
Graduate Connection

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From the Department Chair . . .

New Faculty

I am pleased to report the appointment of three new faculty who will be arriving this summer. **Charles Manski** will join us from the University of Wisconsin. In his 25 year career he has published in econometrics, decision analysis, education and social policy, and travel demand. **Gadi Barlevy** specializes in macroeconomics, and is completing his Ph.D. at Harvard University. **Paula Ramada** researches in general equilibrium and financial economics, with her Ph.D. from MIT.

Visiting in the Spring Quarter of 1996/97 will be **Tom Sargent**, a macroeconomist with appointments at Stanford and the University of Chicago. Tom is the holder of the Nemmers Prize. He will be teaching an advanced topics graduate course in dynamic macro and monetary economics (details below). He will be in room 203 (1-8235).

New and renewed faculty research grants

Rebecca Blank (U.S. Dept. of Health & Human Services, Joint Center for Poverty Research)

Eddie Dekel (NSF, Endogenous Rates of Experimentation: Dynamics in Non-Partition Information Models)

Steve Matthews (NSF, Dynamic Joint Decisions: Free Riding, Multi-Issue Bargaining, and Contract Revision)

John Panzar (Ameritech Foundation, Consortium for Research on Telecommunications Policy)

Ian Savage (U.S. Dept of Transportation, Evaluation of Urban Transit Subsidies)

Alberto Trejos (NSF, Monetary Search theory, International Currencies and Strategic Considerations about Monetary Integration)

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.

Spring quarter dates

Due to Easter, the first week of spring quarter will be a bit unusual. The first day of classes will be Tuesday April 1. However, on that Tuesday regular Monday classes will meet. Therefore:

- MW graduate classes will meet on TW
 - TTh graduate classes will meet Th only
- Things return to normal in the second week.

The lounge

I ask you to read the following note from Ethel McKay King, and act to keep the lounge in good order:

"Fellow staff members and I are really tired of cleaning up the mess that is frequently left in the lounge. This is not the staffs' responsibility. Leaving trash on tables, dishes in the sink, food particles on the counter and in the microwave, newspapers and other trash strewn about, and sitting and putting your feet on tables are not acceptable behavior in a place that is not your home."

Graduate secretary

I would like to thank **Mercedes Thomas** for her valiant work on graduate admissions. Over the coming months we will be interviewing candidates for the permanent replacement of Delilah Gray. In the meantime, the following arrangements will apply. Ethel McKay King will deal with any formal paperwork dealing with funding, candidacy and petitions to graduate.

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Teaching Matters . . .

1997/98 course schedule

The course offerings for next year will be announced later this month. Please check the web page after March 21.

Course descriptions - spring 96/97

Economics D14-2

Economics of Information

Professor Matthews

TTh 9-11

132 AAH

The focus of this course will be the effect of informational imperfections on contractual relationships. Theories of agency, renegotiation, reasons for contractual incompleteness, and organizations are probable topics. The intent is not to "survey" a large amount of material, but rather to go deeply into a few topics. Most readings will be recent journal and discussion papers. Students will be assumed to know basics, such as would have been gained in this year's offerings of Econ D12-1, MEDS D65-1, and Econ D14-1.

The course will be taught jointly by instructor and students. Everyone sitting in the classroom will participate, leading discussions and presenting papers. Students are welcome to suggest articles to cover, if they do so soon. Evaluation will be made on the basis of presentations, participation, and writing assignments.

Economics D20-2

European Economic History

Professor Taylor

MW 1-3

132 AAH

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 D36-1

Public Finance

Professor Weisbrod

MW 11-1

132 AAH

This is the first course in the graduate public economics sequence; a second course will be offered next academic year. The emphasis will be on public expenditure analysis and policy. The following topics will be covered: Fundamental theorems of Welfare Economics; Concepts of Distributive Justice; Externalities and Public Goods; Information Issues and Demand Revelation; Health Economics and the Role of Government; The Nonprofit Sector in a Three-Sector Economy; Linking Theory to Public Policy. Evaluation will be by several problems sets, class presentations, and a final exam. There will be a course packet of readings.

Economics D81-1

Econometrics

Professor Domowitz

MW 9-11

132 AAH

Nonlinear methods in time-series econometrics. Despite its numbering, D81-1 is the third course in the second-year advanced econometrics sequence. It will be run as a combination of lectures and seminar-type discussions, the latter being emphasized during 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 properties and asymptotic distributions, will be presented under various assumptions related to the type of estimator, the nature of temporal dependence, and the degree of nonstationarity that might be usefully posited for economic time series. The emphasis will be on parametric models, with some possible digressions into semi-parametric analysis.

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 development of new estimation methods and/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 performed by class participants, as well as motivating theoretical lecture material.

Economics D98

Dynamic Macro and Monetary Economics

Professor Sargent

TTh 1-3

132 AAH

The course will cover several topics in dynamic macroeconomics and monetary economics at a level suitable for second year graduate students. Several key ideas will be conveyed through the study of substantive examples.

(1) Promised values as a state variables in recursive formulations of contracts and systems of expectations. We will study the structure of recursive contracts in the style of Spear-Srivastava, Townsend-Pheland, and Marcet-Marimon. Applications will be to the design of unemployment compensation arrangements, consumption-smoothing, and international borrowing (Atkeson). Using very similar techniques of Abreu-Pearce-Stacchetti, we will formulate 'credible public policies'. Time permitting, we shall show how particular 'dynamic optimal taxation' problems resemble recursive contract design problems.

(2) Fiscal theories of inflation and the price level. We will describe fiscal theories of inflation, and some of the evidence for their performance. We will go on to study related ideas of Leeper, Woodford, and Sims ('fiscal theories of the price level') and show how they stem from assumptions about government policies. We will use the issue of international exchange rate determination as a laboratory for exhibiting and stretching the theory.

(3) Incentive effects of social insurance on equilibrium unemployment and matching efficiency. To think about high European levels of unemployment, we will put to work three classes of models: Mortensen-Pissarides matching models, McCall search models, and Hansen-Rogerson lottery models. These models are the leading points of departure for thinking about policies to improve outcomes recently observed in European labor markets.

(4) The role of fiscal policies on the provision of social security. Computational equilibrium models of social security reform, in the fashion of

Auerbach-Kotlikoff, will be used to frame issues confronted by the Federal Government's recent social security commission.

(5) 'Stochastic approximation' as a tool for modelling adaptation and motivating computational methods in dynamic economies. We will supply a brief introduction to the learning and adaptation literatures in macroeconomics.

MEDS D60-3

Game Theory
Professor Moselle
M 2-5

561 LEV

First Class Meeting April 7. 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 representations 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, purification of mixed strategies. We will use two textbooks: *Game Theory*, by Fudenberg and Tirole (MIT Press, 1991), and *Game Theory*, by Roger Myerson (Harvard University Press, 1991).

MEDS D62

Decision Theory
Professor Klibanoff
Th 3-6

561 LEV

This course will focus mainly on axiomatic theories of decision making under risk and uncertainty. First the course will briefly explore utility theory under certainty and the notion of preferences and their representation. Then we will study in detail the classic theories of decision under risk and uncertainty: von Neumann and Morgenstern, Anscombe and Aumann, and Savage. This will take roughly half the course and constitutes a basic grounding in the subject. From here we will explore a selection of topics that expand on the classical work in various directions and are nearer to the current research frontier. These topics may include:

(1) Responses to empirical deviations from the theory -- Allais' Paradox, Prospect Theory, Machina's approach;

(2) Ellsberg's paradox, uncertainty aversion, Gilboa and Schmeidler representations;

(3) Dynamics -- Bayesian updating, dynamic consistency, preferences over the timing of the resolution of risk/uncertainty;

(4) Relation of foundations to applications outside of decision theory.

The course will be part lecture by me, part prepared presentations by students, and discussion by everyone throughout. The requirements include completion of problem sets, prepared class presentations, and participation in class discussion. Your grade will be a reflection of all three components. The required text is Kreps, David M., *Notes on the Theory of Choice* (in the series *Underground Classics in Economics*, Westview Press: Boulder and London, 1988.) There is also a reading list of articles.

MEDS D68

Selected Topics in Economic Theory
Professor Kamien

??

??

No description was submitted.

Finance D86

Seminar in Corporate Finance
Professor Rajan
TBA

430 AAH

Organization meeting at noon on April 1 in 430 AAH to set class time. The course will cover topics including the theory of the firm, organizational structure, managerial behavior, internal systems to control of managerial misbehavior, investment in conglomerates, theories of capital structure, theories of debt, theories of equity, capital structure evidence, financial intermediation, and comparative financial systems.

There will be two assignments during the course. The object of these assignments is partly to make you get your hands dirty. One will be a referee report on a paper I will assign. The other will be on data collection and analysis. You will have a final exam which will be take-home. Assignments will count for 40%, the final exam for 50%, and class participation for 10%.

Finance D87

Dynamic Asset Pricing Theory
Professor Skiadas
MTh 3-5

430 AAH

This course will cover the basic arbitrage and equilibrium models of competitive asset pricing in dynamic settings. Topics will include: arbitrage pricing of derivative securities (including American options), the term structure of interest rates, optimal portfolio selection, dynamic implementation of Arrow-Debreu equilibrium, representative-agent models, and the consumption-based CAPM. Both discrete-time and continuous-time models will be considered. The necessary mathematical tools will be introduced, including some martingale theory, the Ito calculus, and stochastic control.

1997-8 quarter dates

Fall: Mon Sept 22 - Sat Dec 14
Winter: Mon January 5 - Sat March 22
Spring: Mon March 30 - Sat June 14

E01 Student Seminar . . .

Departmental requirements

- Current third year students must present one field paper in the E01 seminar during 1996/97 to fulfill the course requirement for admission to candidacy.
- Current second year students should note that third year funding will be conditional on the completion of at least one paper and presentation during the second year.
- All second year students must register for, and attend, E01 in the coming spring quarter, as must those third year students who have yet to complete their E01 requirement.

Practical arrangements

- One, and sometimes, two seminars will be held each week. The normal meeting time will be on Thursdays from 5.00PM to 6.00PM. If a second seminar is necessary, it will be held on Wednesday from 5.00PM to 6.00PM.
- Presenters should be prepared to speak for forty minutes, but expect to receive questions.

- A sign up list is in the Graduate Secretary's office. The first seminar of the quarter will be on Thursday April 3.
- It is your responsibility to arrange for the examination of your paper. You should approach the professor for whose class the paper was written to (a) evaluate the paper, and (b) attend the presentation. You will also need a second faculty member in the field to evaluate the paper and attend the seminar. You should provide both faculty members with copies of the paper at least one week in advance of your seminar. Attached to this newsletter is the form that allows these faculty members to "sign off" that your paper is acceptable for the department's requirements for a major field. This form must be returned to the Graduate Secretary within two weeks of the date of your seminar.
- Please give Scott Zacher a copy of your paper a week before your seminar. He will arrange for copies to be made and distributed to students in the second and third years.

From the Director of Graduate Studies . . .

1997 spring prelim dates

Wed June 18	Microeconomics
Wed June 25	Macroeconomics
Wed July 2	Econometrics

All examinations will be held 1PM - 4PM. Sign-up sheets will be available in May.

1997 fall prelim dates changed

The September retake examinations have been brought forward with the intention of having results available before the fall quarter add deadline on September 26. The exams will be held:

Tue Sept 2	Microeconomics
Wed Sept 3	Macroeconomics
Fri Sept 5	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:

Foreign students

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.

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 TAship 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 TAship for all of 1997/98. 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.

Current second year students

Reappointment to a TAship next year will require you to (1) have passed all your preliminary examinations by the June sitting of 1997, and (2) completion of at least one paper and its satisfactory presentation in the E01 seminar.

Current third year students

TAships are only available to fourth year students who have been admitted to doctoral candidacy. Remember that completion of your E01 requirement is now a prerequisite of candidacy. If you have been admitted to candidacy by July 31, 1997 you will - in normal circumstances - be offered a TAship for all three quarters of 1997/98.

If you are admitted to candidacy after July 31, 1997 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 1997 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

The University has instituted a one-day training session for new T.A.s. It will be held all day on Wednesday September 17th, which is during the week before classes start. 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 16. Unfortunately, the allocation can only be announced at 4 pm on Friday September 19 because we do not know enrollment in B01 and B02 until enrollment closes that afternoon. Classes start the following Monday.

Field course meeting

An orientation session for students entering their second year will be held on Friday September 19 from 1PM to 5PM in the seminar room. The session will discuss the E01 requirement, funding criteria, and include presentations on each of the field course sequences that you can take in both the Economics Department and KGSM.

From the Graduate Secretary's Office . . .

Important dates

April 4, 1997

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 1997.

April 4, 1997

This is the deadline for submitting the "Application for a Degree" to permit you to participate in the Commencement ceremony and receive your diploma. If you file after this date but prior to April 14, you can still attend the Commencement ceremony, but you will receive your diploma early in September by mail.

May 16, 1997

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 1997.

May 23, 1997

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 1997.

Commencement arrangements

Commencement will now be held on Friday evening June 20 in McGaw Memorial Hall, due to the reconstruction of Dyche Stadium.

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. Students will receive seven tickets for their family and guests.

New Registration Details

The Graduate School is no longer sending out memos regarding registration. You are advised to consult the course schedule published by the Registrar. However, eligible students will be mailed registration forms for E03 and E99 registration. The Graduate School has also discontinued the mailing of registration receipts. To confirm registration you can contact the Registrar or the Graduate School.

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 submitted to Ethel M. King by noon on Thursday March 20. 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 21, 1997. 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 . . .

Graduate students on this year's job market have done extremely well, in terms of interviews and flyouts. Schools are still in the process of making offers, and some of our students are still considering their options. Thusfar, Gautam Tripathi has accepted a position at University of Wisconsin, Madison. Oliver Richard will be going to the School of Business at the University of Rochester, and Sharon Harrison will be teaching at Barnard College in New York City starting this fall. Dan Arthur has opted for the private sector, and will be working for the Brattle Group, a major consulting firm, as soon as his thesis is completed. We will provide a complete summary of student placement in the next newsletter.

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 3, 1997. Your vita must be ready by October 17, and your packet including recommendations letters should be assembled by November 7.

From the Director of Graduate Admissions . . .

The departmental open day for prospective graduate students will be held on Friday, April 4. Asher Wolinsky will be in contact with individual graduate students to assist him in welcoming our visitors.

Notes . . .*Office accommodations for 1997/8***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 the Graduate Secretary 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 the Graduate Secretary 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.

Personal copy accounts

Graduate students can obtain a personal account on our copy machine. You will be billed at the end of each month at 5¢ a copy. To obtain an account please send an e-mail to the Assistant Chair <ipsavage@nwu.edu> with your name and a 5-digit number to be used as your

personal access code (the number must not start with a 0).

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 3, number 1 will be published immediately after Labor Day.

**NORTHWESTERN UNIVERSITY
Department of Economics**

COMPLETION OF A MAJOR FIELD

1. Your name: _____

2. What is the name of the field: _____

3. Details of the courses taken in this field:

	<u>Course Number</u>	<u>Instructor</u>	<u>Quarter & Year</u>	<u>Grade</u>
1.	_____	_____	_____	_____
2.	_____	_____	_____	_____

4. Details of the paper to fulfill the requirements for the major field:

Title: _____

Date of presentation at E01 seminar: _____

5. Signed statements by two faculty evaluators:

"I affirm that the paper listed above meets the requirements for a major field for the Ph.D degree in Economics. I attended the presentation of the paper and affirm that it met required presentational standards."

<u>Faculty Member (print name)</u>	<u>Signature</u>	<u>Date</u>
_____	_____	_____
_____	_____	_____

**RETURN TO GRADUATE SECRETARY WITHIN TWO WEEKS
OF DATE OF E01 PRESENTATION**
