aep
Academic
Experience in Prague

Understanding the Real Economy Through a Macroeconomic Lens

Lecturer: Dana Hájková, PhD.

Course Description:

This course helps 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 basic framework, we focus 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. We will examine the main trends in areas of focus and also discuss 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.

Prerequisites:

Introductory-level macroeconomics

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%

Mandatory Completion Policy
Note that all mandatory assignments and exams must be completed to the best of your ability in order for your final grade to be issued. Failure to complete a mandatory assignment or exam may result in a failing grade.

Letter Grade	Percentage	Description
A+	97-100	Excellent Work
A	93-97	Outstanding Work
A-	90-92	
B+	87-89	Good work
B	83-86	
B-	80-82	
C+	77-79	Acceptable Work
C	73-76	
C-	70-72	
D+	67-69	Work that is significantly below average
D	63-66	
D-	60-62	
F	0-59	Work that does not meet the minimum standards for passing the course

AEP Academic Integrity Policy
Plagiarism and other forms of academic dishonesty are not tolerated. The use of Artificial Intelligence (AI) for the development of knowledge and learning is encouraged at many stages of the learning process. While we value technology for educational purposes, we also value originality and the retainment of knowledge, and thus using AI for assignments and examinations, even if rephrased, is strictly prohibited and considered an academic integrity violation, unless the instructor explicitly allows for it in the context of evaluated work

AEP Non-Discrimination/Harassment Policy
The AEP program in Prague promotes a diverse learning environment where the dignity, worth, and differences of each individual are valued and respected. Discrimination and harassment, whether based on a person's race, gender, sexual orientation, color, religion, national origin, age, disability, or other legally protected characteristics, are repugnant and completely inconsistent with our objectives. Retaliation against individuals for raising good faith claims of harassment and/or discrimination is prohibited.

AEP Diversity Policy
AEP is committed to fostering an inclusive and welcoming community that values diversity in all its forms. We believe that one of the most meaningful lessons of studying abroad is learning to navigate and appreciate differences with curiosity and an open mind. While engaging across differences can sometimes be challenging or uncomfortable, these moments are essential for growth and learning. We recognize that every member of our community, even with the best intentions, may occasionally make missteps. Our commitment is to provide a supportive environment where respectful and honest dialogue helps us learn from these experiences, ensuring that every student has the opportunity to thrive and broaden their perspective.

Topic Overview

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 decision-making.

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, migration) in shaping labor outcomes.

3 - Consumption and aggregate demand

We explore how consumption and aggregate demand develop and how household spending decisions are influenced by 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.

4 - 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.

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 - Fiscal Policy

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.

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8 - Monetary Policy and Central Bank Communication

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 Risk 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://coreecon.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 - Labor 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/theeconomy/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

<u>3 - Consumption and aggregate demand</u>

- 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

<u>4 - Economic Growth</u>

- 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

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 - 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-econon.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

7 - 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/

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 Systém. 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

10 - Economic Risk 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/macroeconomics/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