Econ 212a: Business Cycles  
Spring 2019

Instructor: Adrien Auclert, Landau 348, aauclert@stanford.edu  
Lectures: Tuesdays and Thursdays, 1:30pm-3:20pm, in Landau 140. Classes run 2-Apr to 3-May.  
Adrien’s Office Hours: Wednesdays 6:00pm-7:00pm.  
Teaching Assistant: Frédéric Martenet, martenet@stanford.edu  
TA sections: Fridays, 9:30am–11:20am, in Econ 139.  
Fred’s Office Hours: Tuesdays 3.30pm-5.30pm, in Econ 350.  

Course objective: This course covers the two ‘canonical’ business-cycle macro models—the standard real business cycle (RBC) model and the standard new keynesian (NK) model. These models are used by macroeconomists to think about business cycle fluctuations, inflation dynamics, and the effects of monetary and fiscal policy. They are the building block for a large part of modern macro research, and for the models used by policy institutions. We discuss macroeconomic facts, successes and failures of the theories, and extensions of the standard models.  

Textbooks: My lecture slides are the primary material for this class. The following textbooks are helpful for background reading: 


BF is a little dated but remains a classic. Romer is a very good introduction, pitched to an advanced undergraduate level. Gali is short, concise, and a highly recommended read for the second part of this class. LS is a useful reference on a variety of topics.
**Grading:** Grading will be based on:

a) Four problem sets designed to develop a mixture of theoretical, empirical, and quantitative skills. (Each problem set is worth 10% of your grade.) You are encouraged to work in groups, but must submit your own solutions. Problem sets are due on Fridays, each Friday starting in week 2.

b) A final exam (worth 60% of your grade). The exam will take place on a date TBD at the beginning of the week of May 6.

**Prerequisites:** First-year PhD core classes in micro, macro and econometrics up to this point. I assume basic knowledge and familiarity with a) dynamic programming, b) the neoclassical growth model, c) general equilibrium analysis, and d) time series analysis.

**Students with Documented Disabilities:** Students who may need an academic accommodation based on the impact of a disability must initiate the request with the Office of Accessible Education (OAE). Professional staff will evaluate the request with required documentation, recommend reasonable accommodations, and prepare an Accommodation Letter for faculty dated in the current quarter in which the request is made. Students should contact the OAE as soon as possible since timely notice is needed to coordinate accommodations. The OAE is located at 563 Salvatierra Walk (phone: 723-1066, URL).

**Class plan.** The plan for each class is outlined below. There may be small deviations from the plan, especially towards the end if we are falling behind schedule.

<table>
<thead>
<tr>
<th>Lecture #</th>
<th>Date</th>
<th>Topic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Tuesday</td>
<td>2-Apr Business cycle facts and comovements</td>
</tr>
<tr>
<td>2</td>
<td>Thursday</td>
<td>4-Apr RBC model, part I: planner’s solution</td>
</tr>
<tr>
<td>S1</td>
<td>Friday</td>
<td>5-Apr</td>
</tr>
<tr>
<td>3</td>
<td>Tuesday</td>
<td>9-Apr RBC part II: decentralization &amp; asset pricing</td>
</tr>
<tr>
<td>4</td>
<td>Thursday</td>
<td>11-Apr RBC part III: topics &amp; critiques</td>
</tr>
<tr>
<td>S2</td>
<td>Friday</td>
<td>12-Apr Problem set 1 due</td>
</tr>
<tr>
<td>5</td>
<td>Tuesday</td>
<td>16-Apr Money and Prices</td>
</tr>
<tr>
<td>6</td>
<td>Thursday</td>
<td>18-Apr Monopolistic Competition and Sticky Prices</td>
</tr>
<tr>
<td>S3</td>
<td>Friday</td>
<td>19-Apr Problem set 2 due</td>
</tr>
<tr>
<td>7</td>
<td>Tuesday</td>
<td>23-Apr NK model, part I: derivation</td>
</tr>
<tr>
<td>8</td>
<td>Thursday</td>
<td>25-Apr NK model, part II: positive analysis</td>
</tr>
<tr>
<td>S4</td>
<td>Friday</td>
<td>26-Apr Problem set 3 due</td>
</tr>
<tr>
<td>9</td>
<td>Tuesday</td>
<td>30-Apr NK model, part III: optimal policy</td>
</tr>
<tr>
<td>10</td>
<td>Thursday</td>
<td>2-May Review session</td>
</tr>
<tr>
<td>S5</td>
<td>Friday</td>
<td>3-May Problem set 4 due</td>
</tr>
<tr>
<td></td>
<td></td>
<td>TBD Exam</td>
</tr>
</tbody>
</table>
Background reading: macroeconomic debates


1 Business cycles facts and methods

BF, Chapter 1


2 Real Business Cycles

BF, Chapter 2


3
Methods


Asset pricing

LS, Chapters 8 and 14


Fiscal policy: the neoclassical view


RBC critiques and responses: labor supply, wedges


3 Money, Prices and Output


4 Money, monopolistic competition, markups

*Gali, chapter 2 & appendix to 3

5  The New Keynesian model

*Gali, chapter 3


**Fiscal policy: the New Keynesian view**


**Optimal policy**

*Gali, chapters 4&5

