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# Graduate Connection

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## INSIDE

<i>Welcome!</i> .....	1
<i>From the Department Chair</i> .....	1
<i>Events</i> .....	2
<i>Teaching Matters</i> .....	3
<i>From the Director of Graduate Studies</i> ..	3
.....	3
<i>From the Director</i>	
<i>of Graduate Placement</i> .....	4
<i>Delilah's Domain</i> .....	5
<i>Funding</i> .....	5
<i>Notes</i> .....	5

## Welcome!

Welcome to the first edition of the Department of Economics' newsletter for graduate students. The newsletter will be published three times a year on approximately September 1, December 1, and March 1. It will contain information and notices about activities in the department of interest to graduate students. It will also serve as formal notification of events, application deadlines, and course offerings.

## *Hello to our first-year grad students!*

Welcome to the Department of Economics and to Evanston. We hope that your years with us are productive and fulfilling. Please take the opportunity to mix with other graduate students and the faculty. A good way of doing this is at the TGIF held in the seminar room (Andersen 132) every Friday at 5 PM.

## *Department information on the web*

The department's World Wide Web site is operational. It contains directory information on faculty and staff; class information; and official documents on degree requirements. There are also links to information provided by the Graduate School, plus many interesting economics databases and sources. We are at: <http://www.econ.nwu.edu>. Alternatively, the web site can be accessed via Northwestern's home page.

## *E-mail communication*

The department has replaced most paper memoranda by e-mail. First-year students should get an e-mail account as soon as possible and then e-mail Ian Savage at

[ipsavage@nwu.edu](mailto:ipsavage@nwu.edu) so that we can add you to the mailing list.

## From the Department Chair . . .

I join Assistant Chair, Ian Savage; Director of Graduate Studies, John Panzar; and Graduate Secretary, Delilah Grey in welcoming new and continuing graduate students to the Department of Economics for the new academic year, 1995-96. I would also like to congratulate Ian Savage for conceiving and developing our new graduate student newsletter and Paula Nielsen for creating such a good-looking first edition.

## *Department is number 1 in journal publications*

The most significant honor bestowed on the department in recent years emerges from a careful study by several economists at the University of Texas in Austin. Based on publications by its faculty members in the eight leading economics journals over the period 1988-92, the Northwestern economics department ranks number one (based on a criterion that weights equally total pages published in these journals and pages per faculty member). The findings of the study will be published soon in the *Journal of Economic Literature*. Left trailing in the dust are Princeton, MIT, the University of Chicago, UC Berkeley, Harvard, UC San Diego, and Yale.

## *Recent faculty honors*

Department faculty members continue to receive an impressive array of honors. **Rebecca Blank** has been elected to the Executive Committee of the AEA, has been appointed to the Board of Editors of the *AER*, and has been elected the First Vice President of the Midwest Economics

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Association. **Lou Cain** has been elected a trustee of the Economic History Association. **Robert Coen** has been appointed to the mastership of the Public Affairs Residential College. **Joseph Ferrie** has received the Arthur H. Cole award for the best article published in 1994 in the *Journal of Economic History*. **Robert Gordon** has been appointed by the US Senate to a five-member national commission to review the accuracy of the Consumer Price Index. **Kiminori Matsuyama** has been appointed as an associate editor of the *Journal of Economic Theory*. **Bruce Meyer** has been named a Research Associate of the NBER and has just completed a two-year term as a Sloan Faculty Fellow. **Joel Mokyr** has begun his term as editor of the *Journal of Economic History*. **Dale Mortensen** is the President-Elect of the Society of Economic Dynamics and Control. **Robert Porter** has joined the Board of Editors of the *AER*. **Ian Savage** has been elected Vice-President and Treasurer of the Chicago Metropolitan Conference on Public Transportation Research. **Alan Taylor** has been appointed as a Faculty Research Fellow of the NBER. **Burton Weisbrod** has been nominated as a candidate for Vice President of the AEA.

### *New and renewed faculty research grants*

A large number of Northwestern faculty members are supported by research grants. Continuing grants with expiration dates subsequent to September, 1995, include the following (given in parentheses are the funding source and a brief summary of the topic).

**Joseph Altonji** (NSF, relative effectiveness of private vs. public schools)

**Ronald Braeutigam** and **John Panzar** (Mellon Foundation, economic issues in the dissemination of scholarly learning)

**Lawrence Christiano** (NSF, empirical issues in macro and monetary economics)

**Eddie Dekel** (NSF, endogenous rates of experimentation)

**Martin Eichenbaum** (NSF, empirical issues in macro and monetary economics)

**Robert Gordon** (NSF, substantive and measurement issues in productivity growth)

**Rosa Matzkin** (NSF, nonparametric methods for economic models)

**Bruce Meyer** (US DOL, incidence of UI payroll tax)

**Dale Mortensen** (NSF, recursive competitive search equilibrium)

**Leon Moses** and **Ian Savage** (US DOT, transportation safety)

**Wolfgang Pesendorfer** (NSF, fashion dynamics and anonymity in dynamic games)

**Robert Porter** (NSF, empirical studies of auctions and bidding)

**Ian Savage** (US DOT, rail transit costs)

**Stanley Reiter** (NSF, economic theory)

**Christopher Udry** (NSF, efficiency and market failure in sub-saharan Africa)

**Burton Weisbrod** (Mellon Foundation, growing commercialism of nonprofit organizations)

### *Faculty changes*

The department is pleased to welcome three new junior faculty. Two are econometricians from the University of Chicago. **Timothy Conley** is a specialist in time-series analysis, and **Christopher Taber** works in applied econometrics of labor markets. **Juuso Valimaki**, a native of Finland, joins us from the University of Pennsylvania. He specializes in economic theory and industrial organization. Conley's office is Andersen 210, Taber's is Andersen 305, and Valimaki's is Leverone 378, which is in the Math Center.

In the winter and spring quarters **Ennio Stchetti** will be visiting from the University of Michigan. Ennio is an Associate Professor whose areas of interest include dynamic game theory and its application to economic problems such as cartel collusion, bargaining, and auction design. He will be teaching D12-1 in the winter quarter.

We bid a fond farewell to **Faruk Gul** and **Mark Watson** as they join Princeton University. Many faculty and graduate

students will remember the kindness and interest shown by Mark during his nine years at Northwestern, and we wish him, Debbie, and their family well in their new home.

During the coming year a number of our faculty will be on leave. Asher Wolinsky will be on leave at the Hebrew University in Israel. Rob Porter will be on leave in the fall at MIT and Boston University. Other faculty will be on leave for individual quarters but will be in residence in Evanston: Joe Altonji (winter), Kyle Bagwell (spring), Ron Braeutigam (spring), Kiminori Matsuyama (spring), Rosa Matzkin (winter), Wolfgang Pesendorfer (fall), and Bill Rogerson (fall). Burton Weisbrod is on leave from the directorship of the Center for Urban Affairs and Policy Research and will be spending much more time in his Andersen Hall office.

### **Events . . .**

#### *Teaching assistant training*

Training sessions for new TAs will be conducted by Joanna Norman of the Searle Center for Teaching Excellence. They will be held on Thursday afternoons from 3:15 to 4:45 in the department's seminar room on September 21, October 12, and November 16. As part of the training you will have the opportunity to have confidential feedback from students in your discussion sections. The department regards your attendance as mandatory. Do not agree to reschedule graduate courses to conflict with these times

#### *Start-of-year reception*

Faculty, staff, graduate students, and their families are all invited to the start of year buffet and reception that will be held in the Andersen Hall atrium at 7:00PM on Wednesday, September 20.

This reception will also feature the awarding of the department's Distinguished Teaching Assistant awards for 1994-95. The winners receive a certificate and a year's subscription to

*Econometrica*, courtesy of the Econometric Society.

## Teaching Matters . . .

### *Course offerings 1995-96*

The schedule for graduate courses for 1995-96 is shown on the last page of this newsletter. Please note that the Director of Graduate Studies will consider D12-1 and D14-1 as a sequence in microeconomic theory for the 1995-96 year. Also listed is the time schedule for the fall quarter. Please consult the *Class Schedule* published by the registrar for more details on registration and room allocations.

### *Course descriptions—fall 95/96*

#### **Economics D14-1**

Economics of Information  
Professor Matthews

D14-1 will begin with the theory of auctions, stressing not only substantive results, but also the methods of analysis that are useful in all areas of information economics (self-selection, revelation principle, mechanism design). After auctions, principal-agent problems will be studied. Other subjects may be considered, depending on time constraints.

The prerequisite for D14-1 is D10-3, or the equivalent. Basic game theory will be assumed. The course is aimed at second-year graduate students from all fields in which informational issues arise—it is not only for theorists.

#### **Economics D16-2**

Advanced Macroeconomics  
Professor Eichenbaum

The course will examine, at both a theoretical and empirical level, the nature of the monetary transmission mechanism. To begin with, we will consider different ways of monetizing business cycle models, with special emphasis on cash-in-advance and transaction technology models. We will then study (i) liquidity effect / limited participation models, (ii) models that stress the role of financial intermediaries and credit market imperfections in the business

cycle, and (iii) 'sticky' wage-price models. We will then consider the operating characteristics and welfare properties of alternative monetary policy rules, such as nominal interest rate targeting policies, Friedman type rules and Ramsey policies.

Next we analyze alternative methods of evaluating the empirical plausibility of competing models. Special emphasis will be placed on how vector autoregressions can be used for this purpose. This will lead us to the rapidly emerging literature on assessing the actual effects of changes in monetary policy on domestic and international economic activity.

The only prerequisites for the course are the first year sequences in micro, macro and econometrics. Class assignment will be partly theoretical and partly computer based. By the end of the course students will be comfortable with obtaining data from Citibase and internet based sources. In addition, students will become reasonably familiar with RATS. There is no textbook. Instead, there will be a course packet available for purchase from the department.

#### **Economics D50-1**

Industrial Organization and Prices  
Professor Bagwell

This is the first of three possible courses in Industrial Organization. In this first course, models are developed of imperfectly competitive markets. Topics include: monopoly, price discrimination, oligopoly, collusion, product differentiation, pricing and search, advertising, entry deterrence, predation, and network externalities. Students are assumed to have taken the first year Microeconomics sequence. The grade is determined by a take home exam and a research proposal. The text is Jean Tirole's *The Theory of Industrial Organization*, although much of the material will draw as well from a distributed set of recent journal articles.

#### **Economics D81-3**

Econometrics  
Professor Matzkin

The course deals with popular microeconomic models such as qualitative response models, tobit models, duration models, and simultaneous

equations models. We will study identification, estimation, and testing methods for these models, using parametric, semiparametric, and nonparametric approaches.

The course is aimed at second year graduate students. The prerequisite is Econ D80-3 or its equivalent.

No course description was received for Economics D60-1, International Trade, Professor Matsuyama.

### *Fall Prelim dates*

Monday—9/11—Micro  
Tuesday—9/12—Macro  
Thursday—9/14—Econometrics  
All are 1pm–4 pm.

### *E15 rides again*

After a hiatus of several years, the department is reviving the seminar in economic theory (Economics E15). This registration will be in conjunction with the Math Center Visiting Speaker series. Wolfgang Pesendorfer will be organizing this seminar in 1995-96.

## From the Director of Graduate Studies . . .

Welcome! Now that you have arrived at NU, I will be the faculty member most of you deal with on bureaucratic matters. I will also be teaching D10-1 this fall. (The text is *Microeconomic Theory* by Mas-Collel, Winston, and Green.)

I will drop by to introduce myself briefly sometime during the first week of D01. You can find me most afternoons in Andersen 216 (right above the north entrance), though I'll be out of town the week after Labor Day. Please feel free to drop by; my door is usually open.

To give you an idea of some of the issues I deal with, here are some Frequently Asked Questions (and answers) relevant to entering students.

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*FAQ1: What courses should I register for?*

A1: You really have very little choice your first year. Unless you are EXTRAORDINARILY well prepared due to previous graduate work, you should plan on taking the three, three quarter core sequences D10, D11, and D80.

*FAQ2: How many courses must I take this year?*

A2: You must take 10 courses, in addition to D01, over the course of the academic year. That is, you must take a fourth course in at least one quarter.

*FAQ3: What can I take as my "extra" course?*

A3: You can take any course carrying graduate credit as your 4th course. Courses C-level and above generally carry graduate credit. It need not be an Economics course nor a graduate course. In fact, the Department strongly recommends taking undergraduate Real Analysis (Math C10-1) as a 4th course in the fall quarter, unless your math background is too weak or too strong. This is a matter to discuss with your Advisor.

*FAQ4: Can I take Math C10-1 Pass/Fail?*

A4: Yes! We recommend C10-1 to expose you to mathematical reasoning and gain a deeper understanding of what constitutes a rigorous "proof," not to fatten your GPA. While the grade you earn in Math C10-1 is not important per se, the Graduate School requires you to maintain a B average. If you're nervous about getting a C, take it P/F.

*FAQ5: Can I "place out" of one or more core courses?*

A5: Yes. You can skip any course whose material you feel you've already mastered. Just inform me, your Advisor, and the instructor, so we know what you're doing. However, bear in mind that you CANNOT "place out" of the associated Prelim exams, which are based on the

material covered in the core courses. For this reason, few students elect to skip any core courses.

*FAQ6: Can I take one or more Prelim exams this fall?*

A6: Yes. Prelim exams are scheduled from 1–4 pm on September 11 (micro), 12 (macro), and 14 (econometrics). If you have an especially strong background in one or more subjects and old exams (available from Delilah Grey) look easy, consider taking one or more exams. Just sign up in the Office. Taking a prelim now does not count as an official "attempt."

*FAQ7: How do I apply for financial aid for my 2nd year?*

A7: The Department assumes that continuing students are interested in receiving financial aid for next year, so you do not need to formally "apply" for it, even if you are not receiving aid this year. Sometime this spring we will ask all continuing students to fill out a brief information form. However, foreign students from non English-speaking countries must pass the Test of Spoken English before the Graduate School will award a Teaching Assistantship, the most common form of 2nd year funding. Therefore, FOREIGN STUDENTS SHOULD SIGN UP FOR THE TSE AS SOON AS POSSIBLE. NOW IS NOT TOO SOON! This is a rigid Graduate School requirement, beyond the Department's control. If you think you can qualify for a waiver, arrange that with the Grad School NOW.

*FAQ8: Is it possible to obtain financial aid for 1995-96 at this point?*

A8: Unfortunately, the Department has no additional financial aid it can award to entering students, not even a "tuition waiver." (Many departments at state universities have continuing access to such funds. We do not.) If you are entering the program without financial aid, you should not expect to receive any later this year. For your second year, however, you will be

considered for aid based on the same standards of satisfactory progress as those currently receiving aid.

Enjoy your first days at NU! (Now is the best time all year to go swimming. The lake is freezing most of the spring and summer.) I look forward to meeting all of you soon.

## **From the Director of Graduate Placement. . .**

### *Job-market placement— 1994/95*

Last year was one of the most successful years ever in terms of student placement. Best wishes are offered to the following people as they start their professional careers:

- Manuel Balmesada—Centro Estudios Monetarios y Financieros, Madrid
- Colin Campbell—Ohio State University
- Leonard Houantchekon—Political Science Department, Yale University
- Ekaterina Kyriazidou—University of Chicago
- Stephanie Lofgren—West Point Academy
- Steve Millard—Bank of England
- Martin Pesendorfer—Yale University
- Chuck Pierret—Bureau of Labor Statistics
- Simone Wegge—College of William and Mary

### *This year's job market*

Ian Domowitz is director of graduate Placement. He will be holding an introductory meeting on Thursday, October 5 at 5:00 PM in Andersen 132 for students planning to be on the job market.

Please note the following deadlines in preparation of materials for the job market. Our procedures were reviewed last year in order to make the process as efficient as possible, given limited staff resources and the necessity of confidentiality of recommendation letters.

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1. A completed draft of your job market paper should be in the hands of your Ph.D. committee members by October 5.

2. The department publishes a "vitae packet" for distribution to over 200 institutions. Students must enter their vita on the standard template in the computer room by October 20, 1995. Procedures will be distributed at the introductory meeting.

3. Students who *are registered in the Economics Department* will receive the following services:

- A photocopy account set to a maximum of 5,000 copies, which is the limit for which the department will bear the cost. The accounts will be in operation for the calendar month of November only. Individual code numbers can be obtained from the main office on or after November 1.
- Preparation of a set of labels for packets, providing the list of addresses are given to Paula Nielsen on a diskette. The department will process a maximum of 100 labels. This list, approved by the student's advisor, must be submitted by November 3. The address labels will be put in students' boxes prior to November 10.
- Students are responsible for "stuffing" their own packets with their vita and paper. A box containing the addressed stuffed envelopes must be delivered to the conference room (AAH 204) by November 10, 1995.
- The Department will hire temporary help to place reference letters in the packets in a confidential manner and mail the packets. The temporary help will be available November 13-22.
- Students will receive notification in their boxes when their completed packets have been mailed.

4. Students who are *NOT registered in the Economics Department* will receive none of the above services (NO EXCEPTIONS).

The smooth operation of this process was hindered in 1994 by direct pestering of staff by graduate students. All contact between students and the staff must be through their advisor.

The above summary is not meant to be comprehensive. A variety of materials will be distributed and discussed at the introductory meeting on October 5.

**Delilah's Domain . . .**

I would like to welcome all of our students, new and continuing, to the 1995-96 school year. My door (Andersen 131) is always open, if you have any questions or concerns and I can be of assistance, please feel free to come and see me. If I don't have the answer I'm sure I can direct you to someone who does.

First -year students will be given a locker (located in the hallway outside the first floor Seminar Room) to store their books and personal items. You should have already received an envelope containing your locker number and informing you which Professor will be your personal adviser for your first year of study. Please make an appointment to talk to your adviser before you register for your fall classes.

**Funding . . .**

*Teaching for Summer Session 1996 and University College 1996-97*

Funding for older graduate students is scarce. For students with good teaching skills, a more certain source of funding is Summer Session and University College, which provides valuable teaching experience. Application forms will be circulated to all graduate students in the third year and above in early October. Please note that appointments to these positions are made by the associate dean of University College and not by the department. After reviewing the forms and checking your CTEC records as a teaching

assistant, she will invite a short list of candidates to attend an interview.

*TAs and RAs to file a W2*

In order to be paid as TAs or RAs, grad students have to go to payroll at 720 University Place and fill out a W2 form.

**Notes . . .**

*Office accommodations*

Allocations of office and carrel space for 1995-96 were recently announced. In general, people move into or change offices around Labor Day. Pareto-improving swaps are encouraged but please let Ian Savage know immediately since we would like to publish a directory of rooms and phone numbers by the start of the term.

*Graduation rates*

The department recently analyzed completion rates of students entering the department in 1985 through 1989. The first table shows the percentage of each class making it to completion of preliminary examinations, candidacy, and completion (or Ph.D. expected).

Class	Prelims	Candidacy	Completion
1985	73%	73%	67%
1986	79%	68%	53%
1987	74%	47%	42%

There were a number of people in the late 1980s who entered with the express intention of only obtaining a Master's degree. These people have been excluded from the above table. We also calculated the time to completion. Completion is based on the date that the degree was awarded, which may be up to a year from the time that the student left Northwestern to take up a job. The mean is 5.7 years and the median is 6.0 years.

Duration	Number of Students
3 years	2
4 years	4
5 years	17
6 years	19
7 years	9
8 years	3

### *Fall quarter TA allocations*

By tradition, the forms that allow TAs to indicate their preferences for classes are circulated immediately after Labor Day to your boxes in the main office. Completed forms must be returned by September 12. Unfortunately, the allocation cannot be announced prior to 4:00 PM on Friday, September 15 because we do not know enrollment in B01 and B02 until enrollment closes that afternoon.

### *708 is dead; long live 847*

The telephone area code for Evanston and the north shore will change from 708 to 847 on January 20, 1996. There will be a three-month grace period during which both numbers will work.

### *Computer lab security*

As you will be aware the combination code access to Andersen 313 changed over the summer. Please remember that it is in your best interest to avoid usage of the lab by people outside the department. Do not admit people you do not know, and do not divulge the code.

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