From the Department Chair . . .

Construction update

The addition to Andersen Hall is nearing completion. The building will be inspected by the Evanston Fire Department on March 26. Assuming no problems are found and an occupancy permit is granted, the new building should open on April 2.

Because the building will not open until the second week of Spring Quarter, all graduate classes have been scheduled for regular University classrooms. You should go to these rooms at the start of Spring Quarter. Our spring seminars will also initially meet in Leverone 165. As soon as our new classroom is ready for occupation, the following classes and our seminars will move to Andersen 3245: 412-3, 414-2, 416-3, 440-2, 450-3, 481-3 and 483.

During Spring Quarter, many of our faculty will be moving from their current offices to their new offices. Then, after the quarter is over, our main office and copy room will be moved to temporary locations in Andersen 312 and 315 respectively. At this point we will have vacated the second floor to allow KGSM Alumni Relations to move in.

Starting on July 16 the connector building on the third floor between Andersen and Leverone Halls will be remodeled. A new graduate student lounge, copy room, and main office will be constructed in this space. Construction should be finished by Labor Day, when our administrative offices will move to their final locations.

The Department will be publishing the Economics on the Move newsletter in the coming months to provide you with logistical information.

Graduate carrels

Graduate carrels and the TA Room will remain in Cresap throughout the Spring Quarter. In the early part of the summer we will move some of the carrels into the existing Andersen Hall and the new addition. We will be vacating the west side of Cresap early in the summer. The east side of Cresap will move about Labor Day when the remodeling of the Connector is completed.

The good news is that the new spaces that you will occupy are much more private than those in Cresap, averaging four persons per room. In addition nearly all rooms have windows.

We are pleased to tell you that we have obtained 23 carrel units to supplement those that we already own. They were surplus to the requirements of the University IT Department. Consequently we will be dispensing with the former library carrels in Cresap 112 South.

As soon as we have worked out the logistics, we will contact you to tell you when you have to move. However, if you intend to be away from Evanston over the summer, you must remove all of your personal property from Cresap at the end of Spring Quarter.

Computer lab

I am very pleased to announce that through a financial gift from an alumni, that we will be able to refurbish our computer lab. **Gary L. Thompson** (WCAS ‘87, KGSM ‘92) is Executive Director of the Texas Electronic Commerce Association. He was an undergraduate economics major at NU and remembers classes with a number of our faculty including the late **Robert Eisner**. Gary’s gift will allow for two things. Perhaps the most important is the enhancement of the climate control system! Additional cooling
will be provided to the room from a connection to the air conditioning units in the new addition. I am sure that this will be a welcome relief to everyone. Secondly, we will be able to redecorate the room and provide new furniture. I am sure that you join me in thanking Gary for his gift. The work will be conducted at the same time as the remodeling of the Connector Building, which will be between July 16 and Labor Day. Therefore be prepared for closure of the lab for some of this period. Alternative facilities will be available in Cresap.

Funding for fifth years

For some time the Department has been working towards providing funding for students in their first five years, providing that the student makes satisfactory progress. Achieving this goal has been hampered by the bulge in student numbers experienced between 1998 and 2000. However, it is our intention to try to provide departmental funding by means of RAships, TAships and some fellowship money to qualified fifth year students next year.

To be eligible for funding, students who are entering their fifth year will have to ask their dissertation committee chair to write a letter to the Director of Graduate Studies by July 31. This letter should certify that a draft of a job-market paper has been submitted and that the student is going to be going on the job-market this fall.

Assuming that we have enough positions to meet the demand, qualified students may get funding for the fall, and this funding could be extended for the rest of the year if the student does, in fact, go on the job market. Students who drop out of the job market, or who do not intend to be on the job market will only be given funding if there are funds left over after qualified younger students have been funded.

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.

Department wide seminar

Andrei Shleifer will be the spring 2001 department-wide seminar speaker. Professor Shleifer is at the Department of Economics at Harvard University, and works in corporate finance. His seminar to the entire economics community at Northwestern will be on Tuesday May 22nd, with a more specialized talk on Thursday, May 24th. He will be in the Department from Tuesday morning to Thursday evening.

Nemmers prize

Also visiting in the spring quarter is the fourth winner of the Erwin Plein Nemmers Prize in Economics, Professor Daniel McFadden from the University of California at Berkeley. Professor McFadden, the current Nobel Laureate, will be here from the start of spring quarter until early May. He will be using room 321. He will be giving a series of lectures as part of the regular Econometrics Workshop series. One of these, on April 3 will double as the Nemmers Lecture and be held at the Allen Center, and be followed by a reception. All graduate students are invited.

Economics picnic

Each May the second year graduate students organize a Departmental picnic at Harms Woods, Skokie, for graduate students, faculty, staff and their families. Details will be circulated near to the time. I encourage all of you to participate in this annual event.

Fall quarter start dates

The University has reverted back to a 7 day new student week. Consequently the first day of fall quarter classes will be on Monday, September 24, two days earlier than previously announced. In making your summer plans remember that all new TAs need to be back in Evanston by Tuesday evening, September 18 for mandatory TA training. In addition the Department will hold its traditional field-course orientation meeting on Friday September 21.

Teaching Matters . . .

2001/02 course schedule

We are still working on the teaching schedule for next year. The schedule of courses will be posted on our website at the end of March.

Course descriptions - spring 00/01

* For classes with rooms marked with an asterisk, the class will transfer from the indicated classroom to the new economics lecture room (Andersen 3245) as soon as it is ready.
This course is about mechanism design with an emphasis on contracting. It is intended to introduce the students to advancements in the theory of contracts. It will start with the basics of mechanism design. Then it will cover a range of topics related to dynamic contracting. Students will learn advanced recursive techniques in detail. Then, they will see various applications. This course fits to the goals of students in economic theory as well as to the goals of those who intend to do theoretical macroeconomics.

This is a continuation of the winter quarter class. Students must have been registered in Winter Quarter. You will receive 0.5 credits for the Spring Quarter, and be given a grade at the end of the quarter.

This class will cover topics on the implications of imperfect contracting and agent heterogeneity on aggregate dynamics. We start by introducing private information and limited contract enforcement on the standard, complete markets Arrow-Debreu model with infinite dimensions. We will study recursive methods for the analysis of these models. Moreover, we will study useful mathematical and computation tools for the analysis of models with heterogeneous agents.

In the second part of the class we will cover a variety of topics including labor contracts, financial contracts, and international capital flows. The last part of the class will concentrate on models with endogenous government policies, including Ramsey problems and politico-economic equilibria.

This is the second half of a two-quarter sequence. The overall goal is to integrate theory and empirical work in labor economics with emphasis on wage and employment determination. The topic coverage in the second quarter will include bilateral bargaining and monopsony models of wage determination, wage dispersion, the effects and role of labor turnover, unemployment duration and incidence, and the flows approach to the analysis of labor market equilibrium. The two focal points of interest are high unemployment in Europe and wage dispersion in the US. These issues are viewed within the context of a general search and matching labor market equilibrium framework. Empirical content will emphasize studies based on worker unemployment and job duration data and matched worker-employer panel data.

Students who did not take 440-1 can register with the permission of the instructor. The course will require an understanding of dynamic optimization techniques and stochastic process theory at the level of Stokey and Lucas’, Recursive Methods in Economic Dynamics (Harvard University Press, 1989).

The course grade will be based on problem sets and a final paper. A reading packet containing the starred items in the following reference list will be available in the Department office.

The purpose of this course is to prepare the students for doing applied work using cross-sectional or panel data. It will cover many commonly used techniques that are available in the “micro-econometrics” literature. Topics include some standard estimation methods, such as MLE and GMM, and a variety of econometric

March 2001

Economics 412-3
Economic Theory and Method
Professor Atila Abdulkadiroğlu
MW 9-11 104 SWT*

Economics 414-2
Economics of Information
Professors Whinston and Cremer
F 1-3:30 104 SWT*

Economics 416-3
Advanced Macroeconomics
Professor Alex Monge
MW 11-1 104 SWT*

Economics 440-2
Economics of the Labor Market
Professor Dale Mortensen
TTh 11-1 B1 FSK*

Economics 440-3
Industrial Organization and Prices
Professor Robert Porter
MW 1-3 LG76 TCH*

Economics 450-2
Econometrics
Professor Tim Conley
TTh 9-11 B1 FSK

Economics 450-3
Applied Econometrics: Cross Section
Professor Luojia Hu
TTh 1-3 310 HRS*

Economics 481-3
Econometrics
Professor Atila Abdulkadiroğlu
MW 9-11 104 SWT*

Economics 483
Applied Econometrics: Cross Section
Professor Luojia Hu
TTh 1-3 310 HRS*

Econometrics
Professor Tim Conley
TTh 9-11 B1 FSK

Topics in time series and spatial econometrics. This course is concerned with the study of econometric techniques using time series and spatially dependent cross section data. There are applications of these techniques in finance, macroeconomics, industrial organization, urban economics, and other fields as well.

Specific topics in the course will include cointegration, spatial GMM, and dynamic factor models. The focus of the course will be on understanding how to use estimators in practice rather than on rigorous derivation of their sampling properties.

Evaluation will be by a term paper. Recommended texts are Cressie Statistics for Spatial Data (Wiley) and Hamilton Time Series Analysis (Princeton U.P.).
models, such as discrete choice and limited dependent variables models, duration models as well as linear and nonlinear panel data models.

Evaluation will be by a final exam. Readings will be in a course packet.

Economics 498-1
Advanced Topics in Economics
Professor Charles Zheng
TTh 8:30-10:30 G32 ANN

The goal of this course is to explore the interactions between auctions and the related economic institutions (capital markets, bankruptcy arrangements, industrial organizations, etc.). The study of such interactions is a new and fast growing area. This field spans applied and theoretical research. It deals with questions arising from the real world, and in my opinion it is an important step towards the long-term theoretical mission of bridging the gap between auctions and markets.

Topics include bidders' liquidity constraints, auction with default, auction and resale, and auction and markets. The reading list is available on-line at Professor Zheng's website. The prerequisite of the course is the 410 sequence. However, first-year Ph.D. students who enjoyed the first two quarters and are ready to acquire game-theoretic tools on their own are also welcome.

Economics 498-2
Advanced Topics in Economics
Professor Kenneth Shotts
MW 11-1 G32 ANN

This course addresses the following question: given a set of individuals, each of whom has well-defined preferences over a set of alternative policies, which policy will the group choose?

Topics covered include defining “well-defined” preferences, Arrow's theorem and other impossibility theorems for aggregation rules, choice from a finite set of alternatives, choice from a continuum of alternatives in a spatial model, and strategic behavior.

Evaluation will be by several problem sets and a final exam. The required text is Positive Political Theory I by Austen-Smith and Banks, and other readings in a course packet.

Finance 485
Introduction to Finance
Professor Costas Skiadas
T 9:30-12 430 AAH

This course is an introduction to asset pricing theory and portfolio choice. The first part of the course introduces arbitrage theory, including state prices, equivalent martingale measures, beta pricing, and the associated mean-variance analysis. The second part deals with optimal consumption/portfolio choice of agents and competitive equilibrium in the context of general preferences. The third part considers more detailed preference structures, including the theories of fund separation and Gorman aggregation, and expected utility theory. Time permitting, the course concludes with an introduction to rational expectations models with asymmetric information. While the course is self-contained, it is best appreciated by students with some knowledge of microeconomics. Proficiency in elementary linear algebra and probability theory is required, as is some knowledge of basic nonlinear optimization theory.

Finance 520
Aggregate Implications of Financial Contracting
Professors Krishnamurthy and Rampini
TTH 2-4 430 AAH

This course is a second year graduate topics course in financial economics. The course studies the equilibrium implications of endogenous financial contracts. Static and dynamic models of economies with contracting frictions (e.g., imperfect information and limited enforceability) and optimally determined financial contracts are covered and the implications for both quantities and prices are considered. The course is thus at the intersection of corporate finance/contract theory and asset pricing/macroeconomics. Specific topics covered include the dynamics of agency costs, financial intermediation, liquidity, collateral, default and non-exclusive contracts.

Familiarity with either Corporate Finance and Asset Pricing or Contract Theory (or Information Economics) and Macroeconomics is recommended. Evaluation will be based on several problem sets/referee reports and a final exam. The required text is Ljungqvist and Sargent Recursive Macroeconomic Theory (MIT Press, 2000).

MGR ES 460-3
Foundations of Managerial Economics: Game Theory
Professor Julian Jamison
T 3-6 561 LEV

This course is meant to complement the core microeconomics sequence. It is aimed at first-year PhD students but is open to anyone. The course focuses on game theory from a more methodological or theoretical viewpoint. Topics include cooperative game theory, equilibrium refinements, repeated games, communication, games with incomplete information, knowledge and games; and more depending on student interest.

Evaluation will be problem sets and a final exam. Required texts: Game Theory by Roger Myerson; and A Course in Game Theory by Martin Osborne and Ariel Rubinstein.

MGR ES 462
Decision Theory
Professor Peter Klibanoff
T 3-6 561 LEV

This is a PhD-level course on decision theory and will focus mainly on axiomatic theories of individual decision making under risk and uncertainty. First the course will briefly explore utility theory under certainty and the notion of preferences and
their representation. Then we will study in detail the classic theories of decision under risk and uncertainty: von Neumann and Morgenstern, Anscombe and Aumann, and Savage. This will take roughly half the course and constitutes a basic grounding in the subject. From here we will explore a selection of topics that expand on the classical work in various directions and are nearer to the current research frontier. These topics may include: (1) Allais' Paradox, Prospect Theory, Machina's approach; (2) Ellsberg's paradox, uncertainty aversion, Gilboa and Schmeidler representations; (3) Dynamics -- Bayesian updating, dynamic consistency, preferences over the timing of the resolution of risk/uncertainty; (4) Notions of belief and probability in decision making; (5) finite-state models; (6) models of unforeseen contingencies. Other topics are possible depending on the interests of those enrolled.

The course will be part lecture, part prepared presentations by students, and discussion by everyone throughout. Evaluation will be based on problem sets, prepared class presentations, and participation in class discussion. The text is David Kreps *Notes on the Theory of Choice* (in the series *Underground Classics in Economics*, Westview Press: Boulder and London, 1988.)

### 2001/02 quarter dates

- **Fall**: Mon Sept 24 - Fri Dec 14
- **Winter**: Mon Jan 7 - Fri March 22
- **Spring**: Tues April 2 - Sat June 14

### 501 Seminar . . .

The seminar will meet on Wednesdays at 5PM in Leverone 165. The seminar will move to our new seminar room (Andersen 3245) when the room is ready. There will be only one presentation each day and the seminar will last for one hour including the question-and-answer period.

The sign-up sheet for the Spring Quarter is now available in the Graduate Secretary's office. Professors Panzar is organizing the seminar.

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 third-year students should have already presented the paper they submitted last summer.

Third-year students should be making plans for their second presentation. Remember that failure to make two presentations by the end of the spring quarter will prevent you from being admitted to candidacy, and hence receiving fourth-year funding.

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. 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.

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

The 501 requirements, and practical information, are available on our web page. Second-year students are reminded that appointment to a Teaching Assistantship in your third year requires you to (a) have passed all your preliminary examinations by the June sitting of your second year, and (b) completed at least one field paper which is certified as acceptable by a faculty member by July 31. While certification by a faculty member is required, presentation at the 501 seminar is not. The presentation of the paper can be in the fall quarter of your third year.
First year foreign students

Foreign students from non-English speaking countries should have taken the Test of Spoken English by now. The TSE requirement is tough. However, it is departmental policy not to seek exemptions or alternative testing for students who fail. We cannot allocate a TAship to any student who has not passed the TSE.

If you have not received notification that you have passed the TSE by July 31, we cannot include you in the first round of TA offers, even if you have met our academic requirements. Students who have still not passed by September risk not receiving any funding next year.

Second year students

To be eligible for funding you must have completed your prelims by this June’s sitting, have passed the TSE, and have completed an approved field paper by July 31.

Third year students

To be eligible for funding you must be admitted to doctoral candidacy by July 31. In addition to the dissertation proposal, you must have completed your coursework including two field paper presentations in the 501 seminar. I will remind you that 501 only meets during term time, and seminars must be completed by 6PM, and will not specially convene for purposes of presenting a paper that is completed late. We cannot guarantee funding for any part of next year to students who are admitted to candidacy late.

Fourth year students

See the section on fifth year funding on page 2 of this newsletter.

Training for new T.A.s

The University runs a half-day training session for new T.A.s. It will be held on the morning of Wednesday September 19th, which is during the week before classes start. The Department regards your attendance as mandatory. If you believe that you will be serving as a T.A. for the first time next year, please arrange your schedules so that you are available in Evanston on that date.

If you expect to be a TA next year, you will have to be in Evanston until Monday lunchtime on December 17 to complete grading duties. If you are making holiday travel arrangements, please ensure that you remain in Evanston until this date. In addition you will need to be back in Evanston by Sunday night, January 6 for the start of classes.

Fall quarter T.A. course allocations

By tradition, the forms that allow T.A.s to indicate their preferences for classes are circulated immediately after Labor Day to your boxes in the Main Office. Completed forms have to be returned by September 18.

Unfortunately, the allocation can only be announced at 4PM on Friday September 21 because we do not know enrollment in 201 and 202 until enrollment closes that afternoon. Classes start the following Monday.

Field course meeting

An orientation session for students entering their second year will be held on Friday September 21 from 1:30PM to 4PM, in our new lecture room (Andersen 3245). The session will discuss the 501 requirement, funding criteria, and include presentations on each of the field course sequences that you can take in both the Economics Department and KGSM.
Funding . . .

Transportation dissertation awards

The Transportation Center offers a stipend plus tuition award to eligible students who are in the final twelve months of their thesis research. Research in the transportation field is broadly defined and public utilities is eligible. Applications, including letters of support from your faculty advisor, are due with Diana Marek at the Transportation Center by March 30. For further details talk to Ian Savage.

Graduate research grants

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

Funding for research related travel

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

The first step students should take after learning that they need to finance a trip is to contact their dissertation advisor. The purpose of this contact is two-fold: (1) advisors often have discretionary funds at their disposal that can be used to underwrite some of the costs associated with student travel, and this possibility should be explored before proceeding further in search of funds; and (2) subsequent steps in the process of acquiring funds require the endorsement of the student's advisor.

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

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

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

Research assistantships

Many faculty members hold research grants that permit advanced graduate students to be hired as research assistants. The usual process by which these positions are filled is informal contact between graduate students and the faculty member. The Director of Graduate Studies does not normally act as a clearing-house for these positions. However, he would like to be informed when an appointment is made, as it will help him when allocating departmental support.

Summer jobs

Summer research assistant positions are often available from individual faculty with research funding. There is no Departmental assignment of these positions. The best way to go about obtaining such a job is to advertise! Prepare a one-page resume introducing yourself to faculty, emphasizing useful skills (computer experience, etc.) you have. Distribute these resumes in faculty mailboxes toward the end of Spring Quarter. Be sure to include faculty in the KGSM departments of MEDS, Finance, and Management and Strategy in your mailing. Kellogg faculty are often long in research funding and short on students to spend it upon.

Funding listserv set up

The Graduate School has established an email mailing list, called “Gradfunding” to distribute information about funding opportunities for graduate students. Because this is quite new, the Department cannot tell whether this service will be very useful to economists. However, if you choose to subscribe, you will receive an announcement about fellowship and grant opportunities once a week on Fridays. To subscribe send an email message to listproc@piranha.acns.nwu.edu leaving the subject line empty and with the message body of one line: subscribe Gradfunding Yourfirstname Yourlastname

You will receive a confirmation email message when you have been added to the mailing list successfully. If this does not prove to be interesting to you, you can unsubscribe from the mailing list by sending an e-mail to the same address with the message body of one line: unsubscribe Gradfunding

From the Director of Graduate Placement . . .

It has been another good year on the academic job market for economists. The following have already accepted positions: Arie Beresteau Duke University Oded Bizan Analysis Group/Economics, Cambridge, MA Ulrich Doraszelski postdoc, Hoover Institution, Stanford 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 Joshua Pinkston BLS Office of Employment Research
Other students are currently deciding between their many offers. Students who are thinking about going on the market next year should attend an introductory meeting that is tentatively scheduled for early May. Please watch for announcements. As usual, the meeting is primarily oriented towards those considering going on the market in the Fall, but all students in the third year and beyond are welcome.

If you intend to be on the market, please be aware of some important dates for this fall. Your draft job market paper will need to be in the hands of your Ph.D. committee members by October 1. Your vita must be ready by October 12, and your packet including recommendations letters should be assembled by Nov. 2.

From the Director of Graduate Admissions . .

The first round admission decisions are now complete. Graduate students can help improve our program by actively helping in the recruitment of prospective students.

First, on Friday, March 30, we will have an open day. Current students can help by coming to meet the prospective students, and let them know the greatness of our program.

Second, after March 15, current students are welcome to get the names of prospective students who have been admitted from Mercedes Thomas and to get in touch with them via e-mail or telephone.

Notes . . .

Office accommodations for 2001/02

As discussed in the Chair’s column, graduate carrels will be moved from Cresap to Andersen in two phases. One at the start of the summer, and the remainder about Labor Day.

Allocations for next year are based on long-standing priorities that the Department has set for the allocation of the quality and quantity of space:

1. Departmental Lecturers
2. Research Assistants
3. Holders of distinguished dissertation fellowships from NU or elsewhere
4. Teaching Assistants
5. School of Continuing Studies Lecturers

Other advanced graduate students will be accommodated where space permits. This does mean that some incumbents who will not fall into the above categories next year may be evicted.

It is clearly in the interests of those students receiving Research Assistantships or Dissertation Fellowships to inform Ian Savage and Joe Ferrie. The new space allocations will be announced about Labor Day, and people move in and out between then and the start of classes.

If you are leaving us this summer, please return your keys to the Graduate Secretary when you depart, and leave us a forwarding address.

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 7, number 1 will be published immediately after Labor Day.