

Graduate Connection

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Editor's Note

The first issue of the *Graduate Connection* was published in the fall of 1995. It was the result of student suggestions that the Department improve communication with its graduate students. This was at a time when electronic communication was in its infancy.

This is the eighth year of the newsletter, and it is time for an overhaul. The redesign is in conjunction with a redesign of that portion of the Department's web site that provides information for current graduate students.

The *Graduate Connection* will focus on news, events, course listings, and notifications of changes in Departmental policies. Some of the headings and the ordering of material have changed. Items of a recurrent nature, and statements of existing Departmental policies have moved to the web site.

The *Information for Current Graduate Students* section of our web site has been redesigned to act as a chronological guide to progress through the program. It contains useful practical information, links to relevant University sites, and acts as a formal statement of Departmental policies. As such it replaces the Department's *Graduate Studies Bulletin* which was last published in hard copy in 1993-94, and was partially subsumed into this newsletter. I encourage all students to become familiar with this portion of the site, because it represents the formal notification of Departmental policies on Preliminary Examinations, funding, procedures for doctoral candidacy, and much more.

News

Recent Honors

Congratulations to **Mauricio Drelichman**, **Zsolt Macskasi** and **Francesca Molinari** on winning NU Graduate School Dissertation Year Fellowships, and to **Lyndon Moore** for winning a similar award offered by WCAS.

Arie Beresteanu received the Arnold Zellner award for the best thesis in business and economics statistics for the year 2002. One of our students, **Elie Tamer**, received the award two years ago. The award carries a cash prize and an encouragement to submit material from the dissertation to the *Journal of Business and Economic Statistics*.

It is with a great deal of enthusiasm and pleasure that we can report that our Department Assistant **Ethel McKay King** was selected to be Northwestern's Employee of the Year on the Evanston Campus for 2001-02. Ethel has been our Department Assistant for ten years, and before that was with the Psychology Department. She was recognized for her mentoring and encouraging staff members, and her dedication and exemplary work. We are very proud of her achievement.

Also winners were **Wojciech Lyszkiewicz** and **Henry Siu** who were named WCAS Outstanding Graduate Student Teacher Awards for 2001-02. Only three awards are given out each year by the College (usually one to each division of the College). This year, because of the strong nominations, the faculty/student awards committee decided to make two awards to Economics (and hence only one to the rest of the College).

Many congratulations to both of them for years of outstanding service to the undergraduates of this University. The Department has done well in this award

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over the years. Past winners are **Stephanie Lofgren**, **Jim Hornsten** and **Ashish Das**. I think this indicates the high quality of instruction provided by Economics graduate students.

At the same awards ceremony, **Mark Witte** was awarded the inaugural award for "Distinguished Leader in the Undergraduate Community." This award recognized his work as Director of Undergraduate Studies here in Economics, as an advisor in WCAS, for his work with the Associated Student Government (ASG), and his many other activities on campus. Congratulations also to **Gadi Barlevy**, **Wolfram Latsch** and **Eric Schulz** on their election to the annual ASG Faculty Honor Roll. Over 1900 students voted on-line for the honor roll in conjunction with the ASG elections.

Finally, **Scott Zacher**, our Undergraduate Secretary, received his Masters in Arts Management Degree from Columbia College. A number of people went to see the play that he produced as part of his degree.

Faculty Changes

Joining the faculty this fall is **Marciano Siniscalchi**. He was formerly an Assistant Professor at Princeton University. His research interests include decision theory, and strategic analysis in dynamic games. Marciano will be in room 3231 (phone 1-5398).

We will be joined by a second new Assistant Professor in January. **Éva Nagpál**, a macroeconomist, will be arriving after a period in Sweden. The December *Graduate Connection* will contain a lengthier introduction.

We were sad to see **Joe Altonji** and his family leave Evanston for New Haven. Joe was on our faculty for 16 years. He played a large part in the development of the Department over this period and setting the collegial tone. He will be missed. We wish him well in his career at Yale.

Alexandra Minicozzi returned to the University of Texas at Austin after her year as a teaching visitor, and **Emil Petrin** returned to the University of Chicago after visiting as a Center for the Study of

Industrial Organization fellow.

Nemmers Prize Winner Announced

In April, **Edward Prescott** was announced as the next recipient of the Erwin Plein Nemmers Prize in Economics. This award is designed to recognize distinguished economists who have yet to receive the Nobel Prize. The recipient is expected to spend an extended period in residence on the Evanston campus. Professor Prescott is at the University of Minnesota and his work has focused on business cycles and economic fluctuations. He will be visiting the campus in the Spring Quarter of 2003.

Prescott is the fifth winner of this biannual prize. Previous winners are Peter Diamond, Thomas Sargent, Robert Aumann and Daniel McFadden

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). The Director of Graduate Studies has prepared a set of answers to frequently asked questions by first year students. They are posted on our web site. In addition the web site discusses the English language requirements for appointment to Teaching Assistantships, the primary form of financial support in years two to five. Please make sure you are aware of these rules, and place a high priority on making sure that you comply. In the past, otherwise qualified students have gone unfunded because they do not meet the language requirements on time.

Departmental Management

The management team of the Department continues unchanged except for the Director of Computing. 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

Bruce Meyer - Director of Computing

Events

Teaching Assistant Training

An one-morning program will be held on Thursday, September 19 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 8:30AM to 12:30PM. The program will be held in the Lecture Room (Andersen 3245). The specialized session for economics TAs will be led by Marc Fusaro, one of the Department's outstanding TAs.

Orientation for Second Year Students

Second year students are invited to attend a session on Friday, September 20 from 1:00PM - 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 KSM.

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 Tuesday October 15.

This reception will also feature the awarding of the Department's

Distinguished Teaching Assistant awards for last year. 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 Tuesday, October 1st at 5PM in the Lecture Room (Andersen 3245). For more details see the Placement Report below.

Department Wide Seminar

We are pleased to report that **Alvin Roth** of Harvard University Business School will be our distinguished guest for the fall department-wide seminar. He will be here on Monday and Tuesday October 21 and 22, and will present two seminars. Professor Roth's research is in game theory, experimental economics, and market design.

Teaching

Course Offerings 2002-03

The schedule for graduate courses for 2002-03 is shown on the "classes" page of the Department's website, along with the timings for each quarter.

This Quarter's Course Descriptions

The Department has a policy to avoid the problem of excessive awarding of incomplete grades. Please see our web site for a complete statement. Report any problems to the Director of Graduate Studies.

Economics 412-1

Economics Theory and Methods
Professor Ely
MW 11-1

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
TTh 9-11

AAH 3245

The asymmetric information paradigm has been used as an analytical tool for the ultimate goal of understanding institutions. My plan for this course is to examine the literature on several types of institutions: auctions, political institutions, banks, and perhaps litigation and property rights. First, we will cover the basic theory of mechanism design. Then we will read papers on dynamic auction theory, political economy, and bank runs. If time permits, we will read papers on litigation and the formation of property rights. The focus is the mechanism design aspect of these fields. Evaluation will be based on homework problems, presentations, and a take-home final.

Economics 416-1

Advanced Macroeconomics
Professor Christiano
MW 1-3

AAH 3245

This course will review theoretical, empirical and policy issues in monetary economics. We will begin by discussing the estimation of a dynamic general equilibrium model with money. The model will feature the various monetary

transmission channels that have been emphasized in the literature. Econometric topics here will include: time series analysis, bootstrap methods, encompassing methods for comparing different models. We will then focus on model analysis. To establish a benchmark, we will review methods for determining the optimal allocations and government policies in a model. Here, we will make use of the concepts and techniques of modern, dynamic public finance. Also, we will consider the impact on the optimum of various model features, such as heterogeneity of agent types, frictions in setting prices and wages, and other factors. We will then consider how various different policy designs move us close to the benchmark optimal allocations. For example, we will define the notion of government commitment. We will evaluate the impact on outcomes of commitment and of failure to commit. We will consider various different types of policy rules, such as simple inflation targeting rules and interest rate targeting rules. In this analysis we will confront different concepts associated with multiplicity of equilibrium: indeterminacy, sunspots, global multiplicity, etc. Evaluation is by problem sets and a course paper. Readings are taken from the published literature.

Economics 425-1

Theory of Economic Development
Professor Matsuyama
MW 9-11

AAH 3245

This is a graduate course in macroeconomic development. We discuss a series of models that should be useful for thinking about the most question in economics; Why are there rich and poor countries? Topics may include, but are not limited to: demand complementarities, endogenous technological changes, nonhomothetic preferences, inequality and growth, agglomeration economies, credit market frictions.

Evaluation is by class participation, and a written report (or class presentation if the class size is sufficiently small). We read journal articles and working papers.

Debraj Ray, "What is new in Development Economics," *The American Economist*, Fall 2000, offers some background knowledge. See also his *Development Economics*, Princeton University Press, Chapter 1-9.

Economics 436-1

Theory & Practice of Public Finance
Professor Meyer
MW 9-11 AAH 3204

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 AFDC/TANF, social security, unemployment insurance, workers' compensation, and disability insurance. While the emphasis will be primarily empirical, we will begin each topic with the main theoretical work in that area.

Evaluation will be by a 10-15 page research proposal and an in class final exam. There will be selected readings, many in a course packet, but no required text.

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 (MIT Press, 1988). There is also a required packet of readings.

Economics 481-1

Econometrics
Professor Manski
TTh 1-3 AAH 3245

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.

Economics 498-1

Advanced Topics
Professor Moriguchi
TTh 9-11 AAH 3204

Note that this course will count towards the Department's history requirement, and can be combined with 420-1 or -2 to form a history field sequence. Economic Institutions in Comparative Historical Perspectives. This course examines the historical development of economic institutions and organizations and their role in facilitating (or hindering) economic growth. It also explores the mechanisms of institutional change and their interrelations with legal, political, and social institutions. To pursue these goals, the course combines empirical investigation (both qualitative and quantitative) and a formal theory (mainly from economics of information and contract theory). Topics will include the economic institutions of agricultural tenancy, technological innovation, business corporations, employment contracts, and supplier relations. Evaluation will be based on class participation, several short papers, and a final research paper.

MECS 449-1

Competitive Strategy
Professor Spulber
TF 4-5:30 AAH 430

First Class Tuesday Sept 24. Competitive Strategy introduces PhD students to economic analysis of competitive strategy. The course 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" Daniel F. Spulber, *Market Microstructure: Intermediaries and the Theory of the Firm*, Cambridge University Press, 1999, and selected articles in a case packet.

MECS 460-1

Foundations of Management Economics
Professor Vohra
Students interested in the class should email Prof. Vohra by Sept 20th with their time availability.

All of economic theorizing reduces, in the end to the solution of one of three problems. Given a function f and a set S . (1) find an x such that $f(x)$ is in S . This is the feasibility question. (2) Find an x in S that optimizes $f(x)$. This is the problem of optimality. (3) 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, supermodular) 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.

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

Contract Theory and Mechanism Design
Professor Baliga
F 1-4 LEV 561

This year the course will be taught as a topics course involving more recent material. on renegotiation and agency, implementation, theory of the firm, common agency and applications to finance. Evaluations will be by problem sets and student presentations.

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
W 2-5 AAH 4214

This is the second quarter course in the asset pricing component of 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 m sets and a final examination. Selected

readings, many of which are from the two required texts: *Continuous Time Finance*, by Robert Merton (Blackwell Publishers); and *Dynamic Asset Pricing Theory*, by Darrell Duffie,(Princeton University Press).

Economics 501 Seminar

The 501 seminar is the mechanism by which students meet the Department's requirement that they write papers in two different major fields (in addition to the history paper requirement) prior to doctoral candidacy. Full details of this requirement and practical information on the seminar are shown on our web site.

For 2002-03 the seminar will be run by Professor Gadi Barlevy. This fall the seminar will meet on Tuesdays and Wednesdays at 5:10PM 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.

This fall third-year students will be presenting the paper that they submitted earlier this summer. An initial draft schedule with random assignments of students to specific dates is listed below. Pareto-improving exchanges are permissible, and should be communicated to Professor Barlevy. There will be an informational meeting at 5:10PM on Tuesday September 24 in AAH 3245. All third year graduate students should attend.

Week of	Tuesday	Wednesday
9/23	Informational Meeting	Menzio
9/30	Job Market Orientation	Mukherjee
10/7	Rungruxsiri-vorn	Collard-Wexler
10/14	Chandra	Orlov
10/21	Dept. Wide Seminar	Gagnon
10/28	Peski	Goltsman
11/4	Nakamura	Burykina
11/11	Lucca	Croker
11/18	Stoye	Pavlov

11/25	Ponomareva	Thanksgiving
12/2	Hohaus	Braun

Formal Announcements

Funding Guidelines

The Department has formal rules for the allocation of funding for students in years two through five. This document is posted on our web site. Please read this document as *the Department strictly enforces these funding criteria.*

Preliminary Examinations

The Department has rules on the number of times that students are allowed to take prelim examinations, and the conditions for such retaking. These effect whether some second and third year students will be allowed to continue in the program. The rules are posted on our web site. Please make sure that you are familiar with them.

Dates for future prelim examinations have been set. The ordering of the three examinations will rotate each year. For the coming year, the dates are:

Spring 2003 Sitting

Wed June 18 Econometrics
Wed June 25 Microeconomics
Wed July 2 Macroeconomics
All examinations will be held 1PM - 4PM.

Fall 2003 Sitting

Tues Sept 2 Econometrics
Wed Sept 3 Microeconomics
Fri Sept 5 Macroeconomics
All examinations will be held 1PM - 4PM.

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. This is especially true as you make travel arrangements for the coming holiday season. Failure to do so will be grounds for rescinding your TAsip. For 2002-03 the dates for which you must be in attendance are:

Fall: Wed Sept 25 - Mon Dec 16
 Winter: Mon January 6 - Mon March 24
 Spring: Mon March 31 - Mon June 16

Graduate School Deadlines

October 1 submit your Application for Admission to Candidacy to the Graduate School to be granted a Master's Degree in December.

November 1 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 6 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 13 is the last day for receipt of the Final Examination Report and any Change of Grade forms to the Graduate School for Master's candidates who expect their degrees to be awarded in December.

Funding Opportunities

Teaching for Summer Session 2003

Application forms for teaching in the Summer Session 2003 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. This has traditionally been a popular form of summer support.

Appointment of lecturers for the School of Continuing Studies (evening program)

and the regular WCAS day school for academic year 2003-04 will be made in February 2003. 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, especially for those not going on the job market.

Placement Report

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:

- Ariel Burstein** University of Michigan
- Gorkem Celik** University of British Columbia
- Avi Goldfarb** University of Toronto GSB
- Bradley Heim** Duke University
- Rasmus Lentz** Boston University
- Nadav Levy** SUNY Albany
- Jason Long** Colby College
- Isaac McFarlin** University of Texas at Dallas
- Craig Peters** Antitrust Division, U.S. Department of Justice, Washington
- Carola Schenone** University of Minnesota, Finance
- Henry Siu** University of British Columbia
- James Stewart** Reed College
- James Sullivan** Notre Dame
- Timon Tatur** Princeton University
- Emiko Usui** Wayne State University
- Robert Vigfusson** Federal Reserve Board of Governors
- Zhixiong Zeng** Chinese U of Hong Kong

This year's job market

Robert Gordon, Director of Graduate Placement, will be holding an introductory meeting on Tuesday, October 1st at 5PM in Andersen 3245 for students planning to be on the job market.

The Department has longstanding procedures and deadlines to ensure that vitae and job market packets are prepared on time. Students who intend to be on the job market can collect a hard copy of the

document outlining these arrangements from the Graduate Secretaries Office. It is also posted in PDF format on our web site.

Graduation Rates

The department has kept detailed records on the progress of students entering our Ph.D. program since 1985. In the fall issue of the *Graduate Connection*, we report an update of some information that may be 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%	62%
1995	74%	63%	56%
1996	91%	83%	na
1997	91%	73%	na
1998	86%	71%	na
1999	89%	na	na
2000	81%	na	na

For the 264 students entering between 1985 and 1995, on average 70% passed prelims, 60% achieved candidacy and 50% received a doctoral degree. These data are skewed downwards by the effect of several large entering classes during the recessionary years of the early 1990s which had high drop out rates.

The second table shows the time to completion for students entering between 1985 and 1995. 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 5.95 years and the median is 6.0 years.

Duration	Number of Students
3 years	2
4 years	7
5 years	47
6 years	41
7 years	21
8 years	6
9 years	5
10 years	3

Notes

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 by September 20th, so that we can produce a student directory.

E-mail Group Mailing Lists

The Department has four group mailing lists. The group mailing list for graduate students is:

<econ-grads@northwestern.edu>.

There is also a list called

<econ-1stys@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 activate their e-mail account as soon as possible, and modify their alias if necessary, and certainly by September 20. We will then update the group mailing lists for the coming year. If you change your e-mail address after this date, you risk not being on the mailing lists. Also until the first day of classes, the new first year students will not be part of the

group mailing lists.

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.

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).

Next Graduate Connection

Volume 8, number 2 will be published on December 2.