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A Comprehensive, Modern and Well-Done Monograph on Macroeconomic Analysis

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Jan Vejmělek, Václav Žďárek, Lubomír Chaloupka and Marek Rojíček:
Macroeconomic Analysis: From Theory to Application.
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The reviewed publication, Macroeconomic Analysis: From Theory to Application, offers a modern and comprehensive perspective on the functioning of the complex "organism" of the national economy in an open global environment. The authors, in a slightly revised authorial team, build upon their previous successful monograph Macroeconomic Analysis: Theory and Practice. This new book introduces structural content changes and a significant shift in the topics examined, reflecting the increasing openness of the Czech economy. With a high level of expertise yet remarkable clarity, the authors introduce readers to modern methodological approaches to macroeconomic analysis, particularly in the areas of economic performance, gross domestic product, the labor market, internal and external equilibrium, monetary and fiscal policy.

The uniqueness of this book lies in its integration of four key domains—macroeconomic theory and analysis, economic policy, and national accounting. The quality of the text, its factual accuracy, and intellectual depth demonstrate that the authorial team possesses extensive experience in financial analysis, statistical evaluation, and macroeconomic forecasting. Furthermore, they deliver specialized lectures on these topics at universities.

The publication is structured into eight logically sequenced and thematically balanced main chapters.

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The first chapter, Introduction to Macroeconomic Analysis, familiarizes readers with fundamental procedures for conducting macroeconomic analysis, methods of presenting economic indicators in graphical form, and approaches to short-term and medium-term macroeconomic forecasting. It explains the basic statistical and econometric methods for working with time series and provides a concise overview of analytical and forecasting institutions.

The second chapter, Fundamental Relationships in the Economy, focuses on key macroeconomic identities and examines the interrelations between internal and external economic equilibrium. It defines concepts developed further in subsequent chapters, particularly the crowding-out effect of government expenditures and the issue of the so-called twin deficit. The primary focus is on gross domestic product (GDP), including issues related to its construction, calculation methodologies, and interpretative power. The chapter also introduces the concept of real gross disposable income, incorporating the impact of primary and secondary income balances from the balance of payments as well as the income effect of changes in foreign terms of trade.

The third chapter, National Accounting, presents the basic architecture of the system of national accounts, which serves as the primary source of information for economic analysts. It clearly explains the main categories of national accounts and their interrelations, referencing the latest European System of Accounts (ESA) methodology. The chapter examines the economic development of all sectors comprehensively and covers issues such as international comparisons and economic convergence. Special attention is given to satellite accounts, which, while not fully integrated into the national accounting system, provide valuable analytical insights.

The fourth chapter, External Economic Relations, spanning approximately 150 pages, underscores the fact that the Czech economy is among the most open within the European Union. The authors systematically address foreign trade, the balance of payments, the country's investment position, and capital flows in an open economy. The book adeptly combines an explanation of the current methodology for compiling the balance of payments with descriptions of key indicators of external equilibrium and their sustainability. The empirical section examines long-term trends in the balance of payments and the foreign investment position of the Czech Republic. A critical focus is placed on exchange rates and their role as an economic policy instrument. A particularly valuable aspect is the in-depth analysis of foreign direct investment (FDI), including reinvestments and dividend payouts over the investment life cycle. However, this section is not explicitly mentioned in the book's table of contents, which could be improved in future editions.

The fifth chapter, Economic Growth and the Supply Side of the Economy, links nationalaccounting with economic theory, examining economic growth and real convergence. The authors emphasize the analysis of production processes and sources of long-term economic growth (i.e., potential output) from both theoretical and practical perspectives. The theoretical discussion includes the Cobb-Douglas production function and Solow's growth accounting framework, while also providing a clear overview of various economic growth concepts, including their mathematical formalization. Special attention is given to endogenous technological progress. The chapter also examines sectoral structural analysis in relation to national competitiveness. Rich empirical material and illustrative calculations complement the theoretical discourse.

The sixth chapter, The Labor Market, explores the role of labor as a production factor, emphasizing its quantitative and qualitative impact on economic development. Given the labor market's significant influence on aggregate supply, the authors devote considerable attention to it. The chapter introduces key international labor market indicators and unemployment measures, thoroughly analyzes labor productivity issues, and explains trends in wage development, labor costs, and their implications for internal and external economic equilibrium. The chapter also discusses theoretical relationships between unemployment, national output, and inflation, featuring didactic boxes on Okun's law (with practical examples) and the Phillips curve (specifically NAIRU). The book also presents modern analytical perspectives, such as the LUCI labor market indicator, supported by extensive empirical data. The final sections appropriately address international labor mobility. A potential improvement for future editions would be integrating the theoretical discussions with labor mobility topics, which are currently framed in the context of a closed economy.

The seventh chapter, Public Finance, provides an overview of key concepts and tools for analyzing the government (public) sector and public finances. It discusses the core objectives and instruments of fiscal policy and examines the structure of public budgets, including the financial, cyclical, and structural deficits of the state budget. A didactic box explains the calculation of potential output within this context. The relationship between government deficit and public debt is analyzed dynamically, addressing issues such as debt sustainability (Maastricht criteria, intertemporal approaches, Debt Sustainability Analysis methodology, and the Czech debt brake). The empirical section is particularly insightful, presenting revenue and expenditure predictions based on ESA 2010 methodology. The book effectively analyzes the role of off-budget expenditures and the intertemporal approach to debt sustainability, including the role of fiscal councils.

The eighth chapter, which is the final one, Price Development and Monetary Policy, begins by examining the statistical measurement of inflation, detailing the main types of price indices. The authors then discuss the costs of inflation (or deflation) and highlight the issue of inflation expectation "de-anchoring" from a monetary policy perspective. A dedicated section explores the mechanisms and process of nominal convergence. The chapter provides a comprehensive overview of monetary aggregates, monetary policy tools, and objectives, presenting contemporary theoretical perspectives on monetary policy implementation in times of deflationary threats and subsequent high inflation. It also discusses unconventional monetary policy instruments. A relatively new and significant topic is the analysis of financial stability policy and its interaction with monetary policy. Given recent global developments, future editions of the book may need to focus more on emerging trends such as "deglobalization", increasing trade barriers, and their impact on global and domestic price developments.

Capturing the complexity of macroeconomic relationships, national economic analysis methods, and monetary and fiscal policy practices in a single volume is an enormous challenge. However, Macroeconomic Analysis: From Theory to Application is an extensive and high-quality work that successfully reflects modern trends in these areas. Readers will likely return to this book repeatedly as a methodological and informational resource. The book is also well-structured from a didactic perspective. Each chapter begins with a statement of objectives and key terms and concludes with a summary, a set of review questions, and a comprehensive list of recommended readings. The use of thematic boxes is particularly commendable, as they concisely and clearly explain key concepts related to each chapter's topic. A subject index further facilitates navigation through the text.

This book is highly recommended for master's-level students, economic researchers, financial analysts, and policymakers.