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# Graduate Connection

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Vol. 7 No. 1  
September 2001

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This is the seventh year of the Department of Economics' newsletter for graduate students. The newsletter will be published three times a year on approximately Labor Day, December 1, and March 1. It contains information and notices about activities in the department of interest to graduate students. It also serves as a formal notification of events, application deadlines, and course offerings.

## From the Department Chair . . .

*[Editor's Note: Martin Eichenbaum replaced Joel Mokyr as Department Chair on September 1.]*

*Welcome to our first-year grad students!*

Welcome to the Department of Economics and to Evanston. We hope that your years with us are productive and fulfilling. Please take the opportunity to mix with other graduate students and the faculty. A good way of doing this is at the TGIF held every Friday at 5:00PM in the lounge (Andersen Hall 327).

## *Construction almost finished!*

Construction and moving are almost complete. There are a few items to be attended to. The carrels in rooms 312, 315, 319 and 321 are in the process of being constructed. These rooms should be ready for occupation on Tuesday or Wednesday.

The phone in room 343 needs to be connected, and some of the data lines need to be activated. The thermostat in the computer lab and the copy room need attention. The lounge has yet to be set up and will not be available until the end of the week. We will then bring in painters to attend to the minor bumps and scratches

that occurred during the move.

The glass doors in the corridors, and between the main office and the copy room, have been returned to the manufacturers for modifications and should be installed within a week.

## *New public spaces*

- The copy room is room 301. Access to this room is available at all hours using the keypad on the corridor door. The code is 4-1-7-\*
- The main office is in room 302. Each student has an individual mailbox which are on the left hand side as you enter the office.
- The refurbished computer laboratory is still in room 313. Enhanced air conditioning has been installed. As soon as the thermostat has been "balanced" please refrain from propping the door open. This will provide increased security. New furniture has been provided and the computers have been cleaned. The keypad access code has been changed to 2-3-1. No eating or drinking will be allowed in the Computer Lab. Please respect fellow users by not soiling or damaging the lab equipment with food spills. Anyone found in noncompliance may lose department lab privileges.
- The Office of Graduate Studies is located in room 326.
- The lounge is in room 327. Access is by a keypad with code 4-1-7-\*. The room is fitted with sink, refrigerator and microwave oven. Back copies or major journals are shelved in this room, as well as the Department's subscription to the *New York Times*, *Wall Street Journal*, *The Economist*, and *Business Week*. Do not remove these from the lounge. Graduate students may take lunch in this room, and it will be the location of the weekly TGIF.
- The Teaching Assistants' consulting

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*Graduate Connection*  
Department of Economics/NU

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room is room 328. There is room to allow four TAs to meet with students. High partitions have been provided to ensure some privacy and to reduce noise levels. There is ample chalkboard space. The door access code is also 4-1-7-\*

- The Seminar Room is room 3204. This room will be used for some smaller graduate classes in the morning and some seminars.
- Lockers for first year students are located in room 3212. The keypad access code is 4-1-7-\*. First year students can obtain the combinations for individual lockers from the Graduate Secretary.
- A small conference room is in 3229. It can seat six around a table. A chalkboard is provided, but the room is too small to effectively use an overhead projector.
- The Lecture Room is in room 3245. Please use the west doors from the elevator lobby as much as possible. Over the summer this room has been equipped with a projector for PowerPoint presentations.

### Other space changes

The Center for Mathematical Studies in Economics and Management Science has moved from the third floor of Leverone Hall to the north side of the fifth floor of Leverone. The new room number is Leverone Hall 580.

The Econometric Society will be returning from Cresap on September 13 and 14 and will be located in room 350 in the connector building.

### Office allocations

A provisional allocation of students to rooms was circulated last week. We have been able to seat most, but not all, of the students on our published priority list. However, we still have some second year students who need space. Therefore if you believe that you will not use your carrel please tell the Ian Savage so he can reallocate it.

Students are encouraged to make

Pareto-improving exchanges of spaces, but please let the Assistant Chair <ipsavage@northwestern.edu> know so that we can produce a student directory within the next few weeks.

Keys to the offices will be ordered through Mercedes Thomas. You will need to complete a card to request your keys. You will receive two keys: one to your office and an electronic key to Andersen Hall (if you do not have one already). Please return all keys for Cresap to Mercedes Thomas for recycling.

The good news is that virtually all of the new graduate student offices have windows, and be smaller than is the case in Cresap and the old Andersen. Hopefully this will provide for better and quieter working conditions. We also obtained some additional carrel units to supplement those we already own.

### Departmental management

The management team of the Department continues unchanged except for the Chairperson. The team is:

**Martin Eichenbaum** - Chair  
**Ian Savage** - Assistant Chair  
**Joe Ferrie** - Director of Graduate Studies  
**Mark Witte** - Director of Undergraduate Studies  
**Asher Wolinsky** - Director of Graduate Admissions  
**Robert Gordon** - Director of Graduate Placement  
**Joe Altonji** - Director of Computing

### Recent honors

I would like to congratulate **Ariel Burstein** and **Rasmus Lentz** on winning the NU Dissertation Year Fellowships.

Congratulations as well to **Rosa Matzkin** on being named to the Household International, Inc. Research Professor of Economics.

The *Review of Economic Studies* organizes an annual tour of the best new economics Ph.D.'s. Among the seven new Ph.D.'s chosen this year are two of our new Assistant Professors, **Alessandro Pavan** (who has already joined us) and **Eva**

**Nagypal** (who will join in September 2002), as well as one of our own graduate students **Dino Gerardi**.

Best wishes to **Jeff and Jennie Ely** on the June 17 birth of their daughter Azalea Rosemary Ely.

### Department ranking

In the June, 2001 issue of the *Economic Journal* there was an article by Martin Koicher and Matthias Sutter on "The institutional concentration of authors in top journals of economics during the past two decades." The paper looked at an article in 15 journals between 1977-97, and weighted each journal by the average citations. Northwestern ranked 6<sup>th</sup> in the world, based on the affiliation of authors at the time a paper was published, and 12<sup>th</sup> in the world based on where the author obtained his/her Ph.D. In the former ranking only Harvard, MIT, Chicago, Princeton and Stanford were ahead of us, and we were ahead of Pennsylvania, Rochester, Yale, LSE and Berkeley.

### Faculty changes

The Department is pleased to welcome our new permanent and visiting faculty. We have one new Full Professor and three new Assistant Professors. **Joel Horowitz** joins us from the University of Iowa as the Charles and Emma Morrison Professor of Economics. Joel is an econometrician with an extensive range of theoretical and applied publications. Joel is in room 3201 (phone 1-8253). **Chiaki Moriguchi** joins us from the Harvard Business School. She is an economic historian with a Ph.D. from Stanford. You can find her in room 3222 (1-8237). **Wojciech Olszewski** is a theorist with additional interests in political economy. He has Ph.D.s in Economics from Princeton and Mathematics from Warsaw. He will be in room 3234 (1-8482). **Alessandro Pavan**, an Italian, is also a theorist with a Ph.D. from the University of Toulouse. Most recently he has been teaching at MIT. He will be in room 3239 (1-8266).

We have two full-time teaching visitors. **Wolfram Latsch** is a German with a

D.Phil from the University of Oxford where he also served as a lecturer at Trinity College. His research interests include development economics. Wolfram will be in room 3232 (1-5394). **Alexandra Minicozzi** is visiting us for the year from the University of Texas at Austin. She is interested in macroeconomics and econometrics. Her office will be 3231 (1-5398).

**François Velde** will be visiting from the Federal Reserve Board of Chicago in the fall quarter to cover Joel Mokyr's graduate history course. His interests are in the history of monetary and fiscal policy. He will be using Joel Mokyr's office (3214, 1-5693).

The Center for the Study of Industrial Organization has invited **Amil Petrin** to visit during the fall and winter quarters. Amil is a faculty member at the Graduate School of Business, University of Chicago. He will be in room 3224 (1-8240)

This summer we said goodbye to **Atila Adulkadiroglu** as he and his family move to Columbia University, and to **Tim Conley** who has joined the University of Chicago. **Yossi Spiegel** have returned to Israel after two years as a teaching visitor. However, Yossi will return to teach in the summer session next year. **Nancy Hammond** will continue to teach economics in the School of Continuing Studies in the evening program. **Heather Spang** has taken up full-time employment following the completion of her Ph.D. and her successful teaching of health economics. The two CSIO visitors have returned home. **Aviv Nevo** returns to the University of California at Berkeley, and **Jacques Cremer** to the University of Toulouse in France.

During the coming year **Joel Mokyr** will recuperate from his chairman duties at Stanford University, and **Robert Porter** will be spending the Fall and Winter Quarters at the University of California, Los Angeles.

Effective September 1, **Chris Taber** was promoted to the rank of associate professor with tenure.

### *Staff changes*

Last spring **Rita Mendelsohn** retired after over twenty years of service to the University, including 13 in this department. Four of these years were as Department Assistant. We are highly thankful for the countless contributions she has made over the years. Needless to say, we will certainly miss her.

We have hired a new staff member, **Vernice Bogan** as a part-time accounting clerk. She comes to us from Searle where she was employed for over six years as a Finance Clerk.

Longtime faculty and staff members will be saddened by the news of the death of **Molly Fabian** in June in Arizona. Prior to her retirement in the early 1990s, Molly was secretary to the late Professor Robert Eisner.

### *Prelims and funding policies*

The Department has set policies on written qualifying examinations ("prelims"), and on the allocation of funding support. The policies have 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 students to study it closely.

### *TA performance*

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 will be grounds for your dismissal as a TA. The Department will do this even if you have met the other criteria for funding.

### *TSE test*

The University requires that foreign students from non English-speaking countries must pass the Test of Spoken English (TSE) before they can become a TA. TAs are the principle form of

funding for second through fourth years. TSE tests taken before July 1997 require a passing score of 45. Those taken in July 1997 and later require a score of 50.

Therefore, **foreign students should sign up for the TSE as soon as possible. Now is not too soon!** This is a rigid Graduate School requirement, beyond the Department's control. The Department has a policy of not asking for waivers of this requirement, neither will it support you in requesting alternative forms of testing. Otherwise qualified students have been denied funding in the past because they have not passed the TSE. **Take the TSE early and often.** Leaving it until next summer is not a good idea. Indeed if you have not received notification of a TSE pass by July 30, 2002, you will probably not receive departmental funding for any part of your second year.

## Events . . .

### *Teaching assistant training*

A one-morning program will be held on Thursday, September 20 for the training of new Teaching Assistants. This is organized by the Searle Center for Teaching Excellence. All TAs who will be teaching for the first time in 2001-02, or missed last year's program, are required to attend. The training will last from 9AM to 3PM. The program starts in Technological Institute L211. You will then attend a specialized session for economics TAs.

### *Orientation for second year students*

Second year students are invited to attend a session on Friday, September 21 from 1:30PM - 4:00PM in Andersen Hall 3245. Presentations will be made by the Director of Graduate Studies on the requirements for the Ph.D. degree, funding mechanisms, and the 501 seminar. Short presentations will then be made by faculty describing the field course choices available in the Department and within KGSM.

*Start-of-year reception*

Faculty, staff, graduate students, and their families are all invited to the start of year buffet and reception that will be held in the Norris University Center at 7PM on Friday, October 5.

This reception will also feature the awarding of the Department's Distinguished Teaching Assistant awards for 2000-01. The winners will receive a certificate and a year's subscription to *Econometrica*.

*Orientation for students on the job market*

Robert Gordon, Director of Graduate Placement, will be holding an orientation session for students who are going on the job market on Monday October 1 at 5PM in the Lecture Room (Andersen 3245). For more details see the "From the Director of Graduate Placement" section below.

*Department wide seminar*

I am pleased to report that **B. Douglas Bernheim** of Stanford University will be our distinguished guest for the fall department-wide seminar. He will be here during the week of October 15-19, and will present two seminars.

**501 Seminar . . .**

The 501 (formerly E01) seminar enters its sixth year. John Panzar continues to head up the seminar. This fall the seminar will meet on Tuesdays and Wednesdays at 5:00PM in the Lecture Room (Andersen 3245). There will be one presentation each day and the seminar will last for one hour including the question-and-answer period.

The method for signing up for presentations will be the same as last fall. The organizing faculty member has prepared an initial draft schedule with random assignments of students to specific dates. This allocation is listed below. Pareto-improving exchanges are permissible, and should be communicated

to Professor Panzar.

For admission to candidacy students need to make two 501 presentations. Typically these are made in the third year, one in the Fall and the other in Winter or Spring. Therefore this fall third-year students will be presenting the paper that they submitted earlier this summer.

Week of	Tuesday	Wednesday
9/24		Milkov
10/1		Prince
10/8		Braggion
10/15	<del>Dept. Wide Seminar</del>	<del>Dept Wide Seminar</del>
10/22		Azar
10/29		Armenter
11/5		Kumar
11/12	Ravina	Vasconceles
11/19	Abramitzky	<del>Thanksgiving</del>
11/26	Jaimovich	Delavande
12/3	Bodenstein	Meschery-akova

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. Students should arrange immediately for the relevant faculty members to be available on their assigned date. Attendance at 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.

*Please remember that two 501 presentations are required as a prerequisite for doctoral candidacy. This is a requirement irrespective of whether you wish to have Departmental funding in your fourth year.*

Second year students should start attending 501 seminars in the winter or spring quarters 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.

**Teaching Matters . . .**

*Course offerings 2001-02*

The schedule for graduate courses for 2001-02 is shown on the last page of this newsletter.

*Econometrics field courses*

The econometrics field course sequence in the coming year will differ somewhat in personnel and topics from the past several years. The sequence of instructors and their general topics will be:

- Fall (481-1) Rosa Matzkin: semi-parametric / nonparametric structural econometrics
- Winter (481-2) Joel Horowitz: the bootstrap and higher order asymptotic theory
- Spring (481-3) Charles Manski: partial identification of regressions, identification of social interactions

*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) can 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 can assign an incomplete only until the end of the vacation period following the quarter the class is in.

Otherwise, all and any incomplete grades require the permission of the Director of Graduate Studies. If you feel that this arrangements are being violated please inform the Director of Graduate Studies. The Department wants to make sure that you do not accumulate excessive incomplete grades.

### Course descriptions - fall 00-01

#### Economics 412-1

Economics Theory and Methods

Professor Ely

MW 1-3

AAH 3245

This course is intended to provide graduate students an understanding of the theory of non-cooperative games sufficient for a careful application to practical economic problems. The emphasis is therefore on areas of game theory most often encountered in applied analysis games with incomplete information in normal and extensive form, extensive form games with perfect information, and repeated games. We will introduce solution concepts appropriate to these classes of games and see them at work in standard applications such as bargaining, oligopoly, signaling models, auctions, and voting. There will be weekly problem sets and a take-home final exam.

#### Economics 414-2

Economics of Information

Professor Zheng

MW 9-11

AAH 3245

*Note, the introductory course on Information Economics (414-1) will be offered in the Winter Quarter by Professor Wolinsky. This is one of the three-quarter*

graduate sequence on asymmetric information in markets and organizations. Topics include VCG mechanisms, envelope theorem & applications, single-crossing properties & applications, optimal auctions, endogenous entry, re-negotiation, resale, budget constraints, and privately informed principals. The emphasis will be on mechanism design in dynamic environments and especially on recent developments in the field. Evaluation will be based on several problem sets or a final exam. The recommended text Roger Myerson's *Game Theory* (Harvard U.P., 1991) and selected readings.

#### Economics 415-1

Advanced Microeconomics

Professor Reiter

TTh 11-1

AAH 3204

The course will focus on theory of economic organization. We will discuss two related models of economic organization: decentralized resource allocation mechanisms, and coordination mechanisms. We will study the construction (design) of decentralized allocation mechanisms that realize (implement) a given goal function. The readings for this topic will be parts of a manuscript by Hurwicz and Reiter that formalizes the problem and presents systematic procedures for constructing mechanisms. These methods constitute an algorithmic process for designing decentralized mechanisms with desirable informational properties. We will also read parts of Mount and Reiter *Computational Complexity in Economic Behavior and Organization* (Cambridge U.P., 2001). These readings will focus on a computational approach to organizational structure, via coordination mechanisms. We will also use the model of computation to analyze the tradeoff between communication and computation in an example of a decentralized allocation mechanism discussed in the Hurwicz-Reiter book.

#### Economics 416-1

Advanced Macroeconomics

Professor Christiano

TTh 1-3

AAH 3245

*Quantitative Monetary Economics.* The purpose of the course is to provide an overview of theoretical, empirical and policy issues in modern quantitative, monetary economics. The course will address seven topics (i) optimal monetary policy when the central bank has the ability to commit to future policies; (ii) optimal monetary policy when the central bank has no ability to commit; (iii) using evidence from impulse response functions to discriminate between alternative broad monetary traditions; (iv) the operating characteristics of simple monetary policy rules, such as the Taylor rule; (v) the role of monetary policy in the achievement of price stability; (vi) monetary policy issues in the open economy; (vii) quantitative numerical techniques necessary for the analysis of dynamic general equilibrium models.

Evaluation will be based on homework exercises, and a choice between a final exam or a class paper. Readings will be articles made available on Professor Christiano's web site.

#### Economics 420-2

European Economic History

Professor Velde

MW 1-3

ANN 101

*First class is on October 1<sup>st</sup>.* This course presents selected topics in European economic history from medieval to modern times, with particular but not exclusive emphasis on monetary questions. The aim of the course is to illustrate the use of theoretical models in understanding the past, and of the past in understanding theoretical models. There will be selected readings, many in a course packet.

**Economics 425-1**

Theory of Economic Development

Professor Matsuyama

TTh 9-11

AAH 3245

This course explores a variety of models that highlight possible causes of growth failures. Topics include endogenous technological changes, nonhomothetic preferences and the composition of demands, theories of income distribution (both across households and across nations), the role of financial markets in development, imperfect credit markets and instability, the interaction between population growth and economic development, etc.

Evaluation is by reports and/or presentations. Readings are journal articles, many of which are available in JSTOR. Unpublished manuscripts and some recent articles that are not yet available in JSTOR will be made available for xeroxing in advance. There is no required text, but Debraj Ray's *Development Economics* (Princeton U.P., 1998) offers useful background material.

**Economics 436-1**

Theory & Practice of Public Finance

Professor Meyer

TBA

TBA

Please e-mail Professor Meyer with your schedule so that he can arrange a time for this class. This course will cover several areas of very active research on the design and effects of taxes and government spending. The areas covered will be welfare economics, income taxation and labor supply, optimal income taxation, the effects of welfare and social insurance programs including cash welfare, social security, unemployment insurance, workers' compensation, and disability insurance. While the emphasis will be primarily on U.S. empirical evidence, we will begin each topic with the main theoretical work in that area and will discuss the growing international literature.

Evaluation will be based on a 10-15

page research proposal and an in class final exam. There is no required text, but there will be selected readings, many in a course packet.

**Economics 450-1**

Industrial Organization and Prices

Professor Rogerson

TTh 11-1

AAH 3245

This is the first quarter of a three quarter sequence in industrial organization and regulation. The first quarter covers basic industrial organization theory which provides a basis for the study of topics in empirical industrial organization, regulation, and advanced topics in theoretical industrial organization in the subsequent two quarters. The required text for the course is *The Theory of Industrial Organization* by Jean Tirole. There is also a required packet of readings.

**Economics 481-1**

Econometrics

Professor Matzkin

MW 11-1

AAH 3245

The course deals with semiparametric and nonparametric methods for estimating popular microeconomic models. The models studied include qualitative response models, tobit models, duration models, simultaneous equations models, and panel data models. Prerequisites: 480. Evaluation: Several problem sets and a paper. Reading List: *Nonparametric Econometrics* by A. Pagan and A. Ullah and selected papers.

**MECS 449-1**

Competitive Strategy

Professor Spulber

TF 4-5:30

LEV 430

This course introduces PhD. students to economic analysis of competitive strategy. It reviews economic theories of the firm,

including the neoclassical, industrial organization, contractual, and organizational incentive theories of the firm. The course will present economic models of market microstructure, intermediation, pricing, search, product quality, agency and contracts. The course examines the consequences of a management strategy perspective for economic theories of the firm and considers the competitive strategies of firms. This is the first quarter of a two-quarter strategy sequence. Required readings are Daniel F. Spulber, *Market Microstructure Intermediaries and the Theory of the Firm* (Cambridge U.P., 1999), and selected articles in a case packet.

**MECS 460-1**

Foundations of Management Economics

Professor Vohra

TBA

TBA

Students interested in taking this course should e-mail Professor Vohra at once <r-vohra@northwestern.edu> indicating the times that they are available.] This is the first quarter in a two quarter graduate optimization theory sequence.

All of economic theorizing reduces, in the end to the solution of one of three problems. Given a function  $f$  and a set  $S$ :

- find an  $x$  such that  $f(x)$  is in  $S$ . This is the feasibility question.
- Find an  $x$  in  $S$  that optimizes  $f(x)$ . This is the problem of optimality.
- Find an  $x$  in  $S$  such that  $f(x) = x$ ; this is the fixed point problem.

These three problems are, in general, quite difficult. However, if one is prepared to make assumptions about the nature of the underlying function (say it is linear, convex or continuous) and the nature of the set  $S$  (convex, compact etc.) it is possible to provide answers and very nice ones at that. This course is about the answers as well as the relationships between them.

Some of what I cover (without the embellishments, amplifications or intuitions) can be found in the

Mathematical Appendix of Mas-Collel, Whinston and Green's *Microeconomic Theory*. The bulk of the course emphasizes the applications of these techniques. Some are standard like fixed points to existence of equilibria. Most are not, like linear programming to auctions, options pricing and social choice; Tarski's theorem to stable matchings.

**MECS 465-1**

Contract Theory and Mechanism Design  
 Professor Baliga  
 T 2-5 LEV 561

- Moral Hazard: The static principal-agent model with moral hazard; moral hazard in teams; relative performance evaluation; justification for linear contracts; the multi-task principal agent model; common agency; dynamic principal-agent contracts; short-term versus long-term contracts; renegotiation.
- Adverse Selection: The static principal agent model with adverse selection; dynamic principal agent model with full commitment, zero commitment and renegotiation.
- Implementation Theory: Brief statement of revelation principle; Nash implementation; subgame perfect implementation; implementation with renegotiation; Bayesian and perfect Bayesian implementation; implementation when the planner is a player.
- Theory of the Firm: the Grossman-Hart-Moore model of incomplete contracts; foundations for incomplete contracts; mechanism design with collusion.

The grade will be based on five problem sets (and possibly presentation which may substitute for a problem set).

Note Professor Baliga recommendations that students should also take Economics 414-1 (winter quarter) which covers adverse selection models, auctions and public good models which are not covered in this class.

**MECS 469**

Advanced Applied Economics  
 Professor Kamien

*This course replicates material in Economics 410-1, and therefore will not be considered for credit as a field course.*

**Finance 487**

Dynamic Asset Pricing Theory  
 Professor Daniel  
 T 2-5 AAH 4214

This is the last quarter in the Ph.D. Finance sequence. This course covers the basic arbitrage and equilibrium models of asset pricing in dynamic settings under uncertainty. We first develop a theory of contingent claims analysis, and a set of continuous-time models of asset pricing with Ito-process dynamics. Then, the course develops the theory of optimal lifetime consumption and portfolio selection and the Intertemporal Capital Asset Pricing Model (ICAPM) of Merton. Mathematical tools such as Ito calculus, stochastic control, and changes of measure are introduced as needed. Evaluation is by problem sets and a final examination. Many of the readings are from the two required texts: Robert Merton *Continuous Time Finance* (Blackwell); and Darrell Duffie *Dynamic Asset Pricing Theory* (Princeton U.P.).

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

*Office hours*

I will have weekly walk-in office hours for graduate student matters on Tuesdays 3PM - 5PM in my office (AAH 318). You can drop by at these times without an appointment to discuss issues relating to the graduate program or just to introduce yourselves. If these times conflict with other commitments, email me <ferrie@northwestern.edu> and we'll

arrange another time to meet.

*Funding guidelines*

The Department has brought together the guidelines for supporting students in years two through four into one document. This document is posted on our web site. I encourage you to read it carefully. *The Department strictly enforces these funding criteria.*

*2002 spring prelim dates*

The June examinations will be held:  
 Wed June 19 Macroeconomics  
 Wed June 26 Econometrics  
 Wed July 3 Microeconomics  
 All examinations will be held 1PM - 4PM.

*2002 fall prelim dates*

Tues Sept 3 Macroeconomics  
 Wed Sept 4 Econometrics  
 Fri Sept 6 Microeconomics  
 All examinations will be held 1PM - 4PM.

*Fall quarter TA course allocations*

The forms that allow TAs to express preferences for duties will be placed in your mailbox on the afternoon of September 11. Completed forms have to be returned to Scott Zacher by September 18. Unfortunately, the allocation can only be announced at 4:00PM on Friday September 21 because we do not know enrollment in 201 and 202 until freshman enrollment closes that afternoon. Classes start the following Monday.

*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. 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 2001-02 the dates for which you must be in attendance are:

Fall: Mon Sept 24 - Mon Dec 17

Winter: Mon January 7 - Mon March 25

Spring: Tues April 2 - Mon June 17

### *FAQs by entering students*

*FAQ1: What courses should I register for?*

A1: You really have very little choice in your first year. Unless you are EXTRAORDINARILY well prepared due to previous graduate work, you should plan on taking the three, three quarter core sequences: 410, 411, and 480.

*FAQ2: How many courses must I take this year?*

A2: You must take 10 courses, in addition to 401, over the course of the academic year. That is, you must take a fourth course in at least one quarter.

*FAQ3: What can I take as my "extra" course?*

A3: You can take any course carrying graduate credit as your 4th course. Courses 300-level and above generally carry graduate credit. It need not be an Economics course nor a graduate course. In fact, the Department strongly recommends taking undergraduate Real Analysis (Math 310-1) as a 4th course in the fall quarter, unless your math background is too weak or too strong. This is a matter to discuss with your Advisor.

*FAQ4: Can I take Math 310-1 Pass/Fail?*

A4: Yes! We recommend 310-1 to expose you to mathematical reasoning and gain a deeper understanding of what constitutes a rigorous "proof," not to fatten your GPA. While the grade you earn in Math 310-1 is not important *per se*, the Graduate School requires you to maintain a B average. If you're nervous about

getting a C, take it P/N.

*FAQ5: Can I "place out" of one or more core courses?*

A5: Yes. You can skip any course whose material you feel you've already mastered. Just inform me, your Advisor, and the instructor, so we know what you're doing. However, bear in mind that you CANNOT "place out" of the associated Prelim exams, which are based on the material covered in the core courses. For this reason, few students elect to skip any core courses.

*FAQ6: How do I apply for financial aid for my 2nd year?*

A6: The Department assumes that continuing students are interested in receiving financial aid for next year, so you do not need to formally "apply" for it, even if you are not receiving aid this year. Sometime this spring we will ask all continuing students to fill out a brief information form. The rules for qualification for second (and subsequent) year funding are posted on our web page.

*FAQ7: If I am a foreign student, what else do I have to do to ensure second year funding?*

A7: Foreign students from non English-speaking countries must pass the Test of Spoken English before the Graduate School will award a Teaching Assistantship, the most common form of 2nd year funding. Please read the comments in the "From the Department Chair" section of this newsletter. Failure to give prompt attention to these matters can have disastrous consequences for your financial ability to continue in the program in twelve months time.

In addition, the Searle Center for Teaching Excellence that has an excellent program for new graduate students, called the "International Scholars Program." The program matches you with NU undergraduates for weekly sessions focusing on improving presentational skills and understanding the culture of North American undergraduates. The Department regards you involvement in this program as

**mandatory** unless you are a United States or Canadian citizen. Even if English is the first language of your country, or of the undergraduate institution you attended, you will still find a knowledge of the different classroom culture invaluable.

I know that the first year is a busy time for you, and that TA duties do not start until your second year, but ignoring this opportunity is a big mistake. We have a number of second-year graduate students who have struggled with their TAing, and have been given final warnings that their funding will be removed unless they improve. Don't let this happen to you!

*FAQ8: Is it possible to obtain financial aid for 2001-02 at this point?*

A8: Unfortunately, the Department has no additional financial aid it can award to entering students, not even a "tuition waiver." (Many departments at state universities have continuing access to such funds. We do not.) If you are entering the program without financial aid, you should not expect to receive any later this year. For your second year, however, you will be considered for aid based on the same standards of satisfactory progress as those currently receiving aid.

## **From the Graduate Secretary's Office . . .**

I'd like to welcome all of the students, new and continuing, to the 2001-02 school year. I hold an open door policy to all of the graduate students in my office in Andersen 326. If you should have any questions or need anything, please feel free to come and see me.

### *First year students*

First-year students have been assigned a Faculty Adviser, please make an appointment to talk with your adviser before you register for your Fall classes.

First-year students have already been given a locker (located in room 3212) to store



their books and personal items. If you have not received an assignment, or, are not sure how to use the locks on the lockers please see me.

### *Important dates*

**September 28** submit your Application for Admission to Candidacy to the Graduate School to be granted a Master's Degree in December.

**November 2** is the last day for return of the Application for a Degree for all candidates who expect their degrees to be awarded in December.

**December 7** is the last day for submission of the COMPLETED dissertation and all supporting materials to the Graduate School for students who expect to receive the Ph.D. degree in December.

**December 14** is the last day for receipt of the Final Examination Report and any Change of Grade forms for 499 Projects or 590 Research to the Graduate School for Master's candidates who expect their degrees to be awarded in December.

### *TAs and RAs to file a W2*

In order to be paid as TAs or RAs, grad students have to go to payroll at 720 University Place and fill out a W2 form.

## **Funding . . .**

### *Teaching for Summer Session 2002*

Application forms for teaching in the Summer Session 2002 will be circulated to all graduate students in the third year and above in early October. Appointments to these positions will be made by the Director of Graduate Studies and the Assistant Chair.

Appointment of lecturers for the School of Continuing Studies (formerly University College) 2002-03 will be made in February 2002. Please note that appointments to these positions are made by the associate dean of University College and not by the

department. 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.

These positions provide valuable teaching experience for students with good teaching skills. They can provide a more certain form of funding for students in their fifth year, or those fourth year students who are not admitted to candidacy on time.

### *Information on funding opportunities*

The Director of Graduate Studies has 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.

### *Research assistants*

Everyone who is scheduled to be an RA this year should see Ethel M. King before their assigned quarter begins. She needs ample notice to process the necessary paperwork to make sure that you are paid.

## **From the Director of Graduate Placement . . .**

Last year we placed a bumper crop of new Ph.D.s. Best wishes are offered to the following people as they start their professional careers:

**Stefania Albanesi** Bocconi University

**Arie Beresteau** Duke University

**Oded Bizan** Analysis Group/Economics, Cambridge, MA

**Federico Ciliberto** Florida International University, Miami

**Ulrich Doraszelski** postdoc, Hoover Institution, Stanford University

**Todd Elder** University of Illinois at Urbana-Champaign

**Dino Gerardi** Yale University

**Tom Geraghty** University of North Carolina, Chapel Hill

**Stuart Gurrea** Economists Incorporated, San Francisco

**Istvan Konya** Boston College

**Greg Kurtzon** Bureau of Labor Statistics (BLS), Division of Price and Index Number Research

**Stephane Mechoulan** University of Toronto

**Peter Meyer** BLS Office of Productivity and Technology

**Jozsef Molnar** Law and Economics Consulting Group, Emeryville, California

**Serhan Ogur** Illinois Commerce Commission, Springfield

**Joshua Pinkston** BLS Office of Employment Research

**Hajime Takizawa** International Monetary Fund

**Gene Tien** PricewaterhouseCoopers, Chicago

**Tom Wiseman** University of Texas, Austin

### *This year's job market*

Robert Gordon, Director of Graduate Placement, will be holding an introductory meeting on Monday, October 1 at 5:00PM in Andersen 3245 for students planning to be on the job market. Please note the following deadlines in preparation of materials for the job market.

**October 1:** A completed draft of students' job market papers should be in the hands of their Ph.D. committee members.

**October 12:** Students must have entered their vita on the standard template. Procedures will be distributed at the introductory meeting. Vitae will be collated and mailed to over 200

institutions by Maryann Semer. The "vitae packet" will also be posted on the Department's World Wide Web site. To prepare the web version of your vita please see under "Ph.D. Job Candidates" on our web site.

**October 26:** Approval of the list of 100 addresses for packet labels by your advisor. The Department will process a maximum of 100 labels. You should prepare the labels yourself. If you need assistance, please see Maryann Semer in Cresap 108.

**November 1:** Students should prepare multiple copies of their paper for their packets. A photocopy account set to a maximum of 5,000 copies, which is the limit for which the Department will bear the cost, will be in operation for the calendar month of November. Individual code numbers can be obtained from the main office on or after November 1.

**November 9:** Students are responsible for "stuffing" their own packets with their vita and paper. A box containing the addressed stuffed envelopes must be delivered to room 3227 on November 9.

**November 21:** The Department will hire temporary help to place reference letters in the packets in a confidential manner and mail the packets. The temporary help will be available November 12-21. Students will receive notification in their boxes when their completed packets have been mailed. If you have more than 100 packets, you should expect to be charged for postage and materials.

**Notes . . .**

*E-mail addresses*

The Department has replaced most paper memoranda by e-mail. A group mailing list for graduate students is <econ-

grads@northwestern.edu>. There is also a list called <econ-1stysr@northwestern.edu> which is for first year and BA/MA students. Do not mail to both of these lists as the second is a sub-set of the first.

To permit these mailing lists to be updated, first-year students should get an e-mail account as soon as possible, and certainly by September 19. We will then set up the group mailing lists. If you change your e-mail address after this date, you risk not being on the mailing lists.

*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@northwestern.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).

*Graduate lounge*

Soon the new Graduate Lounge will be available as a place to eat and socialize. In the past, we have had some serious problems keeping this area clean. Please bear in mind that it is neither the responsibility of department staff nor that of university maintenance to keep the lounge orderly. It is, however, the responsibility of those who use it to pick up their own clutter. Therefore, please observe these simple rules so that this area remains a pleasant setting we all can enjoy.

- put *all* trash (paper, cans and glass) in the garbage or recycling receptacles
- do not leave *any* dishes or food stuffs in the sink
- clean up *all* spills immediately (i.e., on tables, counter, or in microwave)
- remove *all* food stored in the refrigerator by the end of each week
- return *all* magazines and journals properly to bookshelf

*Web page*

The department's web site contains directory information for faculty and staff, seminar listings, 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. The URL is:

<http://www.econ.northwestern.edu>

*Graduation rates*

The department has kept detailed records on the progress of students entering our Ph.D. program since 1985. You may find the following information of use to you. The first table shows the percentage of each class making it to completion of preliminary examinations, candidacy, and completion of Ph.D.

Class	Prelims	Candidacy	Ph.D.
1985	100%	73%	67%
1986	79%	68%	58%
1987	74%	47%	47%
1988	72%	56%	50%
1989	68%	61%	54%
1990	52%	48%	28%
1991	54%	49%	43%
1992	58%	55%	42%
1993	75%	69%	56%
1994	79%	76%	55%
1995	74%	67%	na
1996	91%	83%	na
1997	91%	68%	na
1998	86%	na	na
1999	83%	na	na

The second table shows the time to completion for students entering between 1985 and 1994. Completion is based on the date that the degree was awarded, which may be up to a year from the time that the student left Northwestern to take up a job. The mean is 5.97 years and the median is 6.0 years.

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Duration	Number of Students
3 years	2
4 years	7
5 years	39
6 years	36

7 years	18
8 years	5
9 years	5
10 years	3

*Next Graduate Connection*

Volume 7, number 2 will be published on December 3.

**NORTHWESTERN UNIVERSITY**  
**Department of Economics**

**COURSE OFFERINGS 2001-02**

	<u>FALL</u>	<u>WINTER</u>	<u>SPRING</u>
401 Mathematical Methods	Ely		
410 Microeconomics	(-1) Panzar	(-2) Zheng	(-3) Whinston
411 Macroeconomics	(-1) Christiano	(-2) Eichenbaum	(-3) Barlevy
412 Econ. Theory & Methods	(-1) Ely	(-2) Chung	(-3) Lam
414 Econ. of Information	(-2) Zheng	(-1) Wolinsky	(-3) Pavan
415 Advanced Microeconomics	(-1) Reiter	(-2) Reiter	
416 Advanced Macroeconomics	(-1) Christiano	(-2) Monge	
420-1 American Econ. History		Ferrie	
420-2 European Econ. History	Velde		
425 Economic Development	(-1) Matsuyama		
436 Public Finance	(-1) Meyer		
440 Econ. of the Labor Market		(-1) Altonji	(-2) Mortensen
450 Industrial Organization and Prices	(-1) Rogerson		(-2) Porter (-3) Whinston
480 Intro. to Econometrics	(-1) Manski	(-2) Horowitz	(-3) Taber
481 Econometrics	(-1) Matzkin	(-2) Horowitz	(-3) Manski
483 Cross-Sectional Methods			L. Hu
498 Advanced Topics		Olszewski	