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News

Happy Holidays!

The faculty and staff extend their best wishes for a happy holiday season. The University will be officially closed on Thursday December 23, Friday 24, Thursday 30 and Friday 31. The winter quarter commences on Monday, January 3.

Distinguished Teaching Assistants

The Distinguished Teaching Assistant Awards for 2003-04 were presented at the start-of-year buffet on October 19. The winners of a certificate and a year's subscription to *Econometrica* were **Ambarish Chandra, Kripa Freitas, Eugene Orlov, Gregory Pavlov, Jeffrey Prince** (all re-awards), **Martin Bodenstein, Juergen Hohaus, Jon Huntley, Dan Liu, Sorin Maruster, Dimitre Milkov, and Jeffrey Wood**. Congratulations to the winners. These awards are given to the top third of our TAs, based on student and faculty evaluations. These awards have been listed prominently on the vita of our students on the job market, and act as a strong signal to potential employers of your teaching capabilities. This is especially true for students from countries where English is not the first language.

Robert Eisner Memorial Fellowship

Also, at the start of year buffet, a fellowship in honor of our late colleague Robert Eisner was presented to **Adam Rosen**. This fellowship is awarded annually to a graduate student who has distinguished him- or herself in *both* teaching and research.

Staff Changes

Rita Savakis joined the staff at the end of September. She will be working part-time primarily to assist **Mercedes Thomas** with admissions to the graduate program. In recent years the Graduate School has transferred more administrative responsibilities to departments. Rita came to us from the Department of Biochemistry.

Visitors

We will be saying farewell to **David McAdams** and **Julie Mortimer**, our fall quarter Center for the Study of Industrial Organization visitors, in the middle of the month. However, in January we will be welcoming a new CSIO visitor – **Volke Nocke** from the University of Pennsylvania. He will be with us for both winter and spring quarters, and his office will be room 307.

Also joining us for winter and spring quarters is **Joseph Hotz**, a labor economist from the University of California at Los Angeles. He will be in room 309.

Espen Moen will continue to visit with us. For the winter quarter he will be moving to room 333.

Also visiting for the entire calendar year 2005 will be **Tsunao Okumura** from Yokohama National University in Japan. Tsunao is an econometrician and an alum of our PhD program.

The Department is continuing to bring a series of distinguished visitors to campus for shorter visits. **George Mailath**, a theorist from the University of Pennsylvania will be visiting during the week of February 14. We will also be hosting **Marc Melitz** of Harvard University and **Olivier Jeanne** of the IMF as part of our international trade and development visiting speaker series. For

Graduate Connection
Department of Economics/NU

Published 3 times a year in
September, December and March
by:

Department of Economics
Northwestern University
2001 Sheridan Road
Evanston, IL 60208-2600
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more details on this see under the teaching section.

Congratulations

Congratulations to **Marciano Siniscalchi** and his wife on the birth of their son on November 1.

Events

Martin L. King, Jr. Day

On Monday, January 17, classes are canceled from 11AM to 2PM in observance of Dr. Martin Luther King Jr. Day. The MW 11-1 classes (411-2, 425-1) will be canceled on this day, and the MW 1-3 class (450-2) will either start at 2PM or be rescheduled. This will also affect the Monday TA sections for Economics 201 and 310-1. Departmental offices will be closed, or have limited staffing during these hours. Please join the University-wide observances to celebrate the life and legacy of Dr. King.

Intra-Departmental Seminar

Due to our success in hiring last year, the department will not be hosting any job market seminars for tenure-line faculty this winter. Instead, we will have weekly talks by six of our own faculty on subjects of general interest. These seminars will be organized by Professor Taber and will be held on Tuesdays from 3:30 to 5 in AAH 3245 during January and February. Watch for announcements of speakers and topics.

Nemmers Prize Lecture and Conference

The Provost's office has decided to fund a conference that will be held in conjunction with the biannual awarding of the Nemmers Prize. The 2005 recipient of the Nemmers Prize is **Ariel Rubinstein** of Tel Aviv University and New York University, whose research deals with game theory. He will be visiting in the Spring Quarter from April 18 to May 13.

The Nemmers lecture by Professor Rubinstein will be at 3:30 on Thursday May 5 and will be held in the large auditorium at the Allen Center. All faculty, staff and graduate students are invited. Following the lecture, everyone is invited to a reception.

Then all day on Friday May 6 and Saturday May 7 a conference will be held at the Allen Center. Ten invited, non-Northwestern, speakers will discuss advances in different aspects of game theory in recent years and the prospects for future research. Faculty and graduate students are invited to attend. In addition, we will be inviting about 30 additional researchers from outside the University to join us. The conference is being coordinated by Professors Jeff Ely and Ricky Vohra.

More details will be circulated nearer the time, and included in the March *Graduate Connection*.

Teaching

Changes from Printed Schedule

- The Registrar double-booked the original room for Econ 410-2. Check on CAESAR for the new room, which has yet to be announced. Also, there will only be one discussion section on Friday from 3-5PM. Students need not change their registered discussion section in CAESAR.
- Econ 411-2 was originally incorrectly listed as MW 9-11. CAESAR now shows the correct time as MW 11-1 with a F discussion section in FSL 2407.
- Econ 480-2 has been moved further north to ANN G21 to make it closer to the room for 411-2.
- Econ 498-2 is now on F 9-12 (AAH 3245)

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.

The first day of classes for winter quarter is Monday, January 3. This year, the start of the winter quarter does not overlap with the American Economic Association annual meetings.

Economics 414-1

Economics of Information

Professor Wolinsky

MW 9-11

AAH 3245

The course will survey central topics in economics of information. The main topics are: search theory, 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 416-2

Advanced Macroeconomics

Professor Nagypál

TTh 1-3

AAH 3245

The aim of this advanced course in macroeconomics is to give you an in-depth knowledge of two areas of macroeconomics that are lively and active areas of current research by introducing you to the basic ideas and the latest research. These areas are: (1) the macroeconomics of labor market fluctuations (about 60% of the course), and (2) incomplete markets models including the theory of recursive contracts (about 40% of the course). It is also the aim of this course to teach you about the research process directly, above and beyond teaching you what good research is by absorbing you in "good" papers. To this end, there will be several problem sets in the course that will not only ask you to solve "standard" problems, but that will also ask you to perform the many steps involved in the research process, such as

formulating a model, developing its testable predictions, or simulating the model. Evaluation will be based on problem sets (some of which will require the use of Matlab, Gauss, or a similar software --- it will be assumed throughout that you are familiar with such a software, though not the specific numerical methods used, which will be covered in class to the extent necessary) and a take-home final exam.

Economics 420-2

European Economic History

Professor Mokyr

TTh 9-11

AAH 3204

This course will be devoted to problems in the economic history of Europe in the Twentieth century, roughly defined as 1890-1989. The course will deal with a variety of topics, about a topic a week. The readings will be distributed on a CD ROM. Requirements are: an exam covering materials in topics 1-8 and a final paper due by the end of December 2005.

Topics include: (1) technology and long-term growth 1890-1989; (2) population and demographic change; (3) the causes and effects of the great wars; (4) rise and fall and rise of European economic integration; (5) depressions and booms; (6) the welfare state and the rise of the mixed economy; (7) industrial organization, capitalism and enterprise in the West; (8) the collectivist experiments; (9) fascism and totalitarianism in an economic perspective; and (10) labor, work and the rise of the leisure society

Economics 425-1

Theory of Economic Development

Professor Matsuyama

MW 11-1

AAH 3245

This is a course in macroeconomic development. We discuss a series of models that should be useful for thinking about the most important question in economics: Why are there rich and poor countries? Topics may include, but are not limited to: demand complementarities,

endogenous technological changes, non-homothetic preferences, inequality and growth, agglomeration economies, and credit market frictions.

Evaluation is by class participation, and a written report (or class presentation if the class size is sufficiently small). There is no textbook. Readings will be from journal articles and working papers.

See also discussion of the international trade and development economics visiting speaker series below.

Economics 440-2

Economics of the Labor Market

Professor Bernal

TTh 11-1

AAH 3245

The topics to be covered in this course will include: (1) the evaluation of welfare programs; (2) models of human capital investment and labor supply; (3) synthesis of human capital investment, labor supply and savings; (4) equilibrium models of the supply of skill; (5) child quality production functions; (6) the importance of non-cognitive skills in the labor market; (7) household economics building blocks; (8) household formation and dissolution and (9) intrahousehold distribution.

The course grade will be based on a mid-term exam and a final exam (each 50% of the grade).

Economics 450-2

Industrial Organization and Prices

Professor Sweeting

MW 1-3

AAH 3245

This is the second course in the graduate industrial organization sequence. The first course took market structure, in terms of the number of firms and the product qualities/varieties available, as given. This course will study what determines market structure and how firms may be able to act strategically, in choosing their prices, products or advertising, to affect market structure and market outcomes. It will also analyze innovation and R&D, network externalities and vertical relationships between firms. The course will cover a

mixture of theory, empirical evidence and empirical techniques. As well as simply studying what people have done, we will ask whether the existing empirical literature has really answered the questions raised by theory.

Economics 481-2

Econometrics

Professor Horowitz

MW 6:30-8:30PM

AAH 3245

Empirical process theory is the asymptotic distribution theory of random functions. Roughly speaking, it does for random functions what ordinary asymptotic distribution theory does for scalar random variables and random vectors. The main objectives of empirical process theory are to establish laws of large numbers that hold uniformly over suitable classes of functions and to derive functional central limit theorems that give conditions under which sequences of random functions converge in an appropriate sense to Gaussian stochastic processes. The techniques of empirical process theory are important for establishing the properties of a variety of semi- and nonparametric estimators that arise in econometrics and statistics. This course will cover uniform laws of large numbers, rates of convergence of empirical processes, and functional central limit theorems. It will also cover applications to semi- and nonparametric estimators such as penalized least squares, sieve, index, and M estimators.

The course will be taught in a workshop format. We will work through the material together rather than having formal lectures by the instructor. The main reference will be David Pollard's *Convergence of Stochastic Processes* (Springer-Verlag, 1984). This book is now out of print, but it can be downloaded free of charge from Pollard's web site at Yale. Other readings include Donald Andrews' chapter on empirical process theory in volume 4 of the *Handbook of Econometrics*, which can be obtained free of charge at the Elsevier web site, and various journal articles. Evaluation will be through class

presentations and homework assignments. There will be no examinations.

Economics 498-2

Advanced Topics

Professors Hendel and Nevo

F 9-12

AAH 3245

Note changed class time

This course will cover advanced topics in industrial organization. It is primarily intended for advanced students interested in the field, however, students in other fields may find the topics interesting. Solid econometric background is useful. The course will cover recent developments in the field, including dynamics and price discrimination. We will also survey IO papers that were presented as job market papers in the last few years. We are open to other topics students may be interested in. Evaluation is by problem sets and class presentation.

MECS 460-2

Foundations of Management Economics

Professor Kamien

T 2-5

LEV 561

Dynamic optimization methods such as the calculus of variations, optimal control theory, and dynamic programming applied to problems in economics and management science.

MECS 468-2

Selected Topics in Economic Theory

Professor Al-Najjar

F 3-6

LEV 561

Selected Topics in Bounded Rationality and Behavioral Economics. The course covers recent theoretical work that incorporates psychologically plausible assumptions in economic and game theoretic models. Experimental works and descriptive psychological accounts of behavior may be used for motivation; however, our primary focus will be on enriching standard theory models and frameworks. Special emphasis will be

placed on recent work that offers the most promising opportunities for future research (almost all the papers covered date from the past 5-7 years).

Topics fall into three main categories: (1) Tools -- psychological games, reinforcement and adaptive learning; (2) Foundations -- evolution of preferences, information-based models of behavioral biases; and (3) Models of specific biases -- boundedly rational models of memory, confirmation bias, over-optimism and over-confidence, the sunk cost bias, preference for fairness, relative consumption bias, and self-control.

MECS 471

Economics of Organizations

Professor Matouschek

F 9-12

LEV 619

The aim of the course is to prepare PhD students to contribute to the growing field of organizational economics. We will read a selection of classic and new papers in the field, which encompass a mixture of theoretical and empirical research. The following is a partial list of the topics to be studied: the provision of incentives in firms, careers and career concerns, promotions and human capital acquisition, delegation and authority, effects of strategic transmission of information within firms, and causes and effects of hierarchy.

Evaluation is based on (1) the presentation of one of the papers on the reading list, and (2) one written assignment. The written assignment can be either an extended literature review or a formal model that either builds on one of the papers covered in class or, preferably, makes an independent contribution to the literature.

Finance 487

Dynamic Asset Pricing Theory

Professor Skiadas

Th 3:30-6:30

AAH 4214

This course covers the basic arbitrage and equilibrium models of asset pricing in

dynamic settings. Topics include the implications of no arbitrage for derivative security pricing and term-structure models, optimal portfolio selection, equilibrium models of asset pricing, and the representative agent. The necessary mathematical tools are introduced, including the Ito calculus and stochastic control. Grades will be based on demanding weekly assignments and a take-home final. Finance 485 is a prerequisite.

Finance 488

The Econometrics of Financial Markets

Professors Schaumburg & Jagannathan

M 6-9PM

AAH 4214

No description received.

Economics 501 Seminar

For this year only, the 501 seminar will meet during the winter and spring quarters. Professor Alessandro Pavan is the coordinator. The randomized order of seminars for both quarters was circulated by e-mail to all third year students earlier this quarter.

The seminar will meet nearly every Monday and Wednesdays during the Winter and Spring Quarter at 5:15PM in the Seminar Room (Andersen 3245). There will be one presentation and the seminar will last for fifty minutes including the question-and-answer period. Full practical details for the seminar are posted on our web site.

Second years students may wish to attend some of the spring seminars in order to get some idea of expectations for field papers.

Trade/Development Speakers

Again this year the Department will host a visiting speaker series in international trade and development economics. Part of this series will be held in the Winter Quarter, and the remainder in the Spring quarter. Graduate students can take this lecture series for credit by enrolling for an Independent Study with Professor

Matsuyama in the **Spring Quarter**. This Independent Study can be combined with Economics 460-1 or 425-1 or 425-2 to satisfy a field requirement.

Besides attending the lectures, students must also write a short summary of the research presented by all the speakers (about 2x4 = 8 pages), and prepare a research proposal (of five to ten pages) on a related topic.

The lecture series consists of five speakers. Each of them will stay for one or two weeks, and give three to six hours of presentation.

In the winter quarter the talks will take place on MW 11-12:30 in AAH 3245. This is the same room and time slot as Professor Matsuyama's scheduled Econ 425-1. His class will be canceled on the days of the presentations and makeup classes will be scheduled. Winter Quarter speakers will be **Marc Melitz** of Harvard University for the week of February 7; and **Olivier Jeanne** of the IMF for the week of March 7.

In the Spring Quarter, **Matthias Doepke** of the University of California at Los Angeles will be here for the weeks of March 29 and April 4; and **Marcel Fafchamps** of Oxford University for the weeks of April 11 and 18. In addition **Hélène Rey** of Princeton University will be here the week of April 25, but will not give any lectures as she gave four lectures in one week last year. Full details of the spring lectures will be given in the March *Graduate Connection*.

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 2005 Sitting

Wed June 15 Macroeconomics
Wed June 22 Econometrics
Wed June 29 Microeconomics
All examinations will be held 1PM - 4PM.

Fall 2005 Sitting

Wed Aug 31 Macroeconomics
Thur Sept 1 Econometrics
Fri Sept 2 Microeconomics
All examinations will be held 1PM - 4PM.
Note: examinations are *before* Labor Day.

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 TAship. For the remainder of this year the dates for which you must be in attendance are:

Fall: Until Mon Dec 13
Winter: Mon January 3 - Mon March 21
Spring: Tues March 29 - Mon June 13

Graduate School Deadlines

December 29 for admission to doctoral candidacy for the winter quarter. (However, if you are already registered for 598, you can apply by January 7 to change your registration to 599.)

March 31 for admission to doctoral candidacy for the spring quarter

April 4 to submit an "Application for a Degree" for all candidates who expect their degrees to be awarded in June. In addition, students wishing to obtain a Master's degree in June must file for admission to candidacy.

May 13 is the deadline for submission of completed dissertation and all supporting materials to receive the Ph.D. degree in June.

May 20 is the last day for receipt of "Final Examination Report" and any "Change of Grade" forms for 499 Projects or 590 Research for students who expect a master's degree to be awarded in June.

Funding Opportunities

Teaching Opportunities 2005-06

Application forms for teaching as an instructor in the evening program (School of Continuing Studies) and in the regular WCAS day school will be circulated on February 1. Students will be appointed on the basis of excellent performance as a lecturer or as a TA.

Funding Web Page

The web page listing non-departmental sources of funding has been updated. You can connect to it from the page giving information for current graduate students. The page gives information and links to internal and external fellowships, and also how to obtain funds for research expenses and attending conferences.

NU Dissertation Year Fellowships

The Department will be nominating students for the Dissertation Year Fellowship (DYF) competitions offered by The Graduate School and by the College of Arts and Sciences. To apply you need to:

C Prepare a brief (<1500 word) description of your dissertation, your progress to date, and the timetable to completion.

C Obtain two NU faculty references.

Completed nominations should be given to Professor Ferrie by Friday, January 7. Application forms and further information are available as links from the funding page on our web site.

NU Alumnae Dissertation Fellowships

This award offers a year of stipend and tuition to women who will be registered for 503 in 2005/06. Special preference will be given to those who have had to interrupt their academic careers. Note that the deadline is very close -- December 3. Applications are made directly to the Graduate School. Information and forms are able at links from the funding web page.

Funding for Research-Related Travel and Expenses

The Graduate School has available funds to pay for research expenses and for travel to conferences. The maximum one-time research grant is \$1,500, and there is funding for one conference a year that covers up to a maximum of \$400. Full details of the application procedures and links to application forms are on the funding web page.

Federal Aid Forms

If you are a U.S. citizen or a U.S. permanent resident you should renew your FAFSA (Free Application for Federal Student Aid) application. Forms should be arriving by mail sometime in December to those of you who have previously filed these 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 the middle of January. You can also complete the forms on-line at www.fafsa.ed.gov after January 1 and before June 30. The best thing to do is wait until after you have filed your income tax returns for 2004 before filling out these forms.

Notes

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 Associate 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 10, number 3 will be published in the week of March 7.