

Macroeconomics, Term 2, 2019.

IFMR.

Instructor: Sumit Mishra

### Assignment # 2

Due on Friday, October 18 at 11.59pm (as PDF).

You should work in groups (of up to 3 people) on this assignment. Each group turns in one PDF file, an excel with the datafile, and an R script. Put each member's roll number on the top left of the first page of the submission. For the first problem, you can download data on consumption and savings from the World Bank database :

<https://databank.worldbank.org/data/home.aspx>.

Each question carries 5 points. This assignment accounts for 5% of your final grade.

1 **Consumption & Savings over space and time** Pick two countries of your choice that you find interesting and learn some basic facts about these two economies. Summarize one of the following variables by using ggplot in R to produce a graph comparing the two countries' consumption trajectory over time:

a Final consumption expenditure as a percentage of GDP.

b Gross domestic savings as a percentage of GDP.

2 **Economic Crisis in India** Please read the following pieces that appeared in media recently:

- The first one is an *Economist* piece about the financial system <https://www.economist.com/finance-and-economics/2019/10/10/indian-banks-share-prices-are-being-hammered>.

- The second piece is a nice explainer by Maitreesh Ghatak on the current economic situation. <https://www.ndtv.com/opinion/opinion-how-to-fix-the-economy-the-message-is-clear-2112840>

Using the  $IS - LM$  framework, and these two articles, explain the current economic situation in India.

Use no more than 100 words.