

# Basic Economic Concepts

■ NDA Economics · ECNO1

📄 NDA Level : High Priority

For NDA, Basic Economics is direct recall – definitions, factor rewards, and the three central problems. Questions are NCERT Class 9–10 level. One clear definition per concept and you score full marks here.

✦ **NDA Pattern:** Factor of production → its reward • Three central problems • Micro vs Macro • Economic systems • Opportunity cost definition

## 1. Scarcity, Choice & Central Problems

- ▶ **Economics:** The study of how individuals/nations allocate scarce resources to satisfy unlimited wants.
- ▶ **Scarcity:** Limited resources vs unlimited wants = central economic problem. Forces choice-making.
- ▶ **Opportunity Cost:** Cost of the next best alternative forgone when a choice is made.
- ▶ **Three Central Problems:** (1) What to produce? (2) How to produce? (3) For Whom to produce?

## 2. Factors of Production & Rewards

LAND → RENT

All natural resources; fixed supply

LABOUR → WAGES

Human mental/physical effort

CAPITAL → INTEREST

Physical capital: machines, tools (NOT money)

ENTREPRENEUR → PROFIT

Organises; bears risk; residual claimant

### 3. Economic Systems & Micro vs Macro

- ▶ **Market Economy:** Private ownership; price mechanism; e.g., USA.
- ▶ **Command Economy:** State ownership; central planning; e.g., North Korea.
- ▶ **Mixed Economy:** Both; India = Mixed Economy.
- ▶ **Micro:** Individual units (a firm, a consumer). **Macro:** Whole economy (GDP, inflation).

 NDA PYQ

#### Basic Economics — NDA Pattern

**Q1. What is the reward for labour as a factor of production? (NDA I 2023)**

- (a) Rent (b) Profit (c) Interest (d) Wages

**Answer: (d) Wages**

Land=Rent; Labour=Wages; Capital=Interest; Entrepreneur=Profit. NDA directly asks this sequence almost every year.

**Q2. India has a: (NDA II 2022)**

- (a) Market economy (b) Socialist economy (c) Mixed economy (d) Command economy

**Answer: (c) Mixed economy**

Both public sector (railways, defence, some banking) and private sector (IT, FMCG, services) coexist in India since independence. Post-1991 liberalisation expanded private sector role.

**Q3. Which of the following is NOT a factor of production? (NDA I 2022)**

- (a) Land (b) Money (c) Labour (d) Capital

**Answer: (b) Money**

Money is NOT a factor of production. Factors = Land, Labour, Capital (physical), Entrepreneur. Money is a medium of exchange, not a productive input itself.

# Rapid Revision — ECNo1

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## Factors & Rewards

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- ∴ Land = Rent
- ∴ Labour = Wages
- ∴ Capital = Interest (physical, NOT money)
- ∴ Entrepreneur = Profit (bears risk)

## Systems

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- ∴ India = Mixed economy
- ∴ Market = USA; Command = North Korea
- ∴ Micro = individual; Macro = aggregate economy
- ∴ Opportunity cost = next best alternative forgone

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