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paragraph in block, spacing: 1,15**

## Introduction

“Intertemporal choice became firmly established as a distinct topic in 1834 with John Rae’s publication of *The Sociological Theory of Capital*“(Frederic, Loewenstein, O'Donoghue, 2002). Rae (1834) considered the missing element in intertemporal decision making as "psychological motives", respectively soft factors which are commonly known as *subjective discount rate* ( $\rho$ ) or *elasticity of intertemporal substitution* ( $1/\theta$ ).

The *subjective discount rate* ( $\rho$ ), or the *rate of time preference* ( $\tau = 1+\rho$ ) and the consequently derived the *subjective discount factor* ( $\beta$ )<sup>1</sup> is one of the topics that are often the subject of empirical analyses or theoretical models<sup>2</sup>. Currently in Europe, there is a certain phenomenon that reflects the economic and political events of the last decade. Explaining the consumer behaviour and subsequently setting the monetary policy on its grounds is not an easy task.

Across Europe, consumers have behaved more responsibly after the economic crisis of 2008-2009. For example. ING Bank’s market research shows that the expenditures of consumers have changed their structure (they spend less money on leisure and vacation) after the economic recession.

The ING study suggests that consumer behaviour has changed significantly, but nevertheless the central bank, in an attempt to revive the GDP growth and household consumption, performs a standard action of the monetary policy (reducing interest rates, interventions using foreign exchange reserves, etc.). We tend, however, to believe that the economic environment has changed due to the recent financial and economic recession so greatly that the current macroeconomic paradigms inadequately describe and reflect the current political and socio-economic structure. This reduces the efficiency of the conventional tools of monetary policy in relation to the behaviour of households.

Household debt grew faster than household deposits in the Czech Republic before the recession, but after the recession, the situation has changed dramatically. This turnover may be attributed to the increase of mistrust and uncertainty of future, threats of further economic recession and other changes in the political environment. All these factors serve as a response to strong and negative experiences from the last economic recession.

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<sup>1</sup>  $\beta = 1/\tau = 1/(1+\rho)$

<sup>2</sup> We can find many papers or articles about subjective discounting – for example in the Google: more over 200 000 links to this topic and from that more over 45 000 link to research papers.

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**Footnotes: ARIAL, 9b, paragraph in block**

Economic theory uses the intertemporal *subjective discount factor* ( $\beta$ ), or the *subjective discount rate* ( $\rho$ ) to reflect the agent's patience in relation to current and future utility. The

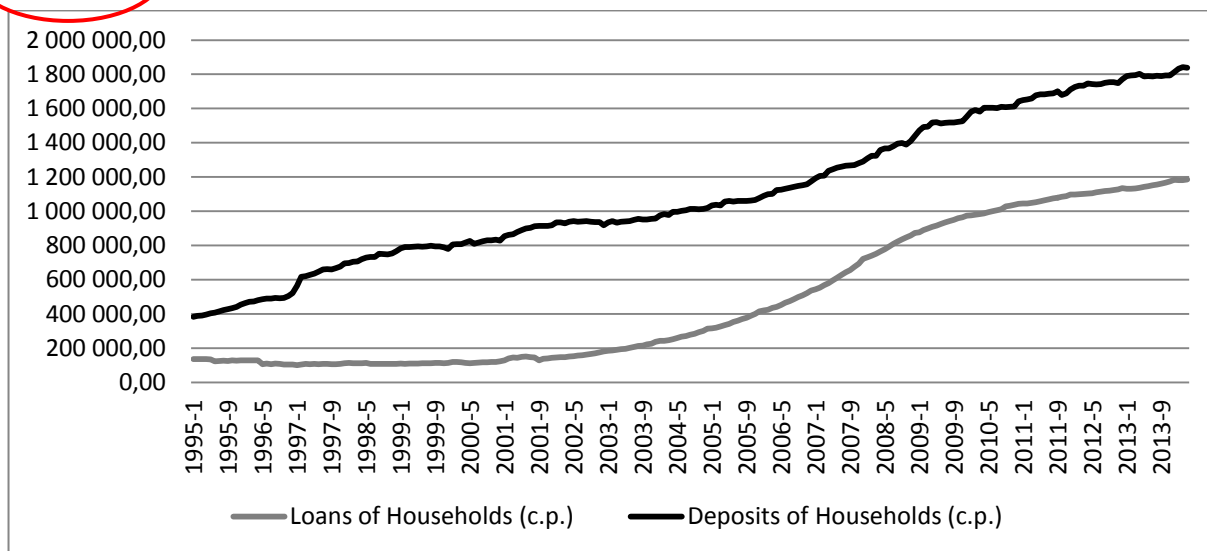
**Equations must be numbered consecutively**

$$CDI_t = \frac{d\alpha_t}{dt} = \frac{dF(L_t, D_t)}{dt}$$

(1)

**Figure/Table must be numbered consecutively, title of figure/table must be above the image (FONT: ARIAL, 11b., Bold)**

**Figure 1: Course of loans and deposits of households (1995 – 2014/I)**



Source: Own adjustment based on CNB data

**Each Figure/Table must have Source under the it, (FONT: ARIAL, 10b., Italic)**

## Reference

MANKIW, N. G.; ROTEMBERG, J. J. and SUMMERS, L. H. (1985) Intertemporal Substitution in Macroeconomics. *Quarterly Journal of Economics*. 1985, Vol. 100, No. 1, s. 225-251.

RAE, J. (1834). *The Sociological Theory of Capital*. 1. vyd. London: Macmillan and Co., 1905. Reprint 1834.

SENIOR, N. W. (1836). *An Outline of the Science of Political Economy*. 1. vyd. New York: Augustus M. Kelley, 1965. Reprint 1836.

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**Text of Reference:**

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