Editor’s Note

This is the first year of the revamped Graduate Connection. The newsletter will focus on news, events, course listings, and notifications of changes in Departmental policies. Items of a recurrent nature, and statements of existing Departmental policies have moved to the Department’s web site. The section of the Department’s web site for current graduate students brings together all the practical information and documents in the form of an on-line handbook.

While on the subject of the Department’s website, we are pleased to announce that it is undergoing a redesign. The new design should debut about February 1. The URL and the content will not change, but the graphics and navigation will be improved.

News

Happy Holidays!

The faculty and staff extend their best wishes for a happy holiday season. The University will be officially closed on Tuesday, December 24, Wednesday 25, Tuesday 31 and Wednesday, January 1. The winter quarter commences on Monday, January 6.

Distinguished Teaching Assistants

The Distinguished Teaching Assistant Awards for 2001-02 were presented at the start-of-year buffet on October 15. The winners of a certificate and a year’s subscription to Econometrica were Ran Abramitzky, Mauricio Drelichman, Marc Fusaro, Nir Jaimovich, Lyndon Moore, Jeffrey Prince (all re-awards), Roc Armenter, Fabio Braggion, Etienne Gagnon, Maria Goltsman, Hemanshu Kumar and Wojciech Lyszkiewicz. 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 Nir Jaimovich. This fellowship is awarded annually to a graduate student who has distinguished him- or herself in both teaching and research.

Faculty Changes

Joining the faculty in the Winter Quarter is our new assistant professor, Éva Nagpál. Éva is a macroeconomist, with a Ph.D. from Stanford University. However, she has wide-ranging interests that also include applied microeconomics, financial economics and labor economics. She will be using room 3247 (1-8234, nagypal@northwestern.edu).

Alex Monge will be away on leave for the calendar year 2003.

The Department is fortunate to have five leading economists in international and development economics visiting us during the winter and spring quarters. Each of them will be visiting for two weeks, during
which they will be giving a series of lectures. Full details are given in the teaching section. The visitors in the winter quarter are Pierre-Olivier Gourinchas of Princeton University for the weeks of February 24 and March 3, and John McLaren of the University of Virginia for the weeks of March 10 and 17. Both will be using room 3233 (1-8212).

Events

Martin L. King, Jr. Day

On Monday, January 20, classes are cancelled from 11AM to 2PM in observance of Dr. Martin Luther King Jr. Day. The MW 11-1 classes (412-2, 480-2) will be cancelled 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 11-12 TA sections for Economics 202. 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. Celebrations on the Evanston campus include a keynote address by Cornell West.

Department Wide Seminar

The next distinguished visitor in our Department-wide seminar series will be in the Spring Quarter. Richard Blundell from University College, London will be visiting and giving two talks on Tuesday, May 6 and Thursday, May 8. His research deals with the microeconometrics of households & firms, consumer behavior, and public finance.

Schwartz Lecture

The annual lecture series organized by the Kellogg School of Management to honor the late Nancy Schwartz will be held in the Spring Quarter. This year’s lecturer is Bengt Holmstrom from the Sloan School of Management at MIT. His research deals with the economic theory of organization, especially contracting and incentives. The lecture will be at 4:40 on Wednesday, May 7.

Teaching

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 7. This year, the start of the winter quarter does not overlap with the American Economic Association annual meetings in Washington, D.C. on January 3-5. Therefore we anticipate that there will be few changes in schedules. However, look out for announcements, especially if winter weather disrupts travel plans.

Economics 412-1
Economics Theory and Methods
Professor Lam
MW 11-1
AAH 3245

This course will survey topics in behavioral economics. Findings in psychology suggest important and systematic ways in which humans differ from the way they are traditionally described in economic models. We will identify how traditional assumptions may be incorrect and study recent attempts to incorporate more plausible assumptions into economic theory. Evaluation is by a class presentation and referee reports.

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, 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, global games and reputation. The course will present both more abstract models and ideas and more applied models dealing with economic problems such as price dispersion, price discrimination, auctions, bargaining and bank runs.

Economics 415-1
Advanced Microeconomics
Professor Siniscalchi
TTh 11-1
AAH 3245

The course focuses on interactive epistemology, with particular emphasis on rationality and strategic sophistication in dynamic games. It surveys recent contributions in this area, including approaches that are less likely to be familiar to economists (but, possibly, more conducive to innovative applications). However, the interactive-epistemology approach also sheds light on more “traditional” game-theoretic ideas such as backward-and forward-induction, strategic reasoning in signaling games, etc. Evaluation will be by problem sets and a final exam. Selected readings will be indicated as the course progresses; lecture notes will also be made available on the course Web site.

Economics 420-2
European Economic History
Professor Mokyr
TTh 9-11
AAH 3245

This year, the course has been entirely revamped and reorganized, as it will be dedicated wholly to the economic history of Europe in the twentieth century (the period 1890-1989, to be exact). A full outline and syllabus can be found on Prof. Mokyr’s website. There will be a course packet that will be wholly required. There
will be an exam covering the first seven weeks of the readings. In addition, there is a research paper (due a year after the course) of publishable quality on a topic involving twentieth century European economic history.

**Economics 440-1**  
Economics of the Labor Market  
Professor Taber  
TTh 1-3  
AAH 3245  

This is the first course in a two-quarter sequence in labor economics. The goal of this course is to synthesize theory, econometrics, and empirical work in labor economics. The emphasis of the work will be on the determinants of wages. Topics will include the Roy Model, equalizing differentials, Labor Supply, Discrimination, human capital, and the changing wage structure. Grading will be based on a paper. For the paper students may either attempt to replicate and extend an empirical labor economics paper, or they may try a more original empirical project. This project can be done either alone or in groups.

**Economics 450-2**  
Industrial Organization and Prices  
Professor Porter  
MW 1-3  
AAH 3245  

The second quarter in the three quarter graduate industrial organization sequence. 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 based on several problem sets and a final exam. There will be selected readings, many in a course packet.

**Economics 481-2**  
Econometrics  
Professor Horowitz  
MW 6-8PM  
AAH 3245  

The course will deal with the bootstrap, which is a method for estimating the distribution of an estimator or test statistic by resampling one’s data or a model estimated from the data. It amounts to treating the data as if they were the population for the purpose of evaluating the distribution of interest. Under conditions that hold in a wide variety of econometric applications, the bootstrap provides approximations to distributions of statistics, coverage probabilities of confidence intervals, and rejection probabilities of hypothesis tests that are more accurate than the approximations of ordinary asymptotic distribution theory (e.g., asymptotic normal and chi-square approximations). The reductions in the differences between true and nominal coverage and rejection probabilities can be very large. Therefore, the bootstrap greatly improves the reliability of finite-sample inference in econometrics. The bootstrap is a practical technique that is easy for use in applications. This course explains and illustrates the usefulness and limitations of the bootstrap and why it matters in applied econometrics. (Hint: It matters a lot.) There will be simple instructions on how to implement the bootstrap in applications.

There will be occasional problem sets. Each student will make a presentation to the class about a topic in the literature or his/her own research. There will be no examinations. There will be no evaluation.

**Economics 498-1**  
Advanced Topics  
Professor Christiano  
MW 9-11  
AAH 3204  

The course will explore recent developments in macroeconomics. Topics will include endogenous theories of productivity, the impact of equity and efficiency on optimal fiscal and monetary policies, modern theories of financial crises, models of decade-long phenomena such as the Great Depression, the slowdown in Japanese economic growth in the 1990s, and the recent events in Argentina. The course is aimed at advanced graduate students who have begun writing their dissertations. The course evaluation will be based on student participation, class work and quality of research presented in class.

**Economics 499 (register in Spring)**  
Independent Study  
Professor Matsuyama  
MW 3:30-5 in Winter  
AAH 3245  
TTh 11-1 in Spring  
AAH 3245  
Starts February 24  

The Department will be hosting a lecture series in International Trade and Development Economics in the winter and Spring Quarters. 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 425-1 to satisfy a field requirement.

Besides attending the lectures, students must also write a short summary of the research presented by all five speakers (about 2x5 = 10 pages), and prepare a research proposal (of five to ten pages) on a related topic.

The lecture series will consist of five speakers. Each of them will stay for two weeks, and give six hours of presentation. The speakers are, for winter, Pierre-Olivier Gourinchas (Princeton University, for the weeks of February 24 and March 3) and John McLaren (University of Virginia, for the weeks of March 10 and March 17). For the spring quarter the speakers are: Fabrizio Zilibotti (University College London, for the weeks of April 7 and April 14), Abhijit Banerjee (MIT, for the weeks of April 28 and May 5), and Fabrizio Perri (New York University, for the weeks of May 12 and May 19).

Remember that you need to register for Economics 499 in the spring and not the winter quarter. Also, faculty and auditing students are welcome to attend the lecture series.
MGR ES 449-2
Competitive Strategy II
Professor Dana
TTh 3-4:40 LEV 619

The course will cover topics in the applied theoretical industrial organization that are particularly relevant to students interested in research applications to business strategy. It is designed to complement the industrial organization sequence in the economics department.

Broadly speaking, the course will study the bases of competitive advantage in a market; the conditions that lead to sustainable competitive advantage and the persistence of profitability; the sources of heterogeneity among firms; innovation and the development of new sources of advantage over time; and the analysis of strategic commitment. I also cover models of organizations, relational contracts, incentives, and job design. Time permitting, the course will also cover pricing under demand uncertainty, inventories, capacity management, and organizational responses to uncertainty.

MGR ES 460-2
Foundations of Management Economics
Professor Horner
M 5-8PM LEV 561

The second quarter in the two quarter graduate optimization sequence. An introduction to different dynamic optimization techniques. Topics include calculus of variations, maximum principle and dynamic programming (both deterministic and stochastic). Both continuous time and discrete time formulations are addressed. Evaluation is by several problem sets, a student presentation and a final exam. Lecture notes will be distributed, in addition to the required text Dynamic Optimization by Kamien and Schwartz (North-Holland, 1991).

MGR ES 468-2
Selected Topics in Economic Theory
Professor Yetkin
Organizational Meeting: Tuesday, Jan 7th, 4-7pm in LEV 561

Computational analysis of contracts, games and markets. This course is intended to provide students with numerical techniques to solve a variety of problems, including optimal contracts, repeated and dynamic games, competitive equilibria in various markets. It will have three main parts:
1. Fundamentals of computation (linear systems, optimization, nonlinear equations, approximation techniques, numerical integration)
2. Numerical methods for functional problems (finite difference methods, projection and perturbation methods and numerical dynamic programming)
3. Applications from Macro, IO, Finance, Dynamic Contracting, Political Economy

Class grades will be determined by a set of problem sets and a final take home exam. The required text is by Kenneth Judd, Numerical Methods in Economics. (MIT Press, 1998)

MGR ES 470
Operations Economics
Professors Lariviere and Van Mieghem
Time & Location TBA

This course examines applications of the tools of economics and decision sciences to study the management of operations. We interpret operations broadly as the study of recurrent economic activities. Management refers both to higher level decisions necessary to enable these recurrent activities and to lower level decisions to dynamically control these systems. Higher level decisions revolve around system design and planning and include process and product design; capacity investment; structuring supply relationships and contracts; and network planning. For given systems, the lower level decisions involve inventory management, customer service management, quality control, etc. (Clearly, both levels must be addressed iteratively, if not simultaneously.)

This course surveys this recent research that incorporates concepts from economics to consider how the self-interested behavior of agents impacts the system and how contracts and incentives can be structured to minimize any efficiency loss. It is intended to appeal to students in managerial economics and strategy, as well as students interested in channel management and IO. Evaluation will include presentation of papers (perhaps in groups), in addition to the typical homework and end-of-quarter paper or exam.

Finance 486
Seminar in Corporate Finance
Professor Fishman
TTh 10-12 Location TBA

An advanced seminar with primary emphasis on the theory of corporate finance. Topics include the Modigliani-Miller invariance theorems; the role of taxes, incentives, asymmetric information, and product market competition in the choice of capital structure; optimal security design; and financial intermediation.

Finance 488
The Econometrics of Financial Markets
Professor Andersen
WF 3-5 AAH 4214

This course covers a select list of current empirical research topics in finance and related econometric methods. The main focus is on testing theories of asset price determination, exploring the interplay between economic theory, statistical assumptions, and relevant econometric techniques. The list of topics includes: Tests for Market Efficiency, Tests for Return Predictability, Unit Roots and Spurious Regression, Variance-Ratio Tests, extensions of GMM as an Inference and Hypothesis Testing Tool, Modelling of Conditional Return Distributions (GARCH
Second years students may wish to attend some of the spring seminars in order to get some idea of expectations for field papers.

**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 Economometrics
Wed June 25 Microeconomics
Wed July 2 Macroeconomics

All examinations will be held 1PM - 4PM.

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 2002-03 the dates for which you must be in attendance are:

Fall: until Mon Dec 16
Winter: Mon January 6 - Mon March 24
Spring: Mon March 31 - Mon June 16

**Graduate School Deadlines**

December 27 for admission to doctoral candidacy for the winter quarter. (However, if you are already registered for 598, you can apply by January 10 to change your registration to 599.)

March 28 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 9 is the deadline for submission of completed dissertation and all supporting materials to receive the Ph.D. degree in June.

May 16 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 2003-04

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 fellowships offered by NSF, SSRC, and Northwestern Dissertation Year Fellowships. There is also information on 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 17. 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 2003/04. Special preference will be given to those who have had to interrupt their academic careers. Note that the deadline is December 20. Applications are made directly to the Graduate School. Information and forms are available at links from the funding web page.

Transportation Dissertation Awards

The Transportation Center offers a stipend plus 503 tuition DYF to eligible students who are in the final twelve months of their thesis research. Research in the area of transportation, broadly defined, and public utilities is eligible. Applications, including letters of support from your faculty advisor, are due at the Transportation Center by March 31. For further details, talk to Ian Savage. Information is also available on 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 up to two conferences a year that covers 2/3 of the cost up to a maximum of $1,000. Full details of the application procedures and links to application forms are on the funding web page.

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 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).

Financial Aid Forms

Renewal FAFSA (Free Application for Federal Student Aid) 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. The best thing to do is wait until after you have filed your income tax returns for 2002 before filling out these forms.

Income tax issues

All first-year students who have a University Fellowship will need to report their earnings on their income tax returns, minus the cost of books, supplies and NU Health Insurance premiums. Second year students who were on a fellowship for the 2001-02 year need to report their earnings from January through the end of the fellowship, less books and supplies. The University does not issue W2 forms for those students on fellowships, you are required to report these funds on your own. International students may have had deductions taken out and will receive special tax forms from the university.

Next Graduate Connection

Volume 8, number 3 will be published in the week of March 10.