed, mass transit is certainly a good idea, moving people more efficiently, but it is often a bad investment as most mass transit systems can't cover capital and operational costs with tolls, tickets or similar user charges. They are good public policy but not good investments: to attract private capital, governments add revenue guaranties of one form or another.

Adapted from *Forbes*, March 8, 2018

Doc 2:



Doc 3:

Maintenance lacks the glamour of innovation. It is mostly noticed in its absence. Maintenance is often dismissed as mere drudgery. But in fact, as pointed out, repairing things is often trickier than making them.

It is also more difficult for economists to measure. The discipline's most prominent statistic, GDP, is gross (as opposed to net) because it leaves out the cost of wear and tear. To calculate these costs, statisticians must estimate the lifespan of a country's assets and make assumptions about the way they deteriorate. Some are like light bulbs, which work well until they stop altogether.

Most are different. Either they are assumed to wear out in a "straight line", deteriorating by the same amount each year; or they lose a steady percentage of their diminishing worth. Japan assumes that houses lose 4% of their remaining value each year. That may be one reason why the costs of wear and tear (or "consumption of fixed capital") are reckoned to be so much higher in Japan (22% of GDP) than in many other countries, where houses are assumed to age more gracefully.

And how much do economies spend fighting decay? No one knows, partly because most maintenance is performed in-house, not purchased on the market. The best numbers are collected by Canada, where firms spent 3.3% of GDP on repairs in 2016, more than twice as much as the country spends on research and development.

Adapted from *The Economist*, October 20th 2018

Doc 4:

The 2008 Recession was damaging in a lot of dimensions for the U.S. economy — output and GDP, income and employment. Everything suffered, but investment perhaps more than anything else. Corporate investments may be 25% or 30% below what they would have been in that alternative universe. So, it's quite significant.
Why are U.S. corporations not investing in the United States? Is it because they don't want to, or because they can't? Should the government take over and do public infrastructure because that's really going to trigger the private sector? Investments are going to follow it, pretty much like the rationale of the highway system of the 1950s or the 1960s, or the technology boom after the 1970s and the 1980s. Is this really a good reason to spend a lot of money on public infrastructure? Or maybe not.
Public-private partnerships are the solution that most of the Southern European countries adopted. It's extremely complicated to negotiate these things, and fundamentally they have worked in Europe as a transfer of risk. The question then is, what if the revenues don't show up? If so, who pays the bill? In Southern Europe, the governments got stuck with the bill. In the case of railroads, the governments have basically guaranteed a stream of revenues to these private agents to build these railroads. Now, they are struggling to make those payments. In some cases, they had to renegotiate those contracts. In some cases, they just defaulted.
Adapted from *The Knowledge*@Wharton University of Pennsylvania, September 27, 2018

Doc 5:

JPMorgan, with the training provider Compagnons du Devoir and French ministers, will announce on Tuesday a $30m investment across Île-de-France, particularly in Seine St Denis, to help create economic opportunity where it is needed most. The suburb is the poorest département in France, and it reflects the 1.5m living in greater Paris with high levels of poverty, unemployment and homelessness.
Our investment, part of a $500m programme, focuses on building jobs and skills for young people, adults who have been marginalised, and small businesses that need new supply chains and more affordable work and commercial space to grow. To help reduce school dropout rates and long-term unemployment, the investment will increase access to training needed for good jobs in construction and IT and help workers adapt to technology changes by providing necessary skills.
Adapted from *The Financial Times*, November 4, 2018

Doc 6:

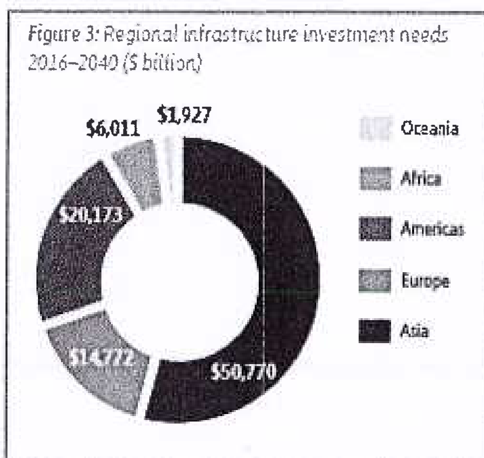


Figure 3: Regional infrastructure investment needs 2016–2040 ($ billion)

Doc 7:
infrastructure investment gap – the difference between investment needs and current trends in investment

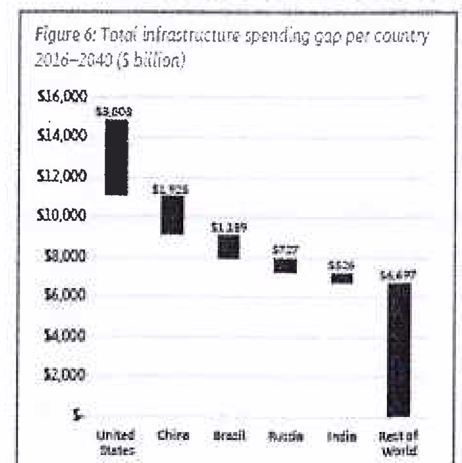


Figure 6: Total infrastructure spending gap per country 2016–2040 ($ billion)