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# Graduate Connection

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Vol. 6 No. 2  
December 2000

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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 22th, Monday 25th, Friday 29th and Monday January 1st. The winter quarter commences on Wednesday January 3rd.

## From the Department Chair . . .

### *Incomplete grades*

Some years ago the Department implemented the E01/501 seminar to provide a forum for presenting major field papers. Consequently, faculty were expected to limit field course assignments to those which are expected to be completed during the quarter the course is offered. In addition to the usual examinations, homework assignments and "referee reports," it was felt to be especially useful if faculty required students to prepare an "outline" or "prospectus" for a paper.

One objective of this change was to avoid the needless accumulation of incomplete grades that frequently cause students to be reprimanded by the Graduate School.

At a recent faculty meeting, the faculty reaffirmed these arrangements with the following exceptions. First the History requirement (Econ 420) could still assign an incomplete grade for 12 months to permit completion of a history paper which is outside of the Economics 501 seminar. Secondly, econometrics courses could assign an incomplete only until the end of the vacation period following the quarter the class is in.

Otherwise, incomplete grades can only be given to any student with the permission of the Director of Graduate Studies.

### *Distinguished Teaching Assistants*

At the start-of-year buffet on September 27, I was pleased to award the Distinguished Teaching Assistant Awards for 1999-2000. The winners of a certificate and a year's subscription to *Econometrica* were **Nadav Levy, Jason Long, Henry Siu** (all re-awards), **Levon Barseghyan, Mauricio Drelichman, Marc Fusaro, Jakub Kaluzny, Nicholas Kreisle, Maksymilian Kwiek, and Maxim Sinitsyn**. In addition, **Nick Kreisle** was also selected as Teaching Assistant Fellows, and did an exemplary job of leading the training sessions for new Economics TAs in September.

### *Robert Eisner Memorial Fellowship*

Also at the start of year buffet, I was very pleased to present to **Gorkem Celik** the inaugural awarding of a fellowship in honor of our late colleague Robert Eisner. This fellowship will now be awarded annually to a graduate student who has distinguished him- or herself in *both* teaching and research.

### *Andersen Hall addition*

Pepper Construction has now admitted that they will not make their December 20 completion date for the north addition to Andersen Hall. Completion will probably occur towards the end of February.

Moving will occur in two phases. Phase I will take place when the expansion is complete. We anticipate that this will occur during spring break. We will be moving into the new north wing of Andersen Hall and at the same time

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vacating all of the second floor of Andersen Hall and parts of the south end of the third floor. This will allow KGSM alumni relations to move into our second floor space, and permit the remodeling of the offices in the Andersen-Leverone connector. Our main office will temporarily relocate from the second floor to the north end of the existing third floor of Andersen Hall in space that will ultimately be used for graduate students.

Phase II will occur when the connector building remodeling is complete. We anticipate that this will occur sometime in August 2001. The main office will relocate to its permanent position, and we will be able to vacate our space in Cresap, and move our graduate students into their new quarters in Andersen.

Plans of the new and remodeled space are now on display in the main office. As you will see on the plans, virtually all of the graduate student offices will have windows and will be smaller than in Cresap or in the old Andersen Hall. Hopefully this will result in better and quieter working conditions. In addition we will be purchasing some new carrel units to supplement those that we already own.

Because of the delayed opening of the addition, our seminars will continue to be held in Leverone 165 in the winter quarter, and graduate classes will continue to be held in regular university classrooms. We hope to move our seminars and some classes to our new space in the spring quarter.

### *Prelims policy*

Three years ago the Department faculty voted a clarification of its policy on written qualifying examinations ("prelims"). This policy applies to the entering classes of 1998, 1999, and 2000. This policy has implications as to whether you will be permitted to continue in the program if you do not make good progress. It will be strictly enforced. The text of the policy is available on our web page, and I urge new students to study it closely.

### *TA performance*

I would like to stress again that receiving funding as a Teaching Assistant is a privilege and not a right. We expect all of our TAs to make a good faith effort to do their best. We would like to make it known that exceptionally poor performance or unprofessional conduct may be grounds for your dismissal as a TA. The Department will do this even if you have met the other criteria for funding.

### *Honors and awards*

Earlier this fall, **Scott Zacher** was a recipient of the NU Service Excellence Award. He was nominated in recognition of exceptional service in his position as Undergraduate Secretary. We commend Scott for his extra efforts which have significantly enhanced the overall support to economics majors and to the department.

### *Department wide seminar*

I am happy to report that **Andrei Shleifer** has agreed to be the spring 2001 department-wide seminar speaker. He will be here during the week of May 21. Professor Shleifer is in the Department of Economics at Harvard University, and works in corporate finance.

### *Nemmers prize*

Also visiting in the spring quarter is the fourth winner of the Erwin Plein Nemmers Prize in Economics, Professor **Daniel McFadden** from the University of California at Berkeley. As you will be aware, Professor McFadden was recently a co-winner of the Nobel Prize in Economic Sciences.

## **Teaching Matters . . .**

### *Winter quarter dates*

The first day of classes for winter quarter is Wednesday, January 3. The start of winter quarter overlaps with the American Economic Association annual meetings in New Orleans. However, as the meeting are

from Friday through Sunday (January 5-7), we anticipate that there will be few changes in schedules. However, look out for announcements.

On Monday January 15, classes are cancelled from 11AM to 2PM in observance of Dr. Martin Luther King Jr. Day. The MW 11-1 classes (411-1, 415-1, 440-1) will be cancelled on this day, and the MW 1-3 class (450-2) will either be cancelled or start at 2PM. Departmental offices will be closed, or have limited staffing during these hours. Please join the University-wide observances which are centered around a program starting at 11AM in Pick-Staiger Concert Hall with a keynote address by the Reverend Jesse Jackson. To accommodate interest in this event, it will be broadcast live to Coon Forum in Leverone Hall.

Because of the mid-week start to the quarter and the observance of King Day, WCAS reading week for undergraduates will be just two days long. Undergraduate classes will continue until Wednesday March 7. Final exams start on Monday March 12.

### *Course descriptions - winter 00/01*

#### **Economics 412-2**

Economic Theory and Methods

Professor Chung

TTh 11-1

Fisk 114

The central theme of this class is implementation theory at work. The class will be organized around different notions of implementation, including dominant strategy implementation, ex post implementation, Nash implementation, sub-game perfect implementation, and Bayesian Nash implementation. For each notion we will go through the background theory, and then its applications in designing matching markets, auctions, contracts, voting mechanisms, government policies, etc.

Evaluation will be based on problem sets and a class presentation. There will be selected readings in a packet.

**Economics 414-1**

Economics of Information  
 Professor Wolinsky  
 TTh 9-11 Fisk 114

The course will survey central topics in the economics of information. The main topics are search, formal descriptions of information and knowledge in single and multiple agent situations, the principal-agent problem with adverse selection, games of incomplete information, implementation/mechanism design and reputation. The course will present both more abstract models and ideas and more applied models dealing with economic problems such as price discrimination, auctions, bargaining and signaling.

**Economics 414-2**

Economics of Information  
 Professors Whinston/ Cr mer  
 Friday 1-3:30 University 102

*Please note that this course will meet for both winter and spring quarters. You will receive 0.5 credits for each quarter. An "in progress" (K) grade will be given at the end of winter quarter, with the course grade given at the end of spring quarter.*

The course deals with contracts and organizations and will be jointly taught by Professors Jacques Cr mer (Toulouse) and Michael Whinston (NU). The course covers theoretical work on contracts and organizations including static and dynamic models of moral hazard, hold-up models, incomplete contracts, models of vertical integration, relational contracts, and topics in the internal organization of the firm. There will also be some coverage of related empirical work. The first class meeting is Friday January 12.

**Economics 415-2**

Advanced Microeconomics  
 Professor Reiter  
 MW 11-1 Leverone 372

This quarter the course will deal with informational efficiency of mechanisms that implement a given goal function.

Systematic methods of constructing implementing mechanisms will be studied. We will work from published papers, and unpublished original material. The course will operate in seminar fashion.

**Economics 416-2**

Advanced Macroeconomics  
 Professor Eichenbaum  
 MW 9-11 Annenberg G32

No description received.

**Economics 420-1**

American Economic History  
 Professor Ferrie  
 TTh 1-3 Parkes 212

The course examines 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 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. Great emphasis will be placed 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.

Evaluation will be based on participation in discussions (20%), four short (6-8 page) papers (40%), 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* (5th ed., Addison-Wesley, 1998). A packet of required readings will be available from the

Economics Department office for approximately \$80.00.

**Economics 440-1**

Economics of the Labor Market  
 Professor Taber  
 MW 11-1 Annenberg G32

This is the first course in a two semester sequence in labor economics. The goal of this course is to synthesize theory, econometrics, and empirical work in labor economics. The emphasis of the course will be on the determinants of wages. Topics will include equalizing differentials, human capital, discrimination, and the changing wage structure. Evaluation will be based on a paper and a final exam. For the paper students may either attempt to replicate and extend an empirical labor economics paper, or they may try a more original empirical project.

**Economics 450-2**

Industrial Organization & Prices  
 Professors Braeutigam and Panzar  
 MW 1-3 Harris 313

This course will deal with the economics of network industries. It is the second part of the graduate sequence in industrial organization. Although 450-1 is not a formal prerequisite for this course, it will be assumed that students are familiar with the basic concepts presented in the earlier course.

The course will deal with the economic aspects of government policy toward network industries: regulation, privatization, and antitrust. Topics include: multi-product cost analysis for network industries; optimal pricing theory; regulatory theory and institutions; as well as case studies of network industries such as telecommunications, postal service, railroads, and electric power.

There is no single "text" for the course, since most of the reading material is taken directly from professional journals and books.

**Economics 481-2**

Econometrics  
Professor Manski  
TTh 11-1

Harris 313

This graduate field course in econometrics examines the ways in which identification problems limit the credible conclusions that may be drawn in empirical economic research. The focus is on identification problems that arise when the available data are subject to common observational problems. Each student will be expected to write an original empirical or theoretical research paper. There will be no examination.

**MGR ES 468**

Selected Topics in Economic Theory  
Professor Yeltekin  
Time and Place TBA

This course is intended to provide students with numerical techniques to solve a variety of problems, including optimal contracts, repeated and dynamic games, and competitive equilibria in various markets. Rapid improvements in computer hardware and software have made it possible to analyze models that could previously only be studied for extremely restricted special cases. This course will have three main parts: fundamentals of computation (linear systems, optimization, nonlinear equations, approximation techniques, numerical integration); numerical methods for functional problems (finite difference methods, projection and perturbation methods and numerical dynamic programming); and applications.

The text will be Kenneth Judd's *Numerical Methods in Economics* (MIT Press, 1998). The course will use MATLAB as a computer tool. Evaluation will be by problem sets and a short paper

**Finance 486**

Seminar in Corporate Finance  
Professors Hagerty and Fishman  
Time and Place TBA

An introduction to research in corporate finance. Topics include agency costs, asymmetric information and the choice of corporate capital structure; financial contracting and security design; the interaction between financial markets and product markets; corporate diversification; financial intermediation; and law and finance.

Evaluation will be based on several problem sets and a final exam. Readings will be in a course packet.

**Finance 488**

Empirical Methods in Finance  
Professor Andersen  
Time and Place TBA

The course covers a select list of current empirical research topics in finance and related econometric methods. The main focus is on testing theories of asset price determination, exploring the interplay between economic theory, statistical assumptions, and the relevant econometric techniques. It covers topics such as: the basic distributional characteristics of financial asset prices, models of time-varying volatility and conditional mean-variance relations, present value models exploiting cointegration and VAR based procedures, empirical testing of the unconditional and conditional CAPM, arbitrage (APT) and multi-factor asset pricing models, including the consumption based models and the so-called "equity premium puzzle." To the extent time allows, the course will also cover selected topics within the empirical literature on the term structure of interest rates, the testing of option and derivatives pricing models, the estimation of continuous-time models, and event study methodology.

Prerequisite is Finance 487 (Dynamic Asset Pricing). Evaluation will be based on class participation and a course paper. There will be a course packet with readings, and the required text is *The Econometrics of*

*Financial Markets*, by Campbell, Lo and MacKinlay (Cambridge U.P., 1997).

**501 seminar**

The seminar will meet on Wednesdays at 5PM in the Seminar Room (Leverone 165) during the winter quarter. There will be one presentation 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. Those students who failed to present a paper in the fall quarter should sign up for the first few weeks of the winter quarter. *If you did not present in the fall quarter and appear to be signing up for the end of the winter quarter, please be aware that questions will be raised about the substance of the paper submitted for approval last summer. This could adversely affect your funding for the spring quarter.*

Some students should also sign up for the end of the quarter to present their second paper. If you are in a position to present the second paper, please do so. In the next *Graduate Connection* we will be making arrangements for the spring quarter so as to avoid congestion at the end of the spring quarter.

Remember that for admission to candidacy, students need to make two 501 presentations. *This is a requirement irrespective of whether you wish to have Departmental funding in your fourth year.*

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 all 501 seminars is compulsory for all third year students. Permission for absence should be requested from the organizer. You should also register for 501 all year but register on a P/N basis. Letter grades will not be given.

Second year students should start attending some 501 seminars so that they can appreciate the acceptable standard for field papers.

Full information on our 501 requirement, and practical information, is available on our web page.

*2000-01 quarter dates*

Winter: Wed Jan 3 - Fri March 16  
Spring: Mon March 26 - Sat June 8

*2001-02 quarter dates*

Fall: Wed Sept 26 - Fri Dec 14  
Winter: Mon Jan 7 - Fri March 22  
Spring: Tues April 2 - Sat June 14

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

I maintain 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.

*2001 spring prelim dates*

Wed June 13     Macroeconomics  
Wed June 20     Econometrics  
Wed June 27     Microeconomics  
All examinations will be held 1PM - 4PM.

*2001 fall prelim dates*

Tues Sept 4     Macroeconomics  
Wed Sept 5     Econometrics  
Fri Sept 7     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.

*Fall TA training*

It is likely that T.A. training in 2001-02 will take place on Wednesday, September 19. 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 18. Failure to attend will be regarded as grounds for rescinding financial aid.

*Prelim policy*

Two years ago 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. Among the current second years students, failure to pass the TSE resulted in one student taking a leave of absence, and another student not receiving any support in the fall quarter. Do not let this happen to you. To be assured of funding, presuming that you have met the other requirements, you should have passed the TSE by July 31.

*Funding guidelines*

Some years ago, we 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 day 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 2000-01 the dates for which you must be in attendance are:

Fall:     Until Mon Dec 11  
Winter: Wed Jan 3 - Mon March 19  
Spring: Mon Mar 26 - Mon June 11

**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 17th. The best thing to do is wait until after you have filed your income tax returns for 2000 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 1999-00 year need to report their earnings from January through May of 2000 - 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 28** 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 598 at the beginning of Winter Quarter may submit completed Ph.D. candidacy forms to the Graduate School by January 10 for admission to candidacy and change of registration to 599.

**January 5** the admission to candidacy for the master's degree in Winter Quarter is due in the Office of The Graduate School.

**April 6** 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 11** 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 18** is the last day for receipt of "Final Examination Report" and any "Change of Grade" forms for 499 Projects or 590 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 . . .***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 Diana Marek at the Transportation Center by March 31. For further details talk to Ian Savage.

*NU dissertation year fellowships*

The Department expects to nominate four 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 Joseph P. Ferrie by Friday January 19. 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 2002.

*NU alumnae dissertation fellowships*

This award offers a year of stipend and tuition to women who will be registered for 503 in 2001/02. 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 12. Applications are made directly to the Graduate School.

*SSRC fellowships*

There is a February 1st deadline for second and third years students to apply for SSRC's pre-dissertation fellowships for 2001-02. In addition there is a March 1st deadline for first year students to apply for fellowships to attend the 2001 SSRC summer workshop in applied economics. Again details are on the funding web page.

*Graduate School funding for research-related expenses*

Graduate Research Grants are provided by the Graduate School to support research activities, including acquisition of data and travel. The maximum one-time grant is \$1,500. Applications must be made to the Director of Graduate Studies on October 7, January 8, and April 9 each year, and not submitted directly to the Graduate School. Awards will be announced six weeks after receipt of applications.

*Funding for research related travel*

Students frequently find it necessary to undertake travel related to their research, to gather data or to present their work at conferences. Northwestern has several resources available to assist students who must finance such trips.

The first step students should take after learning that they need to finance a trip is to contact their dissertation advisor. The purpose of this contact is two-fold: (1) advisors often have discretionary funds at their disposal that can be used to underwrite some of the costs associated

with student travel, and this possibility should be explored before proceeding further in search of funds; and (2) subsequent steps in the process of acquiring funds require the endorsement of the student's advisor.

If a student in need of funds for travel has not yet acquired a dissertation advisor, the very first step in acquiring such funds should be acquiring a dissertation advisor.

If the advisor's resources are insufficient to defray the full cost of the trip, the student should apply for a Graduate Research Grant from the Graduate School (see above).

In cases where the combined resources of the advisor and the Graduate Research Grant are insufficient, the Department may provide additional resources, with the following restrictions: (1) departmental funds can be used only for domestic travel; (2) the student must have entered candidacy by the time the application to the department is made; and (3) the student must have applied for funds from his/her advisor and applied for a Graduate Research Grant.

### *Teaching in the evening program 2001-02*

Appointment of lecturers for the School of Continuing Studies (formerly University College) 2001-02 will be made in January. Lecturers will be teaching two courses in the evening program. Next year the evening program will be switching from a semester system to a quarter system, with similar dates as the regular day courses. Courses are taught on both the Evanston and Chicago campuses. Students who are selected to teach for SCS 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 for each of two quarters. You can teach 201, 202, 281, 310-1, 311 or the 300 level of your choice. The financial reward for two SCS courses plus a WCAS day course is about \$11,000. There is no tuition waiver, so these positions will appeal to students on 503 tuition.

Appointments to these positions are made by the associate dean of SCS 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, he 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 . . .**

#### *Next Graduate Connection*

Volume 6, number 3 will be published in the week of March 5.