

In this thesis, we study the role of non-Ricardian households in an open economy dynamic stochastic general equilibrium model calibrated for the Czech Republic. We show that the presence of non-Ricardian households induces a short-term raise in aggregate consumption in response to a government spending shock. The combination of price and wage rigidities, habit formation, and the open economy design enables a low share of non-Ricardian consumers to be sufficient to predict the positive comovement of government spending and aggregate consumption. We estimate the sensitivity of consumption to changes in disposable income in the Czech Republic, and our results suggest that a significant share of income goes to non-Ricardian households. If the nominal-wage stickiness is assumed, the inclusion of non-Ricardian households does not considerably alter the determinacy of the model, and an interest rate rule satisfying the Taylor principle is sufficient to get a unique stable solution. The overall performance of the model is studied through the analysis of impulse responses to various shocks.