

News	1
Events	2
Teaching	2
Formal Announcements	4
Funding Opportunities	5
Notes	5

News

Happy Holidays!

The faculty and staff extend their best wishes for a happy holiday season. The University will be officially closed on Monday December 24, Tuesday 25, Monday 31 and Tuesday January 1. The winter quarter commences on Monday, January 7.

Distinguished Teaching Assistants

The Distinguished Teaching Assistant Awards for 2006-07 were presented at the start-of-year buffet on October 10. The winners of a certificate and a year's subscription to *Econometrica* were **Muhammad Faress Bhuiyan, Tim Lin, Dan Liu** (all re-awards), **Yi-Chun John Chen, Joshua Davis, Michel Janna Gandur, Nenad Kos, Yongbae Lee, Nicolas Lehmann-Ziebarth, Brandy Lipton, Emiliano Pagnotta, Tuan Hwee Sng and Siyang Xiong**. 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 **Emiliano Pagnotta**. This fellowship is awarded annually to a graduate student who has

distinguished him- or herself in *both* teaching and research.

Visitors

We will be welcoming **Jesper Bagger**, a labor economist from the University of Aarhus in Denmark for the winter and spring quarters. The Center for Economic Theory will have two visitors in the Winter. **Roland Fryer** from Harvard University in the week of January 7, and **Arthur Robson** from Simon Fraser University in the week of March 10.

The Center for the Study of Industrial Organization will be hosting three long term visitors. Two will be arriving in the winter quarter. **Stephen Ryan** will be here from February until the start of June, and **John Asker** from the Stern School at New York University will be here for March and April. In addition, we have a large number of visitors coming in the Spring Quarter. Details will be provided in the March *Graduate Connection*.

Congratulations

Congratulations to **Sorin Maruster** who won the School of Continuing Studies award for the best teacher in its undergraduate programs in 2006-07.

Congratulations also to **Charlie Nash** in our front office for winning a WCAS "Sunshine" Award, which honors staff members who consistently are a cheerful and helpful presence to faculty, staff and students.

While our team of undergraduates, coached by **Mark Witte**, did not ultimately win a four-peat in the annual Federal Reserve Challenge, they did beat 15 teams locally to advance to the national finals in Washington at the end of November.

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
www.econ.northwestern.edu

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

Susan Bies Prize

We are pleased to announce the inauguration of a program funded by an endowment from one of our alumnae Susan Bies (PhD, 1972), who was until recently a member of the Board of Governors of the Federal Reserve System. Starting this year, we will award prizes for the best two third-year research papers (i.e., typically Economics 501 papers) on topics relevant to analysis of economic policy. Each prize will be a research discretionary fund in the amount of \$1,000.

In addition, we will hold a special departmental lecture each year on economic policy, given by a distinguished external speaker. We will alternate between macro and micro-oriented lectures. The 2007-08 speaker will be **John Taylor**, of Stanford University and a formerly Under Secretary of the U.S. Treasury for International Affairs. His lecture will be in the Spring Quarter and will be announced in the next *Graduate Connection*.

Events*AEA Annual Meeting*

The annual meetings of the American Economics Association will be held in New Orleans on Friday to Sunday, January 4-6. Because of the timing, it is unlikely that scheduled graduate classes will need to be changed. If you are at the conference, stop by the NU annual cocktail party in the Grand Salon #4 of the Hilton Riverside from 6-8pm on the Friday.

Martin L. King, Jr. Day

On Monday, January 21, all classes are canceled in observance of Dr. Martin Luther King Jr. Day. There will be no undergraduate or graduate classes. It is also inappropriate to hold discussion sections or office hours.

While classes are canceled, the university will not be closed for the day. Departmental and other university administrative offices will be open. There

will be numerous events held on campus to celebrate the life and legacy of Dr. King.

Teaching*Room for Economics 411-2*

Please room that both the lecture section (TTh 9-11) and the discussion section (F 9-11) of Economics 411-2 will be held in our lecture room (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.

Economics 412-2

Economic Theory and Methods

Professor Siegel

TTh 2-3:30

AAH 3204

The course will survey a broad range of topics: discontinuous games, contests, wars of attrition, selected topics in auctions and mechanism design, matching, and - time permitting - basic concepts in cooperative game theory. Evaluation will be based on a small number of problem sets, presentation of a working or published paper, and a short research proposal.

Economics 414-1

Economics of Information

Professor Wolinsky

MW 9-11

AAH 3245

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

problems such as price discrimination, auctions, bargaining, contagion and signaling.

Economics 420-2

European Economic History

Professor Mokyr

TTh 9-11

AAH 3204

Note room change. This course will deal with the origins of modern economic growth in the West between 1700 and 1900. The problem of growth will be analyzed through the models of modern growth economics and the evidence and data amassed by economic historians on the British Industrial Revolution and the subsequent emergence of the modern economy in the Western world. After two weeks of introductory lectures, each student is responsible for a number of class presentations of 25-30 minutes each, in which he/she will present a paper or chapter from the reading list. The format of the presentation should be more or less along the lines of a referee report: what is the paper trying to argue, how does it use models, what are its main results, what assumptions are driving them, and how does it relate to the historical reality it is trying to understand. A written (1-2 page) summary or report will be submitted and circulated before the class. Grades will be assigned to the reports and presentations, as well as to subsequent discussion. People are responsible for reading the entire list and should be able to assess the papers read and comment on the reports.

Economics 425-1

Theory of Economic Development

Professor Buera

MW 6-8pm

AAH 3245

Class time may be altered by mutual agreement at the first class meeting, Monday January 7 at 6pm. This course will survey theories explaining the observed pattern of economic development across countries and across time. It will cover various theoretical models, but the emphasis will be on evaluating the

quantitative relevance of these theories. The main focus of the course will be on aggregate data and quantitative general equilibrium models, but it will also review empirical studies of the micro underpinnings of these models. The course starts by reviewing a large empirical literature exploring and establishing the basic facts on the patterns of economic development across countries and across time. It will then study theories explaining these facts by featuring differences in factor accumulation: physical capital, human capital, health; distortions in the distribution of factors of production: reallocation frictions, with a special emphasis on financial frictions; structural change and industrialization; and models explaining the evolution of best practices (polices and technologies) across countries: barriers to technology adoption, diffusion of technologies and its relationship with international trade, and the diffusion of economic policies across countries. The course grade will be based on problem sets, class presentations and a take home final exam. Readings will be from journal articles and recent working papers.

Economics 440-1

Economics of the Labor Market

Professor Urzúa

MW 9-11

AAH 3204

The purpose of this class is to give students the theoretical background and econometric tools to do applied labor economic research (and applied work in general). The class will highlight the importance of a good balance between theory and solid empirical work. The course will cover topics such as wage growth, schooling decision models, labor mobility, and human capital theory in general. It will focus on the econometric issues of empirical labor models including: selection bias, instrumental variables, structural vs. reduced form estimation, unobserved heterogeneity, and more. It will also discuss the most commonly used data sets in the field of labor economics.

Evaluation is by problem sets and a final exam.

Economics 450-2

Industrial Organization and Prices

Professors Nevo and Porter

MW 11-1

AAH 3245

An introduction to empirical analysis in industrial organization. Potential topics include: price and quantity competition; price discrimination; entry, growth and turnover; product selection; advertising; cartels and collusion; auction markets; innovation and R&D. The emphasis will be on the specification, estimation and testing of game theoretic models, and especially on recent developments in the field. Economics 450-1 is a prerequisite. Evaluation will be by several problem sets and a final exam. There will be selected readings, many in a course packet.

Economics 481-2

Econometrics

Professor Tamer

TTh 11-1

AAH 3245

The course will first go over tools for studying large sample properties of estimators under general conditions. This will allow the study of asymptotic distributions, such as sample quantiles. The course will also examine the identification question in some semiparametric models including binary choice, and single index models. Next, the course will focus on recent work in inference on parameters in partially identified models. Throughout, the course will emphasize open questions that can yield research papers. Evaluation is by homework problems and either a paper or a presentation. A reading list of accessible papers will be distributed.

MECS 460-2

Foundations of Management Economics

Professor Atakan

W 3-6

Room TBA

Second quarter in the two quarter optimization and mathematical methods sequence. The focus will be on dynamic optimization. It will deal, in particular, with stochastic dynamic programming in discrete time, and optimal control in continuous time. Readings will be assigned from Ross, *Introduction to Stochastic Dynamic Programming* and Stokey and Lucas, *Recursive Methods in Economic Dynamics*. Students will be evaluated on problem sets as well as a final examination.

MECS 466

Social Choice and Voting Models

Professor Harstad

Contact Prof Harstad for date of the organizational meeting to be held in the week of January 14.

Economic policy cannot be understood by economics alone and, to be successful, it must take the political game into account. This course starts by introducing the tools of social choice, and concludes by discussing recent research on political economics. It will (i) take a formal approach to collective choice problems, (ii) analyze voting and bargaining in politics, (iii) study games between politicians and voters, and (iv) compare political institutions as different rules of the game. Teaching is based on two books by Austen-Smith and Banks (1999, 2005) as well as recent research. Evaluation is by problem sets and one exam.

MECS 470

Operations Economics

Professor Allon

Time TBA

Room TBA

No description received

MECS 477

Applied Econometrics II

Professor Stern

Time TBA

Room TBA

No description received.

OPNS 481

Stochastic Processes
Professor Bassamboo

Contact Professor concerning possible time and location

Revenue Management (RM), also called yield management or revenue optimization, has gained attention recently as one of the most impactful areas of operations management. RM is concerned with demand-management decisions and the methodology and systems required for making them. It involves managing the firm's "interface with the market" as it were with the objective of increasing revenue. It complements supply-chain management, which addresses the supply decisions and processes of a firm, with the objective of lowering the cost of production and delivery. This course focuses on the mathematical models that underlie contemporary RM practices, and on current research areas. The format mixes lecture and discussion of papers from the research literature. Prerequisite knowledge includes optimization theory and dynamic programming, each at the level of an introductory graduate course. Evaluation is by several problem sets, a research project and a final exam. Selected readings, plus the required text is *Theory and Practice of Revenue Management*, by Talluri and van Ryzin.

Finance 487

Dynamic Asset Pricing Theory
Professor Skiadas
TTh 3:30-5

AAH 4214

This course will cover basic arbitrage and equilibrium models of competitive asset pricing in dynamic settings. The course starts with the theory on a finite information tree, and proceeds to models with continuous information. Topics include the arbitrage pricing of derivative securities (including American options), the dynamic implementation of Arrow-Debreu equilibria, consumption-based asset pricing using recursive utility, and optimal lifetime consumption-portfolio choice. The necessary mathematical tools

will be introduced, including some martingale theory, the Ito calculus, and stochastic control. Familiarity with the material of Finance 485 will be assumed.

Finance 488

The Econometrics of Financial Markets
Professor Jagannathan
TTh 9-11

AAH 4214

The course covers the following topics in the empirical financial markets literature and related econometric methods: review of some financial market facts; distributional characteristics of stock prices; review of GMM; ARCH/GARCH and related models; conditional and unconditional linear beta pricing models; yield curve models; market microstructure; initial public offerings and seasoned equity offerings. Course grade will be based on homeworks (one per week, do be done individually), and a referee report on an empirical finance paper published in a major finance or economics journal. It is highly recommended that students sit in on Patricia Ledesma's workshops on SAS and the CRSP/COMPSTAT databases (to be held in late Jan and early Feb).

Economics 501 Seminar

Unusually this year the Economics 501 presentations will be held in Winter and Spring quarters. The seminar will be coordinated by Professor Pavan. The initial draw of presentation order is:

Winter Quarter		
Week of	Monday	Wednesday
7-Jan	McDevitt	Grieco
14-Jan	Janna-Gandur	Sng
21-Jan	MLK DAY	Lehmann-Ziebarth
28-Jan	Filipe	Trindade
4-Feb	Kent	Masolo
11-Feb	Kehrig	Wisniewski
18-Feb	Kawai	Lipton
25-Feb	Tealdi	Diaz
3-Mar	Casas	Andonie
10-Mar	Halberstam	McDevitt

Spring Quarter		
Week of	Tuesday	Thursday
31-Mar	Grieco	Janna-Gandur
7-Apr	Sng	Lehmann-Ziebarth
14-Apr	Filipe	Rachmilevitch
21-Apr	Trindade	No class
28-Apr	Kent	Masolo
5-May	Kehrig	Wisniewski
12-May	Kawai	Lipton
19-May	Tealdi	Diaz
26-May	Memorial Day	Casas
2-Jun	Andonie	Halberstam

Any date swaps must be coordinated with Professor Pavan. This year we are experimenting with holding Econ 501 during the day. In winter it will be held MW 2-3, and in Spring TTh 2-3 in AAH 3245.

There have also been some changes in the rules governing 501 papers. See the page on *Goals for Second and Third Year Students* on our website.

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 affect 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 2008 Sitting

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

Fall 2008 Sitting

Tues Sept 2 Macroeconomics
 Wed Sept 3 Econometrics
 Thur Sept 4 Microeconomics
 All examinations will be held 1PM - 4PM.
 Note: examinations are *after* Labor Day.

TA Periods in Residence

Each quarter that you are a TA, you are expected to be in Evanston on weekdays from the first day of classes until the Monday after examinations end (which is the day that grades are filed). Absences during this period requires permission of the instructor. 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 coming year the dates for which you should be in attendance are:

Fall: Until Mon Dec 17
 Winter: Mon Jan 7 - Mon March 24
 Spring: Mon March 31 - Mon June 16

Funding Opportunities*Teaching Opportunities 2008-09*

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 can nominate four students for the Dissertation Year Fellowship (DYF) competitions offered by The Graduate School (TGS) and by the College of Arts and Sciences. To apply you need to give the following to Professor Tamer by Friday December 14 in a single electronic file:

- C A Graduate School application form
- C An abstract of less than one page written for the lay person
- C A maximum of five pages laying out the description of your dissertation, your progress to date, the timetable to completion, and the significance of your work.
- C A vita
- C Your transcript downloaded from CAESAR

In addition you need to ask two NU faculty to write reference letters to Professor Tamer. These initial letters can be quite brief. If you are selected, Professor Tamer will ask your references to write longer letters.

You can read more, and download the application form from the TGS website, which you can link to from the non-departmental funding page on our web site.

NU Graduate Research Fellowships

The Graduate School also offers Graduate Research Fellowships which can provide between 1 and 3 quarters of support to students who have completed their course work but are prior to their dissertation writing year. These would be ideal for people who will be in their fourth year next year. The deadline for submitting an application to Professor

Tamer is also December 14. Application materials are similar to those for the DYFs. Full details are on the TGS website.

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 \$3,000, and there is funding for one conference a year that covers up to a maximum of \$700. 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 need to renew your FAFSA (Free Application for Federal Student Aid) application. You can complete the forms on-line at www.fafsa.ed.gov after January 1 and before June 30. The Graduate School recommends that you file by March 1. It is often useful to have completed and filed your 2007 income tax form (1040) before you complete the FAFSA.

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 6¢ 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 13, number 3 will be published in the week of March 10.