

## **Applied Macroeconomics: Understanding the Real Economy**

Lecturer: Dana Hájková

Contact: [dhajkova@aeprague.org](mailto:dhajkova@aeprague.org)

This course offers an applied approach to macroeconomics, focused on helping students understand how the economy works in practice. We explore how individuals, firms, and governments make decisions in response to key macroeconomic forces including inflation, interest rates, debt, economic growth, trade, fiscal and monetary policy. While the logic of economic models provides a vital framework, we focus equally on the complexities, constraints, and behaviors that emerge in real-world settings.

Each week connects theoretical tools to practical analysis, using case studies, current policy debates, and media coverage to show how expectations, risk, incentives, and institutions shape economic outcomes. Students will examine why people and institutions don't always behave the way the models expect, and what that means for interpreting events in the real economy.

The course is active and discussion-based. No advanced math is required, the emphasis is on using economic reasoning to understand how the world works. Students will engage with core macroeconomic concepts, lead short analyses of news events, and reflect on how theoretical concepts interact with uncertainty and policy in practice. By the end, students will be able to apply macroeconomic thinking with greater clarity, nuance, and critical insight, and better understand the decisions shaping today's economy.

**Grading Policy:**

Grades are based on the following components:

- (1) Homework – individual reflection notes 15 %
- (2) Session opener presentations 30%
- (3) Midterm quiz 15 %
- (4) Group presentations 10 %
- (5) Final project 30%

**Weekly Topics:**

### **1 – Inflation**

We discuss inflation not only as a macroeconomic variable, but as how we experience it in real life. Focus is placed on measurement, expectation formation, why inflation feels different across agents, why that matters for monetary policy.

## **2 – Labour Market**

We explore jobs, wages, unemployment, labor force participation, productivity, demographic change, AI. We will discuss the role of policy (minimum wages, unemployment benefits, training, immigration) in shaping labor outcomes.

## **3 – Economic Growth**

We look at why economic growth matters, how it is measured and compared across countries. We look at growth models, consider the implications of slowing growth in high-income economies. Themes include factors of production, economic potential, business cycle.

## **4 –Consumption and aggregate demand**

We explore how consumption and aggregate demand develop and why household spending decisions often diverge from utility maximization due to liquidity constraints, precautionary saving, rules of thumb, and changing perceptions of value. We also examine how uncertainty and expectations affect saving, investment, and spending patterns.

## **5 - Money**

We discuss how money is created, what is and what is not money, the roles it plays in the economy, its new forms and how they affect monetary transmission, financial stability, and policy options.

## **6 – Debt**

Debt can enable growth, or create vulnerabilities. We will explore why households, firms, and governments borrow, how financial constraints shape decision-making, and what happens when debt becomes unsustainable. We examine debt dynamics and the macroeconomic risks of over-leverage.

## **7 – Fiscal Policy**

We examine how taxes and government spending influence incentives, behavior, and income distribution, while also exploring how real-world political and institutional constraints often override textbook efficiency. Core topics include the design and timing of fiscal stimuli, fiscal multipliers, automatic stabilizers, and the fundamentals of government finance.

## **8 – Monetary Policy and Central Banks**

We explore how central banks make policy decisions and the economic and institutional factors that influence them. We also examine how they communicate these decisions, and how expectations, credibility, and belief in the policy framework shape the ultimate impact of monetary policy.

## 9 - Financial Markets

We explore the role of financial markets, and how they connect household saving, borrowing, and investment with the wider economy and across borders. We also discuss exchange rates and their regimes and international capital flows.

## 10- Economic Risks and Crises

We analyze how small risks can grow into big crises, from poverty traps to housing busts and financial instability. We look at why economies sometimes tip over, and what can be done to prevent or manage these shocks

## 11- Trade and Globalization

We analyze both the benefits and disruptions caused by international trade and globalization. While economic theory explains the efficiency gains from trade, we focus on how global integration affects different groups unevenly, how trade shocks play out in local labor markets, and why international trade can trigger political and social backlash

## Readings

Readings are meant to support and enrich class discussions about economic developments, and individual and group work. We will work with the open-access text *The Economy 2.0: Macroeconomics* (CORE Econ Team, 2024, available at <https://core-econ.org/the-economy/>), along with original research, newspaper articles, policy reports, and case studies to supplement and enhance student understanding of specific topics.

This is a **preliminary syllabus**, and some readings or assignments may be adjusted to cover recent developments as the course unfolds. Any updates will be communicated and posted on Moodle.

## 1 – Inflation

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 4.1-4.3, available at <https://books.core-econ.org/the-economy/macroeconomics/04-inflation-and-employment-01-cost-of-living-crisis.html>

Brooks, Robin, Peter R. Orszag, and William E. Murdock III. *COVID-19 Inflation Was a Supply Shock*. Brookings Institution Commentary, August 15, 2024, <https://www.brookings.edu/articles/covid-19-inflation-was-a-supply-shock>

Giannone, Domenico, and Giorgio Primiceri. *The Drivers of Post-Pandemic Inflation*. VoxEU/CEPR Policy Portal, June 2024, <https://cepr.org/voxeu/columns/drivers-post-pandemic-inflation>

Blanchard, Olivier J., and Ben S. Bernanke. What Caused the US Pandemic-Era Inflation? Working Paper 31417,

<http://www.nber.org/papers/w31417>

## 2 – Labour Market

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 1.1-1.10 available at <https://books.core-econ.org/the-economy/macroeconomics/01-supply-side-macroeconomy-01-jobs-wages.html>

Maestas, N., Mullen, K. J., & Powell, D. (2023). The effect of population aging on economic growth, the labor force, and productivity. *American Economic Journal: Macroeconomics*, 15(2), 306–332. <https://doi.org/10.1257/mac.20190196>

Aitken, A. (2025). Navigating the golden years: Making the labour market work for older workers. In *OECD Employment Outlook 2025* (Chapter 3). Paris: OECD Publishing. [https://doi.org/10.1787/oecd\\_employment\\_outlook-2025-en](https://doi.org/10.1787/oecd_employment_outlook-2025-en)

Huang, Yueling, The Labor Market Impact of Artificial Intelligence: Local vs. Aggregate Effect (February 13, 2025). Available at SSRN: <https://ssrn.com/abstract=5137231> or <http://dx.doi.org/10.2139/ssrn.5137231>

## 3 – Economic Growth

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 3.5, available at <https://books.core-econ.org/the-economy/macroeconomics/03-aggregate-demand-05-growth-fluctuations.html>

Fernald, J., Inklaar, R., & Ruzic, D. (2024). The productivity slowdown in advanced economies: Common shocks or common trends? *Review of Income and Wealth*. Advance online publication. <https://doi.org/10.1111/roiw.12690>

Bloom, D. E. (2020, March). Changing demographics and economic growth. *Finance & Development*, 57(1). International Monetary Fund. <https://www.imf.org/en/Publications/fandd/issues/2020/03/changing-demographics-and-economic-growth-bloom>

Gourinchas, P.-O. (2025, April 22). *The global economy enters a new era*. IMF Blog. <https://www.imf.org/en/Blogs/Articles/2025/04/22/the-global-economy-enters-a-new-era>

#### **4 – Consumption and aggregate demand**

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 3.1, 3.9, 3.10, 3.13 available at <https://books.core-econ.org/the-economy/macroeconomics/03-aggregate-demand-01-great-recession-hardship.html>

Faraz, N., & Anjum, A. (2025). Spendception: The psychological impact of digital payments on consumer purchase behavior and impulse buying. *Behavioral Sciences*, 15(3), 387. <https://doi.org/10.3390/bs15030387>

Parker, J. A., Erhard, L., Schild, J., & Johnson, D. S. (2022). Economic impact payments and household spending during the pandemic. *Brookings Papers on Economic Activity*, Fall 2022, 81–130. [https://www.brookings.edu/wp-content/uploads/2022/09/BPEA-FA22\\_WEB\\_Parker-et-al.pdf](https://www.brookings.edu/wp-content/uploads/2022/09/BPEA-FA22_WEB_Parker-et-al.pdf)

#### **5 - Money**

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 6.8 available at <https://books.core-econ.org/the-economy/macroeconomics/06-financial-sector-08-money-creation-in-modern-economy.html>

Rey, H. (2025). *Stablecoins, tokens, and global dominance*. *Finance & Development Magazine*. International Monetary Fund. <https://www.imf.org/en/Publications/fandd/issues/2025/09/stablecoins-tokens-global-dominance-helene-rey>

Schaaf, J. (2025). *From hype to hazard: What stablecoins mean for Europe*. The ECB Blog. European Central Bank. <https://www.ecb.europa.eu/press/blog/date/2025/html/ecb.blog20250728~e6cb3cf8b5.en.html>

Krause, David, Geopolitics, De-Dollarization, and the Rise of CBDCs and Stablecoins: Strategic Alternatives for Global Currency Systems (March 25, 2025). Available at SSRN: <https://ssrn.com/abstract=5193410> or <http://dx.doi.org/10.2139/ssrn.5193410>

#### **6 – Debt**

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 6.1-6.3 available at <https://books.core-econ.org/the-economy/macroeconomics/06-financial-sector-01-how-do-you-live-if-you-dont-work.html>

Fernández-Gallardo, Á., & Payá, I. (2025). *How does public debt burden affect economic recessions and subsequent recoveries?* (SUERF Policy Brief No. 1229). SUERF – The European Money and Finance Forum. Available at <https://www.suerf.org/publications/suerf-policy-brief/>

## 7 – Fiscal Policy

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 5.1-5.8 available at <https://books.core-econ.org/the-economy/macroeconomics/05-macroeconomic-policy-01-government-popularity-inflation-unemployment.html>

Clarke, C., & Fox, E. (2015). Perceptions of taxing and spending: A survey experiment. *Yale Law Journal*, 124(4), 882–1345. <https://www.yalelawjournal.org/note/perceptions-of-taxing-and-spending>

Afonso, A., Schuknecht, L., & Tanzi, V. (2008). *Income distribution determinants and public spending efficiency* (ECB Working Paper No. 861). European Central Bank. <https://www.ecb.europa.eu/pub/pdf/scpwps/ecbwp861.pdf>

## 8 – Monetary Policy and Central Bank Communication

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 5.8-5.15 available at <https://books.core-econ.org/the-economy/macroeconomics/05-macroeconomic-policy-09-inflation-targeting.html>

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 6.7 available at <https://books.core-econ.org/the-economy/macroeconomics/06-financial-sector-07-central-bank-balance-sheet-and-government.html#extension-67-the-central-bank-and-monetary-policy>

Blinder, A. S., Ehrmann, M., de Haan, J., & Jansen, D.-J. (2024). Central bank communication with the general public: Promise or false hope? *Journal of Economic Literature*, 62(2), 425–457. <https://doi.org/10.1257/jel.20231683>

Powell, J. H. (2025). *Monetary policy and the Fed's framework review*. Speech at “Labor Markets in Transition: Demographics, Productivity, and Macroeconomic Policy,” Federal Reserve Bank of Kansas City, Jackson Hole, WY. Board of Governors of the Federal Reserve System. [Speech by Chair Powell on the economic outlook and framework review - Federal Reserve Board](#)

## 9 - Financial Markets

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 6.9, 7.2-7.8 available at <https://books.core-econ.org/the-economy/macroeconomics/06-financial-sector-09-introducing-financial-markets.html>  
<https://books.core-econ.org/the-economy/macroeconomics/07-macroeconomic-policy-global-economy-02-exchange-rate-regimes-monetary-policy-inflation.html>

Bank for International Settlements. (2025, June 29). *Financial conditions in a changing global financial system* (BIS Annual Economic Report, Chapter II). Bank for International Settlements. <https://www.bis.org/publ/arpdf/ar2025e2.htm>  
<https://www.bis.org/publ/arpdf/ar2025e2.htm>

## **10- Economic Risks and Crises**

The CORE Econ Team 2024 *The Economy 2.0: Macroeconomics* Open access e-text, units 8.1-8.10 available at <https://books.core-econ.org/the-economy/macro-economics/08-financial-environmental-crises-01-lehman-brothers-collapse.html>

[Japan's Lost Decade: A Comprehensive Analysis of Economic Stagnation and Recovery](#)

## **11 – Trade and Globalization**

The CORE Econ Team *The Economy 1.0: Economics* Open access e-text, unit 18 available at <https://books.core-econ.org/the-economy/v1/book/text/18.html>