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# Graduate Connection

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Vol. 1 No. 2  
December 1995

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## Happy Holidays!

The faculty and staff extend their best wishes for a happy holiday season. The University will be officially closed on Friday December 22, Monday 25, Friday 29, and Monday January 1. The winter quarter commences on Wednesday January 3.

## From the Department Chair . . .

*Department ranked number 9 by National Research Council*

The National Research Council has ranked the Department as number 9 in the nation in terms of the quality of the faculty, and number 8 in terms of the effectiveness of the graduate education program. The economics department had the highest ranking of any CAS department at Northwestern. However, based on recent evidence from hiring of assistant professors, placement of graduate students and publications, I would have placed us at least in a tie for number 6 with Yale and Berkeley. This rating follows a number 8 ranking by *US News and World Report*.

## Recent faculty honors

**Kyle Bagwell** has been appointed as an Associate Editor at the *Journal of International Economics* and the *Rand Journal of Economics*. **Rebecca Blank** has been appointed a member of the Advisory Board to the Upjohn Institute for Employment Research. **Ron Braeutigam** has been named Director of the Business Institutions Program at Northwestern. He has also received the Teacher of the Year Award from Northwestern's chapter of Omicron Delta Epsilon, the national undergraduate honor society in economics. **Louis Cain** was appointed to the editorial boards of the *Oxford Encyclopedia of Economic History* and the *Encyclopedia of Chicago History*. He served as Chairman of the Local Arrangements Committee for the Economic History Association meetings in Chicago in September. **Ian Domowitz** is acting as a member of the

organizing committee for the 1997 Winter Econometric Society Meetings. He will be responsible for sessions in the area of financial economics. **Leon Moses** and **Ian Savage** were awarded the Outstanding Research Paper Award and Best Cost Analysis Research Paper at the 1995 Annual Meeting of Transportation Research Forum for their paper "A cost-benefit analysis of United States motor carrier safety programs." **Christopher Taber** was invited to participate in the annual *Review of Economic Studies* Tour for recent job market candidates.

## New and renewed faculty research grants

**Rebecca Blank** (NSF, an analysis of changing patterns in public assistance use)

**Joseph Ferrie** (NSF, immigrant and native economic mobility in historical perspective)

**Judith Hellerstein** (NSF, wages, productivity, and worker characteristics)

**Steven Matthews** (NSF, dynamic joint decisions: free-riding, multi-issue bargaining, and contract revision)

**Alan Taylor** (NSF travel grant, Argentina and the Great Depression: a new economic history)

## Faculty changes

**Ennio Stacchetti** will be visiting us from the University of Michigan during the winter and spring quarters. 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 (see below). His office will be room 377 in the Math Center, and his phone 1-2533.

Congratulations to **Kyle Bagwell**, **Kiminori Matsuyama**, and **Rosa Matzkin** on their promotions to Full Professor, which took effect September 1, 1995.

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*Graduate Connection*  
Department of Economics/NU

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Published 3 times a year by:

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Northwestern University  
2003 Sheridan Road  
Evanston, IL 60208-2600

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## Teaching Matters . . .

### *Course schedule*

A schedule of winter economics graduate classes is on the last page of this newsletter.

### *Course descriptions - winter 95/96*

#### **Economics D12-1** Economic Theory & Methods Professor Stacchetti

This course is intended for students interested in game theory and its applications. It is an introduction to the fundamentals of noncooperative strategic analysis. Some of the topics it will cover include:

- (1) extensive form games and concepts of equilibrium (iterated dominance, backward programming, Nash equilibrium, subgame perfection, and sequential equilibrium).
- (2) signalling games and reputation
- (3) repeated games (dynamic programming, self-generation, optimal punishments, folk theorems)
- (4) Bayesian games (revelation principle, single-crossing property, mechanism design)

Several economic examples will be discussed in detail: oligopoly games, Vickrey auctions, Spence's job signalling game, the chain-store paradox, and optimal auction design.

#### **Economics D20-1** American Economic History Professor Ferrie

This course examines topics in the economic history of the United States, particularly recent research on long-term factors in the development of the American economy that are often overlooked in the contemporary focus of other courses -- the rise of institutions, the appearance of markets for labor and capital, the growth and health of the population, the development of new technologies, the distribution of income and wealth, and the changing role of the government in the economy.

Prerequisites are D10, D11, and D80. Grades will be based on participation in class discussions, four short (6-8 page) critical essays, and a final paper that embodies significant original research.

There is no textbook for the course. A packet of required readings will be available for purchase from the Economics Department office.

#### **Economics D25-1** Economic Development Professor Udry

The focus of this course is the study of household behavior and the analysis of rural institutions in poor countries. The course will cover the neoclassical agricultural household model and criticisms of that model, the structure of rural factor markets (concentrating on the effects of risk and information problems), general equilibrium analyses of village economies, household savings and investment (especially in education), issues of health and nutrition, and models of learning and technological innovation. The prerequisites are the D10 and D80 sequences.

This course is focused on reading and understanding the current literature on the empirical microeconomics of development. I expect students to do all of the reading and to participate in class discussion. Grades will reflect participation. In addition, there is a research requirement which can be met in one of three ways: (1) replication of the empirical results of an approved paper in development economics; (2) an applied (theoretical, empirical, or both) paper with original research; or (3) an analytical literature review which could serve as the start of a proposal.

#### **Economics D30-1** Monetary Theory & Policy Professor Trejos

In the introduction to the course (first week) we will briefly look into some classic writings and recent surveys, discuss the main issues to be addressed by monetary theory, and refer to the evolution of the field. This will include some work on liquidity preference.

The second part of the course (next three-four weeks) deals with ways to introduce money to general equilibrium macroeconomic models in the context of the Walrasian paradigm. This may include overviews of the Arrow-Debreu economy with financial markets, the cash-in-advance approach to monetary economics and others, but will mainly concentrate on the overlapping generations model. As an aside, we will look into some of the

original work on rational expectations, and in more detail deal with the Lucas (1972) contribution.

The third part of the course looks at the micro foundations of monetary economics, by developing non-Walrasian models where media of exchange emerge endogenously. We start by going over one or two of: Shubik market games, turnpike models, Diamond search models or others. Then we go in detail into monetary search theory, on which we shall spend the last three weeks.

#### **Economics D36-1** Public Finance Professor Hellerstein

This course is the first in a two quarter sequence addressing the role of government intervention in economic activity. This course will cover five issues related to the public sector: (1) principles of public expenditures; (2) tax incidence; (3) the optimal design of tax policy; (4) taxation and incentives; and (5) markets for health care. The prerequisites are the first year graduate sequences in microeconomics and econometrics.

Within each broad topic, we will address both theory and empirical evidence, focusing particularly on topics related to current policy debates. Students must do all of the required reading and participate in class discussion. I will assign a number of problem sets during the quarter. Students must also complete a research project that meets one of the following criteria: (1) an original research paper (empirical or theoretical); (2) an analytical literature review which could serve as the start of a proposal; (3) a detailed critique of a pre-approved existing empirical paper.

#### **Economics D50-2** Industrial Organization & Prices Professor Rogerson

This course will provide in-depth coverage of theories of economic regulation. The first half of the course will be devoted to the "classical" literature which considers optimal pricing issues (e.g., Ramsey pricing, peak-load pricing, contestability) and also contains certain types of simple models of incentive regulation (e.g., Averch-Johnson models). The second half of the course will be devoted to more modern formal models of incentive regulation such as those due to Laffont and Tirole. The text for the

second half of the course will be *A Theory of Incentives in Procurement and Regulation* by Laffont and Tirole. We will also refer extensively to papers.

**Economics D60-2**  
International Trade  
Professor Swagel

This course continues the sequence in international economics from D60-1. We will first examine empirical work which evaluates the general equilibrium trade models covered in the Fall quarter: Heckscher-Ohlin, Ricardian, and the Helpman-Krugman-style models of trade with monopolistic competition. We will then examine several aspects of the partial equilibrium trade literature, particularly normative work on "strategic trade policy." This section of the course is particularly well-suited for someone interested in the combination of international economics and industrial organization. As with the general equilibrium literature, we will first look at theoretical work, then turn to the empirical side. The last few weeks of the course will be spent on several topics of current interest. Possibilities include the interaction of international trade and international finance, political-economy models of trade, and the literature on the effects of international competition on the domestic economy (the "trade and wages" debate).

**Economics D81-2**  
Econometrics  
Professor Conley

This course is concerned with the study of econometric techniques using time series data. Applications of these techniques are typically drawn from finance and macroeconomics, although there are many applications in other fields of economics. Specific topics in the course will include spectral analysis, generalized method of moments estimation, and cointegration. The focus of the course will be on understanding how to use such estimators in practice rather than a rigorous derivation of their sampling properties.

*Erroneous listing*

In the University *Course Schedule* for the winter quarter D81-3 is erroneously listed. This is a "shadow" from last year's schedule and should be disregarded.

Professor Matzkin taught this course in the fall quarter of 1995-96.

*E36 rides again*

After a break of several years, we are pleased to announce that students can now register for the seminar in Public Finance starting in the spring quarter. The seminar will be Economics E36. It usually meets on Monday afternoons from 3:30-5:00 in the conference room. Professor Meyer is organizing the seminar this year.

*1996 prelim dates*

While the exact dates have yet to be set for spring preliminary examinations, all candidates should make themselves available in Evanston up to and including Friday June 28.

The September retake examinations will be held between Thursday September 12 and Friday September 20. All candidates should arrange their schedules so that they will be in Evanston by Thursday morning September 12.

**From the Director of Graduate Studies . . .**

While the Winter Quarter is usually rather "slow," it is not too early to begin to think about important financial aid matters that will unfold this spring and summer.

*Notice to potential T.A.s*

Foreign students from non English speaking countrys should have either taken the Test of Spoken English once by now, or have registered for a definite date. Take the TSE early and often! It's the only way the Graduate School will allow the Department to award you a Teaching Assistantship. If you think you can qualify for a waiver, arrange that with the Graduate School NOW.

It is likely that T.A. training in 1996-7 will take place for one day during the week prior to fall quarter classes. All first years who believe that they might be T.A.s should be back in Evanston by Monday morning, September 16.

*Notice to third years*

TAships are only available to fourth year students who have been admitted to doctoral candidacy. If you have been admitted to candidacy by July 31, 1996 you

will - in normal circumstances - be offered a TAship for all three quarters of 1996-7.

If you are admitted to candidacy after July 31, 1996 then we cannot guarantee that TA funds will be available. In any event, a TAship will not be awarded for any quarter in which you have not been admitted to candidacy. This means, for example, that if you are admitted to candidacy in November 1996 funding will not be available for the fall quarter, and will only be available for the winter and spring quarters if there are any unallocated TAships remaining, and if the College of Arts and Sciences allows us to change our TA roster after September.

**Delilah's Domain . . .**

I can't believe the holidays and the winter are already upon us. The fall quarter went by very quickly! I believe that all of our first years have settled in and are feeling comfortable with their surroundings by this time. Of course I'm sure they are eagerly anticipating the break from classes. I feel that it has been an interesting and productive quarter for everyone.

I would like to wish everyone a happy and healthy holiday. Now, there are a few things that need to be addressed before everyone leaves for their break.

*Financial aid forms*

Renewal FAFSA forms should be arriving by mail sometime in December to those of you who have previously filed these financial aid forms. If you have moved, the post office will not forward it; you will have to obtain and complete a new form. I hope to have a number of these forms in my office soon. You will also be able pick up a FAFSA form from the Financial Aid office at the Graduate School after January 15th. The best thing to do is wait until after you have filed your income tax returns for 1995 before filling out these forms.

*Income tax issues*

All first-year students who have a University Fellowship will need to report their earnings on their income tax returns - minus the cost of books, supplies and Northwestern University Health Insurance premiums. Second year students who were on a fellowship for the 1994/95 year need to report their earnings from January

through May of 1995 - less books and supplies.

The University does not issue W2 forms for those students on fellowships, you are required to report these funds on your own. International students may have had deductions taken out and will receive special tax forms from the university.

### *Important dates*

I have noted below some important dates that all Economics Graduate Students should be aware of:

#### **December 28, 1995**

Admission to candidacy for the Ph.D. prior to Winter Quarter. Signed candidacy forms due in the Office of The Graduate School.

Students who have completed residency and are registered for E98 at the beginning of Winter Quarter may submit completed Ph.D. candidacy forms to The Graduate School by January 10, 1996, for admission to candidacy and change of registration to E99.

#### **January 5, 1996**

Admission to candidacy for the master's degree in Winter Quarter. Candidacy forms due in the Office of The Graduate School.

#### **April 1, 1996**

This is the last day to file with the Graduate School for "Admission to Candidacy." This is for students who expect to receive the master's degree in June 1996. This is also the last day to return the "Application for a Degree" for all candidates who expect their degrees to be awarded in June 1996.

#### **April 11, 1996**

If you forgot to file the "Application for a Degree" by April 1st, you can still participate in the Commencement ceremony if you file by April 11th. However, you will receive your diploma early in September by mail.

#### **May 10, 1996**

Deadline for submission of completed dissertation and all supporting materials to be turned in to the Graduate School. This deadline is for students who expect to receive the Ph.D. degree in June 1996.

#### **May 17, 1996**

Last day for receipt of "Final Examination Report" and any "Change of

Grade" forms for D99 Projects or E90 Research. This pertains to students who expect a master's degree to be awarded in June 1996.

If you have any questions about any of this information please feel free to stop by my office anytime.

## **Funding . . .**

### *Sloan awards*

An excellent form of financial support for those students in the final stages of their thesis research is the Alfred P. Sloan Foundation dissertation fellowships. These fellowships offer both a generous stipend and tuition payment. The Sloan Foundation has once again requested the Department to nominate three students for dissertation fellowships.

NOW is the time to begin developing an irresistible 5-page proposal to enter in the Department's internal competition. Expect an early March deadline for submission of your draft proposal and faculty references, so NOW is also the time to gather your courage and approach faculty members with your research ideas.

### *Transportation dissertation awards*

The Transportation Center offers a stipend plus tuition award to eligible students who are in the final twelve months of their thesis research. Research in the area of transportation, broadly defined, and public utilities is eligible. Applications, including letters of support from your faculty advisor, are due with Jennifer Marx at the Transportation Center by March 15, 1996. For further details talk to Ian Savage.

## **Notes . . .**

### *Front office changes*

Yolanda Wales is taking a leave of absence, beginning Monday, November 20 and will return February 6. Mercedes Thomas will take over Yolanda's responsibilities during this period.

### *Phone area code changes*

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.

You may also be aware that a new area code of 630 will be introduced for the western suburbs from August 1996, and that the 312 area code will be split into two (312 and 773) in about a year's time. Long distance access codes will not be required to call any numbers in the 312, 630, 708, 773 or 847 areas.

### *Office accommodations*

We have a shortage of graduate office carrels. If anyone is currently allocated a space but is not using it, please let Ian Savage know so that he can arrange with one of your fellow students to share the space.

### *Photocopier*

Please note that the office staff and work study students have priority access to the copy machine during regular business hours. Please be nice and permit them to use their time efficiently.

### *Web page*

The department's web page is now functioning. You can find us at: <http://www.econ.nwu.edu>. It contains directory information for 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.

**GO CATS!  
Rose Bowl 1996**

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**GRADUATE COURSE OFFERINGS  
WINTER QUARTER 1995-96**

	<u>INSTRUCTOR</u>	<u>LECTURES</u>	<u>DISCUSSIONS</u>
D10-2	Pesendorfer	MW 2:00-4:00 (FSL 1441)	F 11-1
D11-2	Christiano	MW 9:00-11:00 (ANN G32)	F 9-11
D12-1	Stacchetti	MW 11:00-1:00 (ANN G32)	
D20-1	Ferrie	TTh 11:00-1:00 (AAH 132)	
D25-1	Udry	MW 9:00-11:00 (AAH 132)	
D30-1	Trejos	TTh 1:00-3:00 (AAH 132)	
D36-1	Hellerstein	MW 9:00-11:00 (HRS 204)	
D50-2	Rogerson	TTh 9:00-11:00 (AAH 132)	
D60-2	Swagel	MW 11:00-1:00 (AAH 132)	
D80-2	Domowitz	TTh 8:30-10:30 (HRS 307)	F 2-4
D81-2	Conley	MW 1:30-3:30 (AAH 132)	