

**NDA-CDS 2 2024**

**GK**

**LIVE**

**ECONOMICS**

**CLASS 2**



**RUBY MA'AM**



## 16 July 2024 Live Classes Schedule

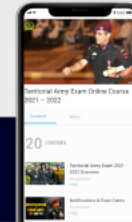
8:00AM	16 JULY 2024 DAILY CURRENT AFFAIRS	RUBY MA'AM
9:00AM	16 JULY 2024 DAILY DEFENCE UPDATES	DIVYANSHU SIR

### NDA 2 2024 LIVE CLASSES

11:30AM	GK - ECONOMICS - CLASS 2	RUBY MA'AM
5:30PM	ENGLISH - PREPOSITIONS & DETERMINERS - CLASS 2	ANURADHA MA'AM

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# Types Of Economy

<b>TRADITIONAL ECONOMIES</b>	<ul style="list-style-type: none"><li>• A traditional economy will use the barter system and has no concept of currency or money.</li><li>• Such economies believe in only producing what and how much they require. They find no need to produce any market surplus.</li></ul>
<b>MARKET ECONOMY</b>	<ul style="list-style-type: none"><li>• There is no involvement or interference from the government or any such controlling power.</li><li>• The entire economy is determined by the participants of the economy and the laws of demand and supply.</li><li>• Example - USA, Hong Kong</li></ul>
<b>COMMAND ECONOMY/PLANNED ECONOMIES</b>	<ul style="list-style-type: none"><li>• There is one centralized power- In most of the cases, the government.</li><li>• The government makes all decisions regarding the economy. The price will also be determined by it.</li><li>• Example - Cuba, China</li></ul>
<b>MIXED ECONOMY</b>	<ul style="list-style-type: none"><li>• It is a perfect coordination between a command economy and a free market economy.</li><li>• The economy is free of government intervention but the government will regulate whenever it feels necessary, and oversee specific sensitive areas of the economy like transportation, public services, defence etc.</li><li>• Example - India and France</li></ul>



# India's Economic Sector

On basis of Activity Nature

On basis of Work Condition

On basis of Assets Ownership

Primary Sector    Secondary Sector    Tertiary Sector    Quaternary Activities    Quinary Activities

Organised Sector    Unorganised Sector

Public Sector    Private Sector

## Sectors of the Economy



<b>ECONOMIC GROWTH</b>	<b>ECONOMIC DEVELOPMENT</b>
The increase in the production of goods and services is called Economic Growth	The process of Economic Growth which leads to improvement in the general welfare of people is called Economic Development.
Quantitative in nature	Qualitative in nature.
Uni-dimensional	Multi-dimensional
Can happen without development	Cannot happen without Growth.
Indicators – Real GDP, Real Per Capita Income etc.	Indicators- Human Development Index, Physical quality of life index etc.

<b>Domestic Territory includes:</b>	<ul style="list-style-type: none"><li>• Political frontiers of the country including its territorial waters</li><li>• Military Establishment of the country abroad</li><li>• Embassies and Consulates</li><li>• Ships/Aircrafts/Fishing Vessels/Oil Rigs belonging to the residents of the country</li></ul>
<b>Net Factor Income:</b>	<ul style="list-style-type: none"><li>• <b>Domestic factor income:</b> The sum of factor incomes like rent, wages, interest and profits generated within the domestic country. It includes both incomes earned by residents as well as non-residents/foreigners working in India.</li><li>• At the same time, Indian go abroad to work and earn wages, salaries, profits, and rents.</li><li>• <b>NFIFA (Net Factor Income from Abroad) =</b> Factor income received by the residents of india working abroad <b>MINUS</b> the factor income paid to the foreign residents for working in india</li></ul>
<b>Per Capita Income (PCI)</b>	<ul style="list-style-type: none"><li>• PCI measures the average income earned per person in a given area, in a specified year.</li><li>• It is calculated by dividing the area's total income by its total population.</li></ul>

# Gross Domestic Product

It is the **total money value of all final goods and services** produced within the geographical boundaries of the country during a given period of time.

Calculation of GDP:

$$\text{GDP} = \text{Private Consumption} + \text{Gross Investment} + \text{Government Investment} + \text{Government Spending} + (\text{Exports} - \text{imports})$$

# Gross National Product

GNP Refers To **Money Value Of Total Output** Of Production Of Final Goods & Services Produced By **National Of A Country** During A Given Period Of Time Generally A Year.

Symbolically,  $GNP = C + G + I + (X - M) + (R - P)$

Where, C = Consumption Expenditure

G = Government Expenditure

I = Investment Expenditure

$(X - M)$  = Net Exports

$(R - P)$  = Net Factor Income From Abroad



# Net National Product

$$\text{NNP} = \text{GNP} - \text{Depreciation}$$

NNP Refers To The **Money Value Of Total Final Goods** And Services Produced By The Nationals Of A Country Minus Depreciation During A Given Period Of Time.

Types	Definition
Nominal GDP	Nominal GDP measures the value of goods and services produced at current prices without adjusting for <a href="#"><u>Inflation</u></a> .
Real GDP	Real GDP adjusts for inflation by measuring the value of goods and services produced using constant base-year prices. It provides a more accurate reflection of changes in production levels over time.
Gross Domestic Income (GDI)	GDI measures the total income generated by the production of goods and services within a country's borders. It includes employee compensation, business profits, rental income, and net interest.
Gross National Product (GNP)	GNP measures the total value of goods and services produced by a country's residents, both domestically and abroad. It includes income earned by residents from foreign sources and excludes income earned by foreigners within the country.



<p><b><u>Purchasing</u></b> <b><u>Power Parity</u></b> (PPP) GDP</p>	<p>PPP GDP adjusts GDP figures to account for differences in the cost of living between countries, allowing for more accurate international comparisons of economic output.</p>
<p>Per Capita GDP</p>	<p>Per Capita GDP is calculated by dividing the total GDP of a country by its population. It provides an average measure of economic output per person and is often used to compare living standards between countries.</p>

# Methods Of GDP Calculation

<b>EXPENDITURE METHOD</b>	<ul style="list-style-type: none"><li>• GDP is calculated by the sum of consumer spending, investment, government purchases, and net exports.</li><li>• <math>GDP = C + I + G + X - M</math></li><li>• Where, (C) Consumption of final goods and services, (I) Investments, (G) Government Purchases, (X-M) Export <b>MINUS</b> Imports</li></ul>
<b>INCOME METHOD</b>	<ul style="list-style-type: none"><li>• GDP is calculated by the sum of income of all the factors of production i.e., wages, interest earned, profit earned, Rent.</li><li>• The income approach states that all economic expenditures should equal the total income generated by the production of all economic goods and services.</li></ul>
<b>PRODUCTION (VALUE ADDED) METHOD</b>	<ul style="list-style-type: none"><li>• Estimated by adding the value added by all the firms.</li><li>• While GVA gives a picture of economy from the producers' side or supply side, the GDP gives the picture from the consumers' / demand side perspective. (Because it considers Indirect taxes and subsidies).</li></ul>



BASIS	GROSS NATIONAL PRODUCT (GNP)	GROSS DOMESTIC PRODUCT (GDP)
MEANING	<ul style="list-style-type: none"><li>• Gross National Product (GNP) is the GDP of a country added with its 'income from abroad'.</li><li>• Here, the trans-boundary economic activities of an economy is also taken into account.</li><li>• It is measured at <b>market prices/value</b>.</li></ul>	<ul style="list-style-type: none"><li>• GDP is the value of all final goods and services produced by the normal <b>residents as well as non-residents</b> in the domestic territory of the country but does not include Net Factor Income from Abroad.</li><li>• <b>From April 2018, RBI decided to use GDP instead of GVA</b> to measure the economic activities.</li></ul>
PRODUCED BY WHOM?	<ul style="list-style-type: none"><li>• Only those goods and services that are produced by the residents of India whether working in India or Abroad are included.</li></ul>	<ul style="list-style-type: none"><li>• Whatever is produced in India-by an Indian or foreign national is part of Indian GDP.</li></ul>
NET FACTOR INCOME FROM	<ul style="list-style-type: none"><li>• GNP includes Net Factor Income Abroad</li></ul>	<ul style="list-style-type: none"><li>• Exclusion of Net Factor Income Abroad</li></ul>

# GDP DEFLATOR

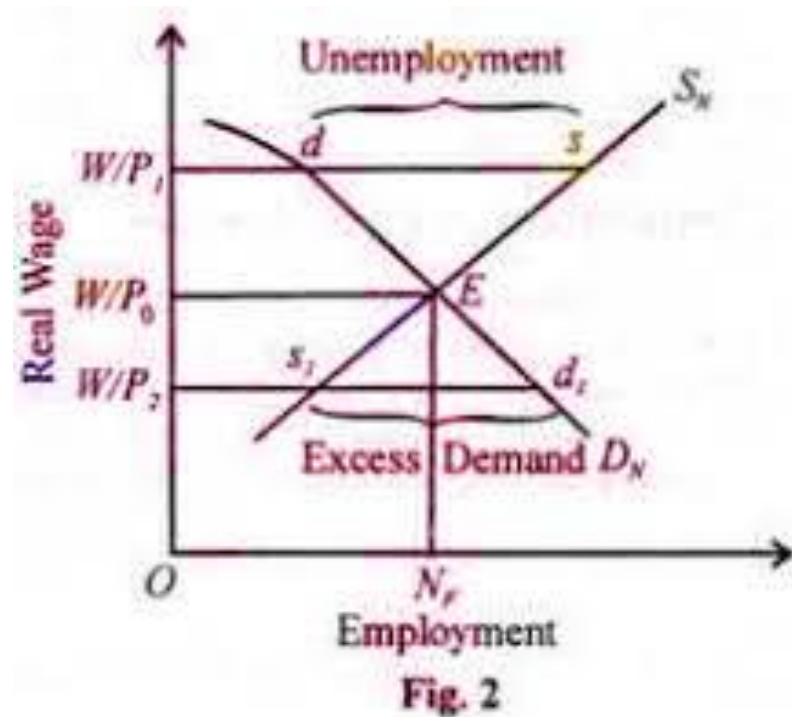
It Presents A Picture Of Inflation Like CPI And WPI But, It Is Not Based On A Fixed Basket Of Commodities. The GDP Deflator Is Reported By The Ministry Of Statistics And Programme Implementation

$$\mathbf{GDP\ Deflator = \frac{Nominal\ GDP\ at\ Current\ Prices\ (2019)}{Real\ GDP\ at\ Constant\ Prices\ (Base\ Year\ 2011)} \times 100}$$

# Classical Theory of Employment

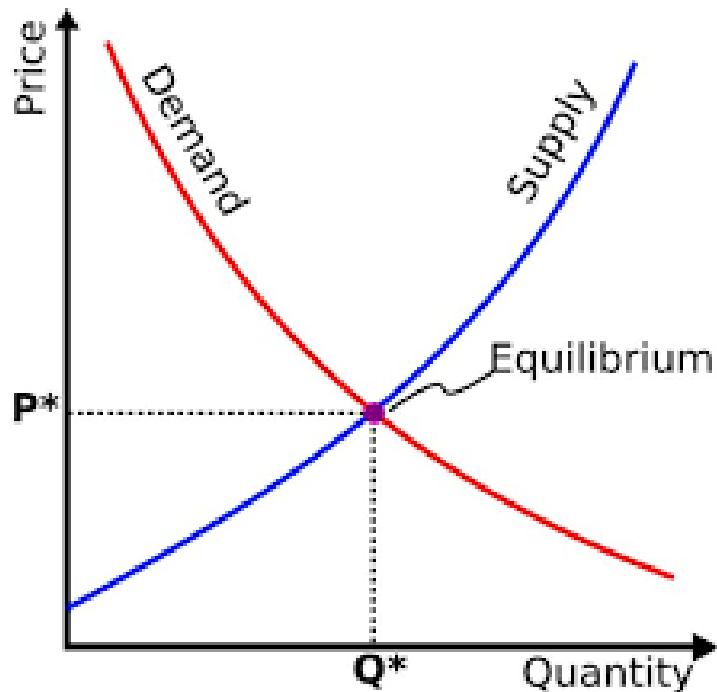
An Economy As A Whole Always Functions At The **Level Of Full Employment**.

Say's Law Of Market-supply Creates Its Own Demand.



# Keynesian Theory

According To This Theory Economic System Does Not **Ensure Automatic Equilibrium** At Full Employment. Equilibrium Can Also Be Attained Below Full Employment. This Theory Says “**Demand Creates Its Own Supply**”



# Central Statistical Office

- **Set Up In 1951**, It Is One Of Two Wings Of **National Statistical Office** Along With National Sample Survey Office.
- Activities Include GDP, Index Of Industrial Production, Energy Statistics, Infrastructure Statistics, National Income Accounting, Conduct Of Annual Survey Of Industries, Consumer Price Indices For Urban Nonmanual Employees, Human Development Statistics, Gender Statistics, Imparting Training In Official Statistics.
- **National Sample Survey Office**- Primarily Data Are Collected Through Nation-wide Household Surveys On Various Socio-economic Subjects, Annual Survey Of Industries. Also Collects Data On Rural And Urban Prices, Crop Statistics.



# National Statistical Office

- Headed By Director General, It Is Responsible For Conducting Large-scale Sample Surveys In Diverse Fields On An All India Basis.
- Primarily Data Are Collected Through Nationwide Household Surveys On Various Socioeconomic Subjects, Annual Survey Of Industries (ASI), Etc.
- Besides These Surveys, NSO Collects Data On Rural And Urban Prices And Plays A Significant Role In The Improvement Of Crop Statistics Through Supervision Of The Area Enumeration And Crop Estimation Surveys Of The State Agencies.



# REVIEW QUESTIONS

# Economics Is The Study Of

- A. The Distribution Of Surplus Goods To Those In Need.
- B. Affluence In A Morally Bankrupt World.
- C. Ways To Reduce Want To Eliminate The Problem Of Scarcity.
- D. The Choices We Make Because Of Scarcity.

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# Macroeconomics Is The Branch Of Economics That Deals With

- A. The Prices Of Individual Goods
- B. Important Rather Than Trivial Issues
- C. How Individual Markets Work
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- A. National Income
- B. Company Balance
- C. Resource Allocation
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# Name Organization Which Publishes The Consumer Confidence Index

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- B. NABARD
- C. State Bank of India
- D. RBI



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- A. Ministry Of Agriculture
- B. Planning Commission
- C. Commission For Agricultural Costs And Prices
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- B. National Defence
- C. Light House
- D. Public Parks

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- B. Copper Future Prices
- C. Gold Future Prices
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- A. Insurance on buildings
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# Which Of The Following Is Not A Method To Calculate Gross Domestic Product

- A. Diminishing Cost Method
- B. Expenditure Method
- C. Product Method
- D. None Of The Above

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# Which Organisation Calculates The Gross Domestic Product For India

- A. Central Statistics Office (CSO)
- B. Department of Economic Affairs (DEA)
- C. National Sample Survey Office (NSSO)
- D. None of the above

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- A. Net Domestic Product
- B. Net National Product
- C. Disposable Income
- D. Gross National Product

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