

A Must Read for Those Who Wish to Learn More about Economic Analysis (Not Only) – Book Review

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VEJMĚLEK, J., ŽĎÁREK, V. et al. *Makroekonomická analýza – od teorie k aplikaci* (Macroeconomic Analysis – from Theory to Application). Prague: Grada Publishing, 2025. ISBN 978-80-271-3735-0

In addition to the usual celebrations associated with the beginning of the New Year, another reason to rejoice was the publication of a new book *Macroeconomic Analysis – from Theory to Application*, whose main authors are Jan Vejmělek and Václav Žďárek and other co-authors are Lubomír Chaloupka and Marek Rojíček.

Attentive readers are going to look for an addendum such as 2nd Edition, revised edition, etc. to the title of the new book, as they remember the publication of a book with a similar focus in 2016 entitled *Macroeconomic Analysis – Theory and Practice*. Readers with an even broader knowledge will look for a connection with the book published in 2012 entitled *Macroeconomic Analysis*, and look for an addendum such as 3rd Edition, etc. However, it should be stressed at the outset that although these books have a similar focus, i.e. macroeconomic analysis, it is certainly not appropriate to regard them as merely a series of updated or expanded editions of the same “primer”. The opposite is true.

The present book should rather be considered as a text that was compiled practically from scratch, and thus it cannot be spoken of as an expanded version of the book published in 2016 (or earlier).



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On the one hand, there has been a partial renewal of the author team and a change in the leadership of this team. After the late V. Spěváček, J. Vejmělek became the head of the authors' collective. On the other hand, furthermore, the scope of the new publication speaks for itself, both in terms of the number of pages (888) and, above all, in terms of the considerably new content, which, in addition to current theoretical contributions, reflects the period of the COVID-19 pandemic and, in part, the energy crisis of 2022–2023.

The book consists of eight extensive chapters. The first chapter, *Introduction to Macroeconomic Analysis*, explains the nature of macroeconomic analysis and forecasting and emphasises the need to observe not only the technical terminology but also the need to interpret the results in a comprehensible way. Two boxes stand out in this chapter. The first box offers an informed theoretical information and an overview of time series in terms of their use in economic analysis and forecasting. Although the box does not contain explicit “how-to” guides on how to use various econometric approaches to test relationships between time series, etc., it does provide a valuable source of information that guides the reader to a method that is appropriate for a particular time series analysis. The second box turns its attention to the role of high-frequency data in economic analysis. This type of data became particularly important during the COVID-19 pandemic, and the authors clearly demonstrate this phenomenon in numerous graphs.

The second chapter, *Basic Relationships in Economics*, introduces the reader to the basic concepts and relationships that are necessary to know in order to produce an erudite macroeconomic analysis. The authors present the frequently used concepts of gross domestic product, etc., and place them in a broader context. It is therefore not a “boring” list of definitions and identities. The authors consistently – as throughout the book – supplement the text with illustrative graphs and tables showing the development of the economic variables discussed, mainly using the Czech economy as an example. Since the Czech Republic is a so-called small open economy, the authors do not neglect to discuss the primary and secondary redistribution of income. The second chapter concludes with a box linking internal and external macroeconomic equilibrium.

The third chapter, *National Accounts*, deals with the still often neglected issue of national accounts. National accounts are not a popular topic – perhaps because of its difficulty, less tractability or apparent opacity. The authors, however, keep these concerns of the readers to a minimum and once again balance the theoretical and practical view of the phenomenon of national accounts, supporting this extensive chapter with numerous charts and tables with realities from the Czech economy. The authors' use of actual data makes this difficult subject seem less “detached from reality” to readers, as hopefully everyone will realize that national accounts are nothing more than a mere mirror of the economic reality that surrounds us all. Moreover, the authors do not neglect to analyse the institutional sectors of the national economy (the emphasis on non-residents is given in the next chapter), which makes it even easier to visualise ‘reality’ by examining in detail the behaviour of non-financial corporations or households, for example.

External Economic Relations is the fourth chapter of the book. This part of the book does not only focus on the balance of payments, but also looks at detailed statistics on foreign trade, terms of trade, (institutional sector of) rest of the world, and the exchange rate. Although the chapter “stands alone”, it clearly demonstrates that, especially for the small open Czech economy, it is not sufficient to focus only on internal economic relations (i.e. on the institutional sectors in the national economy), but it is also necessary to monitor external (im)balances, as already mentioned in the second chapter.

Economic Growth and the Supply Side of the Economy are the subject of Chapter 5. The title of the chapter evokes a purely theoretical focus of the text, but the opposite is true. The theoretical concepts of economic growth are used here as a “basis” for data analysis of economic growth of the Czech economy in particular and subsequent comparisons with other economies, mainly from the EU. Although some economic growth concepts – especially endogenous growth models – may seem “impractical” at first

glance, a recently published CNB study² on the lack of innovation, investment and weak institutional framework in the Czech Republic makes the case that these more difficult-to-measure variables play crucial role in long-term economic growth.

The sixth chapter deals with *the Labour Market*. In this chapter in particular, readers will appreciate the strong link between theory and empirics (statistics). Here again, the authors draw attention to the need to distinguish consistently between the different terms, which are often confused in practice. The section focusing on the Czech labour market is excellent (in one box the authors present, among other things, the LUCI index used by the Czech National Bank). The chapter is well complemented by subchapters on labour productivity and labour costs.

The comprehensive seventh chapter, *Public Finance, Fiscal Policy and Sustainability*, as the title suggests, looks in detail at a major part of economic policy that has attracted more attention than ever in the context of the COVID-19 pandemic and the energy crisis. The authors start by defining the basic concepts which, as in the previous chapter on the labour market, are often confused or even mangled in practice. The subsection on debt dynamics is very valuable, tracing the reasons for the change in the ratio of general government debt to GDP over time. The topicality of the information the authors of the book have worked with is fully demonstrated in the subchapter on fiscal rules in the EU, where the current reform of the EU's fiscal framework from spring 2024 is not omitted. An integral part of the fiscal framework are the so-called independent fiscal institutions, which the authors also address, not forgetting to mention the Czech Fiscal Council. The chapter concludes with a section on the long-term sustainability of public finances.

The final eighth chapter, *Price Developments and Monetary Policy*, focuses on the “media stars” (not only) in the Czech airwaves from about mid-2021 until almost the present day (February 2025). Due to the high inflation rate in Czechia, there has been an unprecedented number of (in)expert articles on this topic explaining the origin of this phenomenon, followed by articles blaming the (un)responsive Czech National Bank, the (previous) government and who knows who or what else for the rapid rise in the price level. The authors of this book have once again managed to “stand up” to this often media-biased description of reality and with neutrality and a positive (i.e. not normative) analysis of their own, they present the measurement of the price level, the reasons for and effects of price movements, and insights into monetary policy issues. In the context of price developments, especially during and after the COVID-19 pandemic, it is worth highlighting the box where the authors present the often humorously, but very aptly, named price changes (see Box 8.2).

It is obvious that a few pages of this review cannot, even with the best efforts, summarize all the essential information contained in this extensive and valuable publication. However, it is hopefully clear from the review that a book of a considerably higher standard is entering our book market in many respects.

- 1) The composition of the team of authors led by J. Vejmělek suggests that the professionalism and high quality of the book's processing is guaranteed.
- 2) It is clear from the review that the authors have not “rested on their laurels” and offer readers very up-to-date data and information in their chapters.
- 3) The book contains a superior number of graphs, tables and charts to help readers understand macroeconomic analysis.
- 4) The authors have avoided the usual shortcomings often seen in other publications. The first shortcoming is the inclusion of only theory unsupported by evidence, and the opposite one is the inclusion of graphs, tables, etc. without an “economic story”.

² See: <<https://www.cnb.cz/en/monetary-policy/monetary-policy-reports/boxes-and-articles/The-slowdown-in-the-long-term-potential-growth-of-the-Czech-economy>>.

I am quite sure that every reader will add to this list of positive qualities their own superlatives associated with this book. It is also my sincere hope that the book will become an integral and essential part of the library of every student of economics, economic analyst and commentator, and that it will stimulate interest in the subject among a wider range of people than has been the case to date. This book certainly has the prerequisites.