

Applied Macroeconomics: Understanding the Real Economy

Lecturer: Dana Hájková, PhD.

Course Description:

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, and 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.

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

Inflation

We revisit inflation not only as a macroeconomic variable, but as a real experience. Focus is placed on measurement, expectation formation, why inflation feels different across agents, why that matters for monetary policy, and its communication.

Money and Consumption

How do people decide what to buy, and why don't their choices always follow the logic of utility maximization? We contrast the economic model of consumption with real-life spending behavior shaped by liquidity constraints, rules of thumb, and perceptions of value.

Interest Rates, Saving, and Planning

We examine the role of interest rates in intertemporal decision-making and macroeconomic transmission. Topics include time discounting, precautionary saving, borrowing, and the limitations of forward-looking behavior under real-world conditions.

Debt

Debt can enable growth or expose 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.

Economic Growth

We revisit GDP and growth models, consider the implications of slowing growth in high-income economies. Themes include factors of production, economic potential, demographics, and business cycle.

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.

Monetary Policy and Central Bank Communication

We explore monetary transmission through interest rates, expectations, and credibility. Emphasis is placed on how central banks communicate and how belief in the policy framework affects its actual impact.

Risk and Uncertainty

This focuses on decision-making under uncertainty, financial market reactions, and how risk is modeled and misunderstood. We also examine the limits of policy in uncertain environments.

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.