

## MAKROEKONOMICKÁ ANALÝZA: OD TEORIE K APLIKACI / MACROECONOMIC ANALYSIS: FROM THE THEORY TO APPLICATION

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Vejmělek, J., Žďárek, V. et al.: Makroekonomická analýza: od teorie k aplikaci (Macroeconomic Analysis: From the Theory to the Application), first edition, Grada Publishing, Praha, 2025

**Keywords:** macroeconomic analysis, forecasting, economic policy

**JEL classification:** E20; E30; E63; E66; F40

The authors of the monograph mentioned above have treated a significant subject in depth, comprehensively, and with an impressive scope. The book combines a deep and detailed knowledge of several interrelated macroeconomic disciplines, making it a unique work.

Each of the eight chapters of the publication combines parts of economic theory appropriate to the relevant area, an explanation of the proper analytical apparatus and the procedures for its use, and a broad overview of the most pertinent domestic and international sources of statistical data covering the relevant area.

With this specific composition of each chapter, the publication successfully fills a gap in the market of thematically related publications, which is given by the fact that other scholarly sources usually cover only theory and apparatus or data sources and apparatus in a more or less comprehensive way. Indeed, books devoted to economic theory usually deal with analyses and their data sources in a rather selective and purposively illustrative manner. In contrast, publications dedicated to data processing techniques or data sources are often scarce in the interpretation of adequate economic theory.

The authors themselves note in their introduction that... “... *The complexity of macroeconomic analysis is also reflected in the process of its preparation, when it is necessary to combine knowledge of economic theory, data analysis tools, economic statistics, or econometric methods. A good understanding of macroeconomic (and microeconomic) theory not only provides us with a comprehensive framework for macroeconomic analysis but is also essential for understanding causal relationships and linkages and, thus, for evaluating facts. The way we perceive and interpret facts depends to a large extent on the underlying theory.*”

The thematic scope of the book is well characterized by the eight chapters as mentioned above. Each of the chapters also contains an expanding explanatory passage at the end, pointing to a more detailed explanation of the selected issues and then an extensive overview

of sources and sources of statistical data on the relevant area, which are mainly in the form of internet links and should thus facilitate the reader's access to these sources.

Already in the first chapter, following a more extensive definition of the subject of macroeconomic analysis, the authors discuss very clearly the ways of presenting the conclusions of macroeconomic analyses and forecasts (Box 1. 1), then they very successfully map the types of methods used in quantitative analyses and time series forecasting (summary in box 1.2). Then, they distinguish between nowcasting and, on the other hand, the methods and procedures used to prepare short-, medium- and long-term forecasts. Particularly novel is the passage represented by Box 1.3 on the role of high-frequency data in economic analysis during the COVID-19 pandemic.

The second chapter displays and explains the economy's key (macroeconomic) relationships. Exceptionally meritorious is the detailed elaboration of the so-called macroeconomic identities, which corresponds not only to the explanation of the basics of identities in macroeconomics courses but goes deeper and more in detail into the various statistical methods and sources existing and used in this field, including the system given by the national accounting and national accounts databases. The fundamental relationships here are extensively illustrated through data analysis for the Czech Republic in the twenty to thirty-year data series. The chapter is, in a way, a prologue for the following chapters, most of which deal with macroeconomic identities and the national accounts system.

The System of National Accounts itself, as an analytical tool and source of information, is introduced in Chapter 3. The authors note that macroeconomic analysis based on national accounts is considerably younger than economic theory and admit that current statistical systems that record national economic variables are based on Keynesian foundations. The system of interrelationships of national accounts according to the ESA 2010 methodology is presented. Much of the apparatus is again supplemented by numerous analyses using the Czech Republic as an example. The authors also present symmetric input-output tables as an extension of the system, and they also focus on the methods of international comparisons and sources for them. I noted that the list of sources used does not reference the much-cited Maddison source, but apparently, it is part of the Groningen database cited.

A large amount of space is devoted to several areas in the book, the first of which is the area of external economic relations discussed in Chapter 4. The area of external economic equilibrium is a key macroeconomic determinant in small open economies, and the Czech economy is one such economy for which the book is primarily intended. In over a hundred pages, the chapter provides detailed insights into issues related to foreign trade analysis, the country's international investment position and capital flows, and numerous concepts and models of equilibrium exchange rates. The regulatory framework of external balance within the EU, represented by the part of the so-called Macroeconomic Imbalances Procedure (MIP), is not left aside. I very much appreciate, among other things, the overview of the basic approaches to exchange rate developments presented in Box 4.11.

An analysis of economic growth and the supply side of the economy is presented in Chapter 5. The authors explain both the development of growth theory and its contemporary status, as well as the methods of its analysis, especially by using the tools of growth accounting. The empirical focus of the chapter is the analysis of the growth of the Czech economy.

At the same time, international comparisons are made, and convergence processes are explained and analyzed.

The relatively comprehensive Chapter 6 is devoted entirely to the labor market. The inclusion of such a separate chapter can be considered an excellent move. The labor market and its developments have important macroeconomic implications regarding the economy's potential growth. At the same time, it is increasingly becoming the focus of monetary policy aimed at price stability. Last but not least, the labor market is one of the key areas of the modern economy that determines the distribution of income or the distribution of value-added between wages and profits. The chapter presents both the full range of theoretical concepts related to labor markets and a wide range of indicators through which the state and development of the labor market are measured, including some new approaches, such as the LUCI composite index used in recent years by the Czech National Bank.

Chapter 7 on public finance is above average in detail, brilliantly written, and comprehensive. The chapter focuses, among other things, on the role and options of fiscal policies and, in this context, presents the characteristics of concepts and definitions of instruments related to the analysis of the state of public finances and their dynamics. The issues and context of deficits and debt and their macroeconomic implications are analyzed in detail. The view is taken not only from a national perspective but also from an EU perspective. The development of public finance regulation at the EU level is discussed in relative detail. I miss some of the insights that Carmen Reinhart has brought to bear on the issue of public debt in the world literature over the last twenty years.

The last - eighth chapter - focuses on price developments and monetary policy. It introduces the reader to the ways and means of measuring price developments, the analysis of inflation expectations, the consequences of inflation and deflation, and the reasons for and ways of conducting and analyzing monetary policy. The chapter also devotes considerable space to issues of nominal convergence (convergence of price levels). The discussion of monetary policy in the unusual situations that have arisen in the last two decades (e.g., zero-lower bound) is not left aside.

Overall, the authors are to be highly commended. The problem of the proportionality of chapters and the depth of the subject matter in the individual parts has been dealt with excellently, as has the book's concept. The scope of the work is, in my opinion, appropriate for a scientific monograph that will not only be a bible of the field but also accessible for use by a broader range of interested users, including students.

The concept of the book, as stated in the introduction of this review, is unique and can significantly contribute to the improvement of subject knowledge and professional discussion, and as supplementary material for teaching several university courses focused on theory, monetary policy, public finance, macroeconomic analysis, or international economic relations.

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