

Vojtěch Spěváček: Macroeconomic analysis¹

Helena Horská²

The recent turbulent economic development has renewed the interest of economists, journalists, government officials and other professionals in economic figures and indicators. Many of these professionals have been trying to find an explanation of the last financial crisis in economic data, asking themselves whether they had not missed the warning signals. The international institutions, including the European Union, have joined the trend. As a result, the demand for deeper analysis of economic development and its consequences has increased. The book named “*Macroeconomic Analysis*” (in Czech “*Makroekonomická analýza*”) written by Vojtech Spevacek, Marek Rojicek, Ruzena Vintrova, Eva Zamrazilova and Vaclav Zdarek answers the call for a more professional (macro)economic analysis. This book written in Czech was published by the Czech publisher Linde Praha, a.s. at the end of 2012.

The authors are either excellent theoreticians (Prof. Ing. Vojtech Spevacek, Dr.Sc.) and academics with international experience (Ing. et Ing. Vaclav Zdarek MSc.), or well-known economists (Ing. Eva Zamrazilova, CSc. – the member of the Czech National Bank’s Board, and Ing. Ruzena Vintrova, DrSc.) and professional statistician – economists (Ing. Marek Rojíček, Ph.D.). Although Vaclav Zdarek is “signed” under a substantial part of the book, the list of authors is well-balanced even from the gender perspective (3 men and 2 women). All of them participate in academic research and cooperate with universities (some of them have even been doing so for a couple of decades). Their knowledge is deep and wide.

The macroeconomic analysis is a study of economic development and economic policy. According to the authors, the macroeconomic analysis is a synthesis of economic theory, statistics and theory of economic policy. “The theory encounters the facts”.³ The macroeconomic analysis helps investigate general economic trends or specific economic changes and allows formulating and judging economic policy through explicit tools. The book presents the methodology of macroeconomic analysis based on the System of National Accounts, and tools for searching and processing economic data. Theoretical principles of the macroeconomic analysis are frequently supplemented with examples of relevant empirical materials. The wide range of data and time series presented in numerous graphs and tables illustrates the core of economic principles. The Czech Republic and its economic development is in the spotlight, however, it is not viewed in isolation but within the context of international development, particularly in Europe.

The book is divided into six sections. Each section covers one of the key parts of economy. Section I presents the key tool of macroeconomic analysis - the System of

¹Spěváček, V., Rojíček, M., Zamrazilová E., Ždárek V. (2012), *Makroekonomická analýza*, Linde Praha, ISBN 978-80-86131-92-4, 608 pages.

²Ing. Helena Horská, Ph.D., ŠKODA AUTO University, Tř. V. Klementa 869, 293 60 Mladá Boleslav, Czech Republic.

³ See Predmluva page V.

National Accounts (SNA). It introduces the composition of the SNA and unfolds some of the macroeconomic identities, including the famous gap between the National Saving and the National Investment which is equal to the Current Account of Balance of Payment. Besides more common macroeconomic indicators, such as Gross Domestic Output or Disposable Income, the section introduces less frequently used Real Domestic Income or Net Operating Balance. It also explains the difference between collective consumption and public consumption.

The most extensive part of the book is taken up by Section II “Supply, Demand and Equilibrium”. It contains four chapters. Chapter 1 briefly presents the basic theories of economic growth with emphasis to practical aspects. The key contribution of this Chapter should be seen in discussion on structural analysis including competitiveness. For example, it illustrates structural bonus and structural burden hypothesis on selected European countries including the Czech Republic. Chapter 2 covers issues of international comparison and presents the standard concept of Purchasing Power Parity. In addition to that, it describes the nominal and real convergence. Aggregate demand and its components is the main subject of Chapter 3. The aggregate demand is investigated mostly from a short-term perspective; the mid-term or long-term trends are put aside. Chapter 4 focuses on the relationship between aggregate supply and aggregate demand in goods and service market. The harmony between the aggregate supply and aggregate demand on goods and services is called macroeconomic equilibrium, when the other markets are eliminated. In other words, the authors apply the narrow definition of macroeconomic equilibrium.

Section III deals with public finance and fiscal policy issues. It covers highly relevant topics, such as development in primary and structural budget balance, fiscal rules or sustainability of the public debt in Europe.

Section IV focuses on Inflation (Chapter I) and Monetary Development (Chapter II). At the beginning of Chapter I, unit labour costs, as one of the inflationary factors, are investigated. Chapter I emphasizes technical aspects of inflation (its measuring, typology...) at the expense of economic nature of this phenomena. Chapter II “Monetary development” covers a wide range of topics including monetary aggregates, theory and regimes of monetary policy, foreign exchange rate and its regimes and currency crisis. It mentions a very relevant topic – the system of early warning.

Section V discusses external economic equilibrium and is divided into three Chapters: Trade balance, Balance of Payment and Foreign debt. The analysis of the relationships within the Balance of Payment is the cornerstone of this section.

Section V concludes this book with the subject of labour market (Chapter 1) and productivity (Chapter 2). Chapter 1 shows, for example, the theory and the usage of the Beveridge curve and describes the key indicators of labour market very precisely. The impact of globalization on labour market is shortly presented, too. Chapter 2 goes back to the subject of unit labour costs (see also Section IV, Chapter 1.3) and discusses methodological disparities in indicators of wage costs (maybe being detailed a bit too much).

Each chapter starts with the intent which is followed by keywords. It concludes with conclusion, a set of problems and exercises, and references. The problems should

REVIEW OF ECONOMIC PERSPECTIVES

strengthen understanding the text. Nonetheless, I miss graphs and a list of frequently used abbreviations in the text.

The book is designed for students of advanced undergraduate courses in macroeconomics or macroeconomic analysis. It can be used, and I will do so, together with the theoretical literature in standard advanced macroeconomic courses, or on its own in the courses of macroeconomic analysis. However, the authors assume intermediate knowledge of economics and mathematics (and statistics). Readers should understand some intermediate mathematical and statistical techniques such as functions, logarithms, derivatives, or index number and regression. On the other hand, concepts of different economic schools and theories are beyond the scope of the book. The text reflects contemporary mainstream macroeconomics. Nevertheless, the readers might follow numerous references and study the selected topic more deeply on their own.

Compared to foreign economic textbooks, the book lacks the online learning tools – a Web site of the textbook, where additional exercises, case studies or practice quizzes and other useful features including updated macroeconomic figures can be found. The last one would be especially helpful facing up the challenge to keep the wide data range presented in the book relevant in the ever-changing economic landscape. Otherwise, I am afraid that the textbook will go out of date very soon.

In my personal view, the book can provide an excursion to deep analysis of economic development for professional economists, financial analysts, as well as government officials and others who would like to know or need to know how to interpret economic figures.