
Graduate Connection

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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 Thursday December 24, Friday 25, Thursday 31, and Friday January 1. The winter quarter commences on Monday January 4.

From the Department Chair . . .

Robert Eisner (1922-1998)

Robert Eisner, Kenan Emeritus Professor of Economics, passed away on November 25. Bob was a member of this department since 1952, and former president of the American Economic Association. While he retired from graduate teaching in 1991, he continued to work on issues of national importance and was one of our most distinguished, active, and visible members.

His death is a major loss to us all. The University will be organizing a memorial service early in the new year. I will inform you when I know the date.

Faculty changes

During the winter quarter **Gillian Hutchinson** will be visiting with us. She is a 1982 doctoral graduate of this Department, and latterly was a faculty member at Queen Mary College of the University of London. She is a labor economist, and will be teaching in our undergraduate and MMSS programs. **David Haddock** who is a faculty member at the NU Law School has had an office in the Department for some time. Starting from this winter quarter he will be teaching our revived undergraduate Law and Economics course. David can be found in room 208 (1-8222).

Recent honors

Two faculty members have received named chairs. **Michael Whinston** has been named the Robert and Emily King Professor of Business Institutions, and

Asher Wolinsky has been named the Alfred W. Chase Professor of Business Institutions.

Burt Weisbrod has been named to the National Advisory Research Resources Council of the National Institutes of Health. **Joe Altonji** was recently appointed to the Committee on National Statistics of the National Research Council. **Chuck Manski** was appointed Chair of a new National Research Council Committee on Data and Research for Policy on Illegal Drugs. **Joel Mokyr** has been elected to the executive committee of NBER.

Bruce Meyer has been reappointed to the editorial board of the *Journal of Public Economics*, and **Joe Ferrie** serves on the editorial board of the *Journal of Economic History*. **Dale Mortensen** is the founding editor of the new *Review of Economic Dynamics*. **Martin Eichenbaum** has been elected to be a fellow of the Econometric Society. In addition he has become an associate editor of the *Journal of Monetary Economics*, the *Review of Economic Dynamics*, and the *Journal of Macroeconomics*.

Staff changes

Paula Nielsen has left the University. **Lavonne Payne** has moved into room 124, and **Scott Zacher** has replaced her as Undergraduate Secretary. We have interviewed for a new staff member for our main office. We should be able to announce the successful candidate's name and starting date soon. In the interim, thanks to **Grecca Walker** who has worked as a substitute in our main office during the fall.

Congratulations to **Deidra Morgan**, an Economics staff member who works in the Math Center, on ten years of service to NU.

Distinguished Teaching Assistants

At the start-of-year buffet on October 7, I was pleased to award the Distinguished Teaching Assistant Awards for 1997-98. The winners of a certificate and a year's subscription to *Econometrica* were Michelle Zaharchuk, Una Okonkwo (both re-awards), Paulo Santiago, Henry Siu, Jim Sullivan, Craig Peters, Federico Ciliberto, Randal Watson and Ben Chabot. **Chuck**

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Ian Savage, *editor*
847-491-8241
ipsavage@nwu.edu

Moul and **Jim Stewart** were also selected as Teaching Assistant Fellows, and did an exemplary job of leading the training sessions for new Economics and Math T.A.s in September.

Departmental funding

The Graduate School and WCAS have agreed to provide funding for additional T.A.ships in 1998/99 and 1999/00 to cover the "bulge" in qualified graduate students in years 2 through 4. In the near future, we will be issuing current TAs with revised contracts extending your funding through the spring quarter. We remain committed to funding students who meet our published funding guidelines and who perform satisfactorily in the classroom.

Building expansion

Some more details have become available on the expansion of Andersen Hall. As previously announced our new space will consist of the existing third floor of Andersen, the space occupied by KGSM Alumni Relations in the connector building with Leverone, plus the third floor of a new "L" shaped addition that will be built above our existing space on the first floor and will extend east past Coon Forum. The addition will feature a large bright seminar/class room which will seat 60.

Current plans are that we will be able to provide carrel and office space to 65 graduate students, as opposed to the current 50. The new carrel rooms will generally have windows. Our existing computer room will also be extended to the south.

Construction will start in the summer of 1999, although it is currently unclear whether it will be at the start or the end of the summer. The new and reconfigured space will be available in December 2000. During the intervening 18 months, our north facing offices on floors 2 and 3 plus the first floor space will be closed. We will have to move some faculty plus our administrative offices into currently graduate student space on floors 2 and 3. The University has promised us space in the Cresap wing of Swift Hall for graduate student offices. Planning for the temporary relocation is only in an early phase. I should be able to let you know more details as they emerge over the coming months.

New and renewed faculty research grants

A large number of Northwestern faculty members are supported by research grants.

Listed below are the funding source and topic of new or extended grants.

Joe Altonji and **Chris Taber** (NICHD, the effectiveness of Catholic schools and single sex schools)

Eddie Dekel-Tabak (NSF, sequential voting)

Jeffrey Ely (NSF, Nash equilibrium and the evolution of preferences)

Joe Ferrie (NSF, longitudinal micro data for the study of long-range changes in economic mobility in the U.S. 1850-1990)

Robert Gordon (NSF, problems in the measurement of prices and productivity)

Bruce Meyer (NSF, the effect of welfare and taxes)

Leon Moses (Govt of Panama, pricing of the Panama Canal)

Robert Porter (NSF, empirical studies of bidding and entry)

Ian Savage (U.S. DOT, economics of transportation safety)

Asher Wolinsky (NSF, topics in the organization of firms and markets)

Teaching Matters . . .

Schedule change

Alan Taylor's D98 course scheduled for the spring has been cancelled. Students wishing to complete their history requirement this year are directed to Professor Ferrie's American Economic History course (D20-1) which is offering in the coming winter quarter.

Start of winter quarter

The start of winter quarter overlaps with the American Economic Association annual meetings in New York. The only consequent change in schedule that we are aware of is that Professor Matzkin's D80-2 class will have its first meeting on Thursday, January 7. It is possible that some other graduate courses may not meet on Monday or Tuesday of the first week of the quarter, so look out for announcements.

Course descriptions - winter 98/99

Economics D14-1

Economics of Information

Professor Wolinsky

MW 9-11

132 AAH

The course will survey central topics in the economics of information. Among the topics considered are: search theory, formal

descriptions of information and knowledge, sorting, games of incomplete information with applications to bidding, bargaining and signaling, implementation and mechanism design, and reputation.

Economics D16-2

Advanced Macroeconomics

Professor Bassetto

TTh 1-3

132 AAH

This course will study some applications of game theory to macroeconomics. The main topic is the literature on time consistency and sustainable plans, focusing both on its tools and on its issues.

Tools: determination of an optimal time-consistent policy as a fixed-point problem; Abreu, Pierce and Stacchetti's algorithm; recent extensions.

Issues: sustainability of sovereign debt and fiscal policy; international capital flows; time-consistent monetary policy and inflation.

We may also devote some time to papers that use political economy in recursive general equilibrium problems to address the same issues. Evaluation will be based on class presentation of a paper from the literature and a final exam; or writing a paper. The reading list will contain selected readings from recent papers and a yet to be published book by Thomas J. Sargent and Lars Ljungqvist.

Economics D20-1

American Economic History

Professor Ferrie

TTh 11-1

132 AAH

The course examines several topics in the economic history of the United States. The first goal of the course is to make students aware of 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.

The second goal is to familiarize students with the methods and materials of economic history. The course will require extensive input from the students, as the latter goal cannot be achieved without considerable hands-on experience. The emphasis is on students' participation in discussions and students' demonstration of

the mastery of the tools of economic history in evaluating the materials presented in class and in completing a significant piece of original research using primary materials.

Grades will be based on participation in class discussions (30%), four short (6-8 page) papers (30%) and a final paper (40%). There is no textbook for the course, but students with a weak background in U.S. history may wish to consult Jonathan Hughes and Louis P. Cain, *American Economic History* (4th ed., Harper Collins, 1994). A packet of required readings will be available from the Economics Department office. All of the readings are required.

Economics D36-1

Public Finance
Professor Meyer
TTh 9-11

132 AAH

This is the first course in a two quarter sequence covering some of the areas of most active research in public economics. This quarter will focus on the expenditure side of public economics. The topics covered will include rationales for government intervention, and examinations of the effects of the following programs: Aid to Families with Dependent Children (AFDC), Temporary Assistance for Needy Families (TANF), Medicaid, Food Stamps, Social Security, Disability Insurance, Unemployment Insurance and Workers' Compensation. While the emphasis will be primarily empirical, we will begin each topic with the main theoretical work in that area.

Evaluation in the course will be based on class presentations and a paper. The readings will mostly be from articles in a course packet, although I recommend the purchase of the 1998 *Green Book* (Washington, DC: USGPO).

Economics D50-1

Industrial Organization & Prices
Professor Porter
MW 11-1

132 AAH

The first quarter in the two quarter graduate industrial organization sequence. An introduction to industrial organization theory and empirical analysis. Topics include: price and output competition; price discrimination; entry and the determinants of market structure; entry, growth and turnover; entry deterrence; product selection; and advertising.

The emphasis will be on the formulation and testing of game theoretic models, and especially on recent developments in the field. Evaluation is based on several problem sets and a final exam. The reading list includes selected readings, many in a course packet, and a required text *The Theory of Industrial Organization* by Jean Tirole (MIT Press, 1988).

Economics D81-2

Econometrics
Professor Manski
MW 1-3

132 AAH

This graduate field course in econometrics examines the distinct ways in which statistical and identification problems limit the conclusions that may be drawn in empirical economic research. The focus is on identification problems that arise in attempts to predict outcomes of interest, and on the reasoned use of structural assumptions to cope with such problems.

Our starting point is the modern theory of nonparametric regression under random sampling. From there we go on to study prediction when the available data are subject to common observational problems. Considerable attention is given to problems of censored outcomes and/or regressors that arise in survey research, in the analysis of treatment effects, and in the study of simultaneous equations.

We then examine inferential problems arising when the data are generated by randomized experiments, response-based sampling processes, and sampling processes with measurement error. Each student will be required to write a theoretical or empirical research paper relevant to the content of the course.

MES D49-2

Competitive Strategy and Organizations
Professor Dana
Time TBA

619 LEV

This is the second of two required courses on the economics of strategy in the Managerial Economics and Strategy Ph.D. program. The course will cover topics in the theoretical industrial organization that are relevant to Ph.D. students interested in research applications to industrial organization and business strategy, and to students interested in dissertation topics that will be of interest of particular interest to business strategy departments within business schools.

Broadly speaking, the course will study the bases of competitive advantage in a market; the conditions that facilitate sustainability of competitive advantage and lead to the persistence of profitability; the sources of heterogeneity among firms; innovation and the development of new sources of advantage over time; the analysis of strategic commitment; and the strategic effects of organizational structure.

Specifically the course will emphasize topics including entry and exit, research and development, network externalities and standardization, product differentiation, strategic impacts of vertical integration/vertical restraints, and strategic impacts of horizontal integration. Some attention will also be paid to the policy issues associated with these firm behaviors.

The final part of the course will cover topics on strategic pricing and price and non-price allocation mechanisms under uncertainty. Specific topics will include price discrimination, pricing under demand uncertainty, inventory management, and queuing, with some emphasis on the relationships between industry organization, i.e. vertical separation, and these issues.

MES D60-2

Foundations of Managerial Economics (II):
Dynamic Optimization
Professor Sandroni
Time TBA

TBA

This course provides a rigorous introduction to the tools, techniques, and concepts of game theory. We will cover 2 weeks of cooperative game theory and 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.

The textbooks used will be Fudenberg and Tirole *Game Theory*; Myerson *Game Theory*; and Mas-Colell, Whinston and Green *Microeconomic Theory*.

Finance D85-1

Asset Pricing
Professor Heaton

*Organizational meeting at 5PM
Wednesday, January 6 in 430 AAH*

This course provides an introduction to the theory of financial economics. It covers: choice under uncertainty, arbitrage and state prices, mean-variance analysis and the Capital Asset Pricing Model, dynamic asset valuation and heterogeneous information. Evaluation is based on a final exam and homework and class participation.

Statistics D54

Time Series Analysis
Professor Huerta

WF 9-10:30 2006 Sheridan

This course offers an introduction to time-series methods from both a theoretical and applied perspectives. Topics to be discussed are exploratory techniques for time series (autocorrelations, periodogram, etc.), spectral estimation, Autoregressive Moving Average models, inference on Dynamic Linear Models and forecasting. Modelling aspects will be covered through the analysis of different data sets arising in the context of the physical sciences, psychology, economics and finance.

It is assumed that the student is familiar with estimation and hypothesis testing from both a Frequentist and Bayesian perspective. Experience in computing is a plus. The text will be Martin Tanner's *Tools for Statistical Inference: Methods for the exploration of Posterior Distributions and Likelihood Functions* (Springer Verlag, 1993).

E01 seminar

The seminar will meet on Wednesday and Thursdays as needed at 5PM in the Seminar Room (Andersen 132). There will be one presentation each day and the seminar will last for one hour including the question-and-answer period. The sign-up sheet for the Winter Quarter is now available in the Graduate Secretary's office. Professor's Eichenbaum and Christiano will be organizing the seminar.

For admission to candidacy students need to make two E01 presentations. Typically these are made in the third year, one in the Fall and the other in Winter or Spring. Therefore third-year students should have already have presented the paper they submitted last summer. Those who have not done so should sign up

immediately. Third-year students should be making plans for their second presentation. Remember that failure to make two presentations by the end of the spring quarter will prevent you from being admitted to candidacy, and hence receiving fourth-year funding.

Please remember that you need two faculty members to read your paper and attend the seminar before "signing off" on the form available from the Graduate Secretary's office. Attendance at E01 seminars is compulsory for all third year students. Permission for absence should be requested from the organizers. You should also register for E01 all year but register on a P/N basis. Letter grades will not be given.

Second year students should start attending some E01 seminars so that they can appreciate the acceptable standard for field papers.

Full information on our E01 requirement, and practical information, is available on our web page.

1998-99 quarter dates

Winter: Mon January 4 - Fri March 19
Spring: Mon March 29 - Fri June 11

1999-00 quarter dates

Fall: Tues Sept 21 - Fri Dec 10
Winter: Mon January 3 - Fri March 17
Spring: Mon March 27 - Sat June 9

From the Director of Graduate Studies . . .**Information on funding opportunities**

I have recently established a web page which presents information on funding opportunities for graduate students, other than the TA and RA opportunities within the Department. The web page will be updated regularly and contains links to other web sites and PDF documents that give further information and contain application forms for you to download. The web page can be accessed from the "Information on the Ph.D. program" subpage of the Department's website. I have also highlighted some upcoming deadlines in the *Funding* section of this newsletter.

1999 spring prelim dates

Wed June 16 Macroeconomics
Wed June 23 Econometrics
Wed June 30 Microeconomics
All examinations will be held 1PM - 4PM.

1999 fall prelim dates

Tues Sept 7 Macroeconomics
Wed Sept 8 Econometrics
Fri Sept 10 Microeconomics
All examinations will be held 1pm - 4pm. It is our intention that results will be available so that financial aid decisions can be made prior to the start of the fall quarter. It is likely that T.A. training in 1999-00 will take place on Wednesday, September 15. First years who believe that they might be T.A.s, and do not have to retake any prelims, should be back in Evanston by Tuesday evening, September 14.

Prelim policy

Last year the faculty voted to clarify our policy regarding retaking preliminary examinations. The full text of that document is posted on our web page. The implications for first year students can be summarized as follows:

- Exam "attempts" are counted sequentially, irrespective of whether you sit a particular exam.
- Students can retake in September any exam they fail this coming June without needing to petition the faculty.
- Students who fail to pass all three parts of the exam by September will only be permitted to remain in the program if (a) they have passed two exams, or (b) achieved "good grades," defined as no grade of B- or lower in any of the core sequences.

First year 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.

Funding guidelines

Last year, John Panzar brought together in one document the Department's existing rules for funding continuing graduate students with TAships. This document is posted on the Department's web page. I

urge you all to read it and become familiar with our policies.

TA periods in residence

Each quarter that you are a TA, you must be in Evanston from the first Monday of classes until the Monday after examinations end (which is the day that grades are filed). In the past people have left early and arrived back late, in some cases without informing the instructor they are working for. The Department will not tolerate this. You must arrange your vacation airline flights so as to be able to fulfill your duties. Failure to do so will be grounds for rescinding your TAship.

For 1998-99 the dates for which you must be in attendance are:

Fall: Until Mon Dec 14

Winter: Mon January 4 - Mon March 22

Spring: Mon March 29 - Mon June 14

SSRC summer institute

Last summer four of our graduate students (Ariel Burstein, Avi Goldfarb, Robert Vigfusson, and Zhixiong Zeng) attended the SSRC/MacArthur Summer Institute. All found the program very worthwhile. The 1999 Summer Institute will be held on August 2-7 in Virginia. I encourage those of you who might be interested to talk with the 1998 participants and to consult our new funding web page, where you will find details on the Summer Institute, application forms and fellowship information.

From the Graduate Secretary's Office . . .

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. You will be able to pick up a FAFSA form from the Financial Aid office at the Graduate School after January 14th. The best thing to do is wait until after you have filed your income tax returns for 1998 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 1997-98 year need to report their earnings from January through May of 1998 - 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

December 30 is the deadline for submitting signed Admission to Doctoral Candidacy Forms to the Office of The Graduate School so that you are admitted prior to the Winter Quarter. However, 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 11 for admission to candidacy and change of registration to E99.

January 8 the admission to candidacy for the master's degree in Winter Quarter is due in the Office of The Graduate School.

April 2 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. 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.

May 14 is the deadline for submission of completed dissertation and all supporting materials to the Graduate School. This deadline is for students who expect to receive the Ph.D. degree in June.

May 21 is the 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.

If you have any questions about any of this information please stop by the graduate office.

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 the graduate secretary at the Transportation Center by March 31. For further details talk to Ian Savage.

NU dissertation year fellowships

The Department expects to nominate two students for the Graduate School's Dissertation Year Fellowship (DYF) competition. This is an internal NU process involving departments and programs in the humanities and social sciences. Twenty fellowships are available. Last year we were able to win two of these. To apply you need to:

- Prepare a brief (<1500 word) description of your dissertation, your progress to date, and timetable to completion.
- Obtain two NU faculty references.

Completed nominations should be given to Ethel M. King by Monday February 1. Application forms and further information are available on our new funding web page. The selection committee places a high premium on projects which are (or can be made to seem) intelligible to the layperson.

In general the Department will not consider applicants who have not been admitted to doctoral candidacy, unless their

advisors guarantee that the thesis will be completed by September 2000. Being nominated for the internal NU DYF will not disqualify someone from becoming one of the Department's Sloan nominees. However, because Sloan and NU have different criteria for awarding fellowships, a separate selection procedure will be used by the Department.

NU alumnae dissertation fellowships

This new award offers a year of stipend and tuition to women who will be registered for E03 in 1999/00. Special preference will be given to those who have had to interrupt their academic careers. Information is given on the new funding web page, along with an application. Note that the deadline is January 22.

SSRC/MacArthur fellowships

There is a February 3rd deadline for applying for 1999's SSRC/MacArthur fellowship program, which is linked to (but not limited to) participation in the summer program. Again details are on the funding web page.

University College 1999-00

Appointment of lecturers for University College 1999-00 will be made in January. Lecturers will teaching two semester courses in the evening program. The fall semester is from just after Labor Day to mid-December, and the spring semester from the beginning of February to mid-May. Courses are taught on both the Evanston and Chicago campuses. Students who are selected to teach for University College will ordinarily be given the opportunity to teach one course in the WCAS day school.

Five appointments will be made. Each student teaches one course each semester. You can teach B01, B02, B81, C10-1, C11-1, or the C level of your choice. The financial reward for two University College courses plus a CAS day course is about \$11,000. There is no tuition waiver, so these positions will appeal to students on E03 tuition.

Appointments to these positions are made by the associate dean of University College and not by the department. Applications forms will be circulated to all students in the third year and above in mid-January. 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. The decision will be solely based on teaching ability, and not on financial necessity. Completion of all prelims is required. Priority will be given to those students who are making good progress in their degree, as defined by the Department's *Funding Criteria for Continuing Graduate Students*.

Notes . . .

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.

Personal copy accounts

Graduate students can obtain a personal account on our copy machines. 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).

Next Graduate Connection

Volume 4, number 3 will be published in the week of March 8.