
Graduate Connection

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From the Department Chair . . .

Program Review

The University has an ongoing cycle of review of all departments and administrative units. This year it is the turn of the Economics Department. I would like to thank all of the graduate students who provided input to the review document that was prepared in January. The next stage of the process will occur in early May when there will be a visit to the Department by an external review panel of two eminent economists. During the visit they will want to speak with some of our graduate students. I will be in contact with you when the arrangements for the visit become clear.

Recent faculty honors

I would like to congratulate **Rosa Matzkin** and Larry Jones (of MEDS) on their election as Fellows of the Econometric Society.

Economics picnic

Each May the second year graduate students organize a Departmental picnic at Harms Woods, Skokie, for graduate students, faculty, staff and their families. Details will be circulated near to the time. I encourage all of you to participate in this annual event.

Fall quarter dates

Due to Yom Kippur, the starting dates of the fall quarter 1996 will be a bit unusual:

| | |
|--------------|--------------------|
| Mon Sept. 23 | Registration |
| Wed Sept. 25 | Classes start |
| Thur/Fri | |
| Nov. 28/29 | Thanksgiving |
| Mon Dec. 2 | CAS reading period |
| Mon Dec. 9 | Examinations start |
| Sat Dec. 14 | Quarter ends |

Teaching Matters . . .

Applied Econometrics

A number of graduate students have petitioned the Department to offer an applied econometrics course in Spring 1996.

The Department's intention is to offer the applied time series (D82) and cross-section (D83) econometrics courses in alternating years. However, the departures of Bo Honoré and Mark Watson meant that during the current academic year we have been stretched thin to cover our basic econometrics courses (B81, C81, D80, D81). When our new junior hires Chris Taber and Tim Conley start teaching their full allocation of courses, we should be able to return to offering D82 and D83 on a regular basis.

Next year's teaching schedule is in the final stages of preparation. It seems likely that D83 will be offered by Professor Taber next year, most probably in the fall quarter. The course schedule for next year will be available on our web page on March 22.

It is unfortunate that we do not have the staff to offer D83 this year. However, we are offering an unprecedented choice of eight field courses in the spring quarter. An additional course would reduce enrollment in some of these other courses and could force their cancellation.

1996/7 course schedule

As mentioned in the above paragraph the course offerings for next year will be announced this month. Please check the web page after March 22.

Course descriptions - spring 95/96

Economics D15-1

Advanced Microeconomics
Professor Reiter
MW 11-1

G30 ANN

No description was submitted.

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Economics D16-1

Advanced Macroeconomics
Professor Mortensen
TTh 9-11

132 AAH

Unemployment: Theory and Evidence. The purpose of the course is to foster an understanding of dynamic aggregate labor market behavior. The focus is on aggregate wage and employment dynamics, worker flows into and out of employment, job creation and destruction flows, and job vacancy behavior. Current problems of substantive interest addressed in the course include the high and persistent levels of unemployment in Europe and the widening dispersion of wages in the US. The aggregate wage, employment, and welfare effects of labor market policy interventions such as payroll taxes, unemployment insurance, employment protection policy, and recruiting and training subsidies are also included in the substantive topics of interest.

The analytic framework developed and applied in the course is a dynamic general equilibrium model of the labor market placed when necessary in the context of the neo-classical aggregate growth model. The framework, based on the search and matching approach pioneered by Peter Diamond, Christopher Pissarides, and the instructor, provides the means necessary for constructing consistent dynamic models of aggregate wage and employment behavior.

Economics D20-2

European Economic History
Professor Taylor
MW 1-3

G32 ANN

The Evolution of the Global Economy. The course considers global integration and growth in the 19th and 20th centuries. Specific topics include: international capital movements; mass migration; commercial policy and the growth of trade; the evolution of the payments system; trends and fluctuations; and the record of comparative economic growth. The course will be organized around readings, a workshop-style meeting each week, a substantial research paper, and possibly some student presentations / short papers.

Economics D30-2

Monetary Theory & Policy
Professor Christiano
MW 9-11

132 AAH

Recently, expectations have started moving to center stage in discussions of macroeconomic phenomena. In one development, models have been constructed in which shocks to expectations are an important independent impulse to the business cycle. These include non-monetary models with increasing returns to scale in production, and various types of monetary models with constant returns to scale. Expectations are also playing an increasingly prominent role in government policy analysis. For example: (i) economists have recently shown that simple policy rules, like the balanced budget amendment, can lead to undesirable volatility in output and employment by creating expectational instability; (ii) it has long been argued that private sector expectations are crucial in determining the central bank's ability to fight inflation; and (iii) discussions of international debt are also heavily influenced by expectations. For example, some economists argue that the recent debt crisis in Mexico was driven by self-fulfilling expectations.

The purpose of this course is to review these developments. In each case, the phenomenon will be analyzed in the context of rigorously specified, dynamic general equilibrium models in which agents have rational expectations. Specifically, the objectives are: (i) to familiarize the student with the relevant conceptual and computational tools; (ii) to develop a critical assessment of the papers and, where relevant, to evaluate the empirical plausibility of the parameter values required for expectations to be an important driving factor; (iii) to investigate the potential for simple institutional reforms to ameliorate problems associated with expectational instability.

Students will be expected to write a paper that, in principle, could be expected to lead to dissertation work. There are a variety of possibilities. A student could extend the empirical analysis of some existing paper - for example, evaluating the likelihood of debt repudiation - to some new country or set of countries. Or, a student may wish to extend the theoretical analysis of some paper.

Economics D36-2

Public Finance
Professor Meyer
MW 1-3

132 AAH

This course covers a series of topics mostly on the expenditure side of public economics. The topics will include welfare economics, income taxation and labor supply, unemployment insurance, workers' compensation, social security and retirement, and welfare. While the emphasis will be primarily empirical, we will begin each topic with the main theoretical work in that area.

Economics D40-1

Labor Economics
Professor Montgomery
TTh 1-3

132 AAH

While this course (along with D40-2) is intended as an overview of labor economics, it reflects some of Professor Montgomery's own research interests in several ways. First, the course is primarily theoretical, with a special focus on models with incomplete information. Second, the course attempts to show how sociological insights might be integrated into economic models of the labor market. Specific topics to be addressed include contracts, wage differentials, "sociological" theories of wage and effort determination, learning and turnover, and job search.

Economics D50-3

Industrial Organization & Prices
Professor Porter
TTh 11-1

132 AAH

The third quarter in the graduate industrial organization sequence. Potential topics include: dynamic oligopoly models; econometrics of markets with imperfect competition; entry, exit and the size distribution of firms; research and development; auctions; vertical restraints. The emphasis will be on the estimation and testing of game theoretic models, and especially on recent developments in the field. A prerequisite is Economics D50-1, and D50-2 would be useful. Evaluation will be by several problem sets and a final exam. There will be a course packet of readings.

Economics D81-1

Econometrics
Professor Domowitz
MW 11-1

132 AAH

Nonlinear Methods in Time-Series Econometrics. Despite its numbering, D80-1 is the third course in the second-year advanced econometrics sequence. It is being offered for the first time this year, at least in its present incarnation. It will be run more as a seminar, as opposed to a straight lecture format, particularly for the second half of the quarter.

Lectures will concentrate on issues of estimation and inference for nonlinear econometric models estimated with time-series data. Large sample theory, concentrating on consistency and asymptotic distributions, will be presented under various assumptions related to the type of estimator, the nature of temporal dependence, and the degree(s) of nonstationarity that might be posited for economic time-series. The emphasis will be on parametric models, but it is expected that some material relating to semi-parametric techniques will be covered as well.

A motivating feature of the course, and the basis for "seminar" type discussions, will be the formulation of theory based on empirical problems. The philosophy is that empirical work at its best can involve the necessity of developing new estimation methodology or testing techniques, motivated by the particular empirical problem at hand. The applied researcher must then not only come up with the method or test, but also demonstrate its validity. The latter necessarily involves proving propositions concerning, say, the consistency of the test or the asymptotic distribution of the estimator. We will start the course with a couple of such examples, which then will form the basis of class discussions, conditional on work done by class participants, as well as motivating theoretical lecture material.

MEDS D60-3

Game Theory
Professor Swinkels
T 3:15-6:15

531 AAH

A rigorous introduction to the tools, techniques and concepts of game theory. We begin with approximately 2 weeks of cooperative game theory. The remaining 8 weeks of the course will be devoted to mainstream non-cooperative game theory: Extensive and normal form representation of games, dominance and rationalizability,

Nash equilibrium, correlated equilibrium, persistence, tremble based refinements in the normal form, backward induction, sequential equilibrium, and extensive form perfect equilibrium, belief based refinements and forward induction, stability, repeated games and folk theorems, cheap talk and renegotiation, and purification of mixed strategies. The course is intended to coordinate closely with Economics D10-3: many topics will be introduced in that course, and then explored more deeply in this course.

Finance D86

Seminar in Corporate Finance
Professor Laurie Bagwell
WF 3-4:45

430 AAH

An advanced seminar with primary emphasis on the theory of corporate finance. Topics include: the Modigliani-Miller invariance theorems; the objective of the firm with incomplete markets; the role of taxes, agency costs, and asymmetric information in the choice of capital structure; and optimal security design. Students should be familiar with material from Finance D85.

Finance D87

Dynamic Asset Pricing Theory
Professor Skiadas
M 3/25 3-5

430 AAH

Meeting times for the remainder of the quarter will be agreed on during the first class. This course covers the basic arbitrage and equilibrium models of asset pricing in dynamic settings. Topics include the implications of no arbitrage for derivative security pricing and term-structure models, optimal portfolio selection, equilibrium models of asset pricing, and the representative agent. The necessary mathematical tools are introduced, including the Ito calculus and stochastic control.

E15 and E36 are back

After a break of several years, we are pleased to announce that students can now register for seminars in Economic Theory (E15), and Public Finance (E36) in the spring quarter. The Theory seminar is the Math Center visiting speaker series held on Wednesdays from 3:30 to 5:00 in Leverone G44, and organized by Professor Pesendorfer. The Public Finance seminar usually meets on Monday afternoons from 3:30-5:00 in the conference room.

Professor Meyer is organizing the seminar this year.

From the Director of Graduate Studies . . .

1996 spring prelim dates

| | |
|-------------|----------------|
| Wed June 12 | Microeconomics |
| Wed June 19 | Macroeconomics |
| Wed June 26 | Econometrics |

All examinations will be held 1pm - 4pm.

1996 fall prelim dates

The September retake examinations will be held:

| | |
|--------------|----------------|
| Mon Sept 16 | Microeconomics |
| Tues Sept 17 | Macroeconomics |
| Thur Sept 19 | Econometrics |

All examinations will be held 1pm - 4pm.

Financial aid for next year

Look out for notices circulated during the spring quarter announcing meetings to discuss departmental financial aid for next year. There will be separate meetings for current first, second, and third year graduate students. These meetings will provide an opportunity for you to ask specific questions. However, a general statement of Department policies is as follows:

Current first year students

There are two *sufficient* conditions for obtaining (relatively) early assurance of continuing support:

- (1) Students who have received B's or better (i.e., no B-'s, B--'s, or C's) in all of their core courses will receive a TAsip for *at least* the Fall Quarter. These students will be notified soon after Spring Quarter grades are out. These positions will be extended to Winter and Spring as soon as TWO prelims are passed.
- (2) Students who pass TWO prelims in June will be awarded a TAsip for all of 1996-97. Notification will come toward the end of July.

These conditions are *sufficient*, but not *necessary*. In the past, various lesser combinations of grades and prelim scores have resulted in students receiving full or

partial funding. However, if the *sufficient* conditions are not met, you probably won't be sure of your funding status until August or even September.

Foreign students from non English speaking countries 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.

Current second year students

Reappointment to a TAship next year will require you to have passed all your preliminary examinations by the June sitting of 1996.

Current third year students

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 T.A. 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 T.A. roster after September.

Training for new T.A.s

For 1996/7 the University has instituted a one-day training session for new T.A.s. It will be held all day on Wednesday September 18th, which is during the week before classes start. The September prelims will not be held on that day. The Department regards your attendance as mandatory. If you believe that you will be serving as a T.A. for the first time next year, please arrange your schedules so that you are available in Evanston on that date.

Fall quarter T.A. course allocations

By tradition, the forms that allow T.A.s to indicate their preferences for classes are circulated immediately after Labor Day to your boxes in the Main Office. Completed

forms have to be returned by September 20. Unfortunately, the allocation can only be announced at 4 pm on Tuesday September 24 because we do not know enrollment in B01 and B02 until enrollment closes that afternoon. Classes start the next day.

Delilah's Domain . . .

Important dates

March 29, 1996

You must file the Application for Admission to Candidacy at the Graduate School by this date if you expect to receive the Master's Degree in June 1996.

April 11, 1996

This is the deadline for submitting the "Application for a Degree" after April 1st but before April 12th. If filed, you will be able to participate in the Commencement ceremony. 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.

Commencement arrangements

A change has been made in commencement arrangements. Commencement will now be held on Friday evening June 14. The Graduate School will host a reception in a tent at the north end of Dyche Stadium starting at 4 pm. The Commencement exercises will be at 6 pm. Afterwards you can return to the reception tent to receive your diplomas.

Late in April students expecting to graduate in June will receive an order form for academic costume from the E.R. Moore Company and a pamphlet providing information about Commencement, including ticket information and an invitation to the Graduate School Reception.

No tickets will be issued for Commencement at Dyche Stadium, it will

be unlimited seating. However, in case of rain, the ceremony will be held in McGaw Memorial Hall. Each student will receive 3 tickets for inside seating if the occurs. The ceremony will be televised on closed circuit television for those people who cannot obtain a ticket.

Funding . . .

Sloan awards

Third and fourth year students will have just received detailed instructions on the application process for the Alfred P. Sloan Foundation Fellowships. Qualified students should speak with their advisors now, and prepare a proposal and reference letters. Materials should be with Ethel M. King by March 15. The Director of Graduate Studies will head a committee to select at most three nominations by the department.

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.

Research assistantships

Many faculty members hold research grants which permit advanced graduate students to be hired as research assistants. The usual process by which these positions are filled is informal contact between graduate students and the faculty member. The Director of Graduate Studies does not normally act as a clearing-house for these positions. However, he would like to be informed when an appointment is made as it will help him when allocating departmental support.

Summer jobs

Summer research assistant positions are often available from individual faculty with research funding. There is no Departmental assignment of these positions. The best way to go about obtaining such a job is to advertise! Prepare a *one-page* resume introducing

yourself to faculty, emphasizing the *useful skills* (computer experience, etc.) you have. Distribute these resumes in faculty mailboxes toward the end of Spring Quarter. Be sure to include faculty in the KGSM departments of MEDS, Finance, and Management and Strategy in your mailing. Kellogg faculty are often long in research funding and short on students to spend it upon.

From the Director of Graduate Placement . . .

We have had a promising placement season. Most of our students on the market should be making their decisions within the next month. So far, I can report that Mark Coppejans has accepted an appointment in the Economics Department at Duke University, and Victor Valdivia will be going to the IMF.

Students who are thinking about going on the market next year should keep an eye out for an announcement by Ian Domowitz regarding an introductory meeting during the spring quarter to discuss the job market process.

Please be aware of some important dates for this fall. Your draft job market paper will need to be in the hands of your Ph.D. committee members by October 4, 1996. Your vita must be ready by October 18, and your packet including recommendations letters should be assembled by November 8.

From the Director of Graduate Admissions . . .

The departmental open day for prospective graduate students will be held on Friday, March 29. Bill Rogerson will be in contact with individual graduate students to assist him in welcoming our visitors.

Notes . . .

Phone area code changes

After April 19, 1996 you will only be able to use the 847 area code for the northern suburbs, including Evanston.

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

at the beginning of 1997. The 312 code will only apply to the greater loop area.

Office accommodations for 1996/7

Offices and carrels

It seems likely that with the large first year class, the situation regarding office space will be tight again next year. There are some long-standing priorities that the Department has set for the allocation of the quality and quantity of space:

1. Departmental Lecturers
2. Research Assistants
3. Holders of Dissertation Fellowships (eg. Sloan, NSF)
4. Teaching Assistants
5. University College Lecturers

Other advanced graduate students will be accommodated where space permits. This does mean that some incumbents who will not fall into the above categories next year may be evicted.

It is clearly in the interests of those students receiving Research Assistantships or Dissertation Fellowships to inform Ian Savage and John Panzar. The new space allocations will be announced in August and will take effect after Labor Day. In the meantime, it will help greatly if those students who are leaving us this summer will tell Delilah Gray their estimated date of departure.

Lockers

We would like to make lockers available to the incoming graduate class in the last week of August. Therefore, except as noted below, we would be grateful if you could clear your lockers at the end of the spring quarter. We have no objection if you wish to retain your locker over the summer, although we would appreciate it if you would inform Delilah Gray of this.

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.

Next Graduate Connection

Volume 2, number 1 will be published immediately after Labor Day.

The Students' Section . . .

Our intramural floor hockey team had a successful season and has just lost finally in the playoffs. Overall they won four games out of six, despite being made up entirely of doctoral students. Paul Mannone scored five goals in one game!

Shouldn't a team like that have a uniform? Let's make a T-shirt for the department. Would you buy one? What could we put on it? We want slogans, drawings, diagrams, ideas. Some slogans have been suggested: "NU Economics: developing human capital," "You demand, we supply," "Economics: we're in the core," "Economics: never a weak best response," "Econometricians do it with confidence." Obviously, we're still looking for input. Elie Tamer has graciously agreed to collect any submissions and do something responsible with them. Let's have some ideas! \$10 from the TG fund will go to the submitter(s) of the winning suggestion(s), to be chosen by a some appropriate procedure to be determined later.

Remember, TGs are every Friday at five. Come on down, and bring everyone you know!