

CONTENTS

FOREWORD.....	7
Acknowledgments	10
Summary	11
1. NATIONAL ECONOMIC PERFORMANCE.....	12
1.1 Bird's eye view of the economy of a country	12
1.2 Aggregate supply	14
1.2.1 Total aggregate supply	14
1.2.2 Three sectors in the economy	17
1.2.3 Industrial structure of GDP in selected countries	20
1.3 Aggregate demand.....	22
1.3.1 Four components of aggregate demand	22
1.3.2 Private consumption	23
1.3.3 Private investment.....	23
1.3.4 Government expenditures on goods and services.....	25
1.3.5 Net Exports	26
1.4 Aggregate supply and aggregate demand	27
1.4.1 Macroeconomic equilibrium.....	27
1.4.2 Increase in aggregate demand.....	28
1.4.3 Decrease in aggregate demand.....	29
1.4.4 Increase in aggregate supply.....	30
1.4.5 Decrease in aggregate supply.....	31
2. BUSINESS CYCLE ANALYSIS.....	32
2.1 Cyclical development of national economies	32
2.2 General concept of cyclical development in the market economy	34
2.2.1 Cyclical development of the national economy of a country is indisputable.....	34
2.2.2 Various theoretical approaches to the business cycle.....	35
2.3 Course of the business cycle.....	38
2.3.1 General diagram	38
2.3.2 The business cycle in reality	39
2.3.3 Business cycle modifications.....	41
2.4 Impact of business cycle factors	43
2.4.1 Business cycle factors	43
2.4.2 The business cycle and the growth cycle.....	45
2.4.3 The impact of trend on business cycle fluctuations	46
2.4.4 Variation in responses of countries to the business cycle	48
2.4.5 Positive impact of recessions	49

2.5 Objectives of business cycle analysis	50
2.5.1 Analysis of the specific business cycle	50
2.5.2 Business cycle forecasts	51
2.5.3 Selected methods for business cycle forecasting	52
2.5.4 Technical analysis	53
2.5.5 Success of business cycle forecasts	54
3. MAIN ANALYTICAL INDICATORS	57
3.1 Gross Domestic Product	57
3.1.1 Total output	57
3.1.2 Economic growth	59
3.1.3 Economic level of a country	61
3.2 Price level	63
3.2.1 Inflation	63
3.2.2 Deflation	66
3.3 Labour market	69
3.3.1 Main demographic indicators	69
3.3.2 Unemployment	72
3.4 Foreign trade indicators	76
3.4.1 Exports and imports	76
3.4.2 Trade surplus or trade deficit	78
3.4.3 Terms of Trade	80
3.4.4 Exchange rates	83
3.5 Indicators with regard to the business cycle	85
3.5.1 Leading, coincident and lagging indicators	85
3.5.2 The Harvard barometer	87
3.6 Non-cyclical impacts	88
3.6.1 Military conflicts and political tension in relevant countries	88
3.6.2 Political impact	89
3.6.3 Exceptional incidents	89
3.6.4 Exceptional events in the microsphere	90
3.6.5 Shocks and bubbles	90
4. THE IMPACT OF GOVERNMENT MACROECONOMIC POLICY ON THE BUSINESS CYCLE	93
4.1 Objectives and concepts of government macroeconomic policy	93
4.1.1 Objectives of macroeconomic policy	93
4.1.2 Main theoretical concepts of government macroeconomic policy	96
4.2 Main fields of macroeconomic policy	99
4.2.1 Fiscal policy	99
4.2.2 Monetary policy	104
4.2.3 Foreign Trade policy	107

4.3 Output gaps	111
4.3.1 Potential product and output gaps	111
4.3.2 Closing output gaps.....	113
4.3.3 Recent GDP growth and GDP gaps in the Czech Republic	117
List of Figures	119
List of Tables	121
REFERENCES	122
INDEX.....	126