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## News

### Visitors

The Department has a bumper crop of visitors in the Spring Quarter. Our existing visitors - **Sam Williamson, Patricia Reagan, Chris Sleet** and **Ali Hortacsu** remain with us for the Spring Quarter. In addition we will have two visitors who will be with us for the entire quarter. The first is **Reuben Gronau** of the Hebrew University who works in labor and transportation economics. He will be teaching a graduate course on economics of the household (for more details see the "Teaching" section). **Ken Small** will be visiting the Transportation Center. He is an IO, urban and transportation economist at the University of California at Irvine. He will have an office in Management and Strategy.

We will have three visitors who will be continuing our for-credit lecture series on international and development economics. For full details on this series see Economics 499 in the "Teaching" section.

Finally we have a series of short-term visitors, and **Avinash Dixit**, the presenter of our Department-wide seminar.

A full listing of our visitors, along with the offices they will be using is shown in the box at the top of page 2.

### Placement Report

**Robert Gordon**, Director of Graduate Placement, reports that the job market in economics continues to be strong. The majority of our candidates had plenty of interviews, typically 20 or more. The difference in the market this year was that there was a higher proportion of jobs available in government and the private sector, reflecting the budgetary problems at many state universities.

Eight economics students have already accepted positions, with others still choosing between several offers. Those who have already accepted positions are:

**Roc Armenter** - Federal Reserve Bank of New York

**Riccardo DiCecio** - Federal Reserve Bank of St. Louis

**Ulrich Doraszelski** - Harvard University, Economics Department

**Nir Jaimovich** - University of California at San Diego, Economics Department

**Nicholas Kreisle** - Federal Communications Commission

**Zsolt Macskasi** - Bates White Ballentine

**Joshua Nixt** - Lexecon, Chicago

**Jeffrey Prince** - Cornell University, Department of Applied Economics and Management

Doraszelski's appointment represents our first placement at Harvard's Economics Department in recent memory. Ulrich obtained his PhD in 2001, and has been a postdoctoral fellow at the Hoover Institution.

Students who intend to be on the job market next year, or are just curious about what it entails, are encouraged to attend a orientation by Professor Gordon on April 19 (see in the "Events" section below).

### Faculty Hiring

The hiring season is not yet completed. The Department has made offers to seven new PhDs and four senior faculty. The outcome of our hiring will be announced by e-mail, and our new hires will be introduced in the September edition.

The Department has also been hiring additional full-time lecturers to support our undergraduate program. Joining us in September will be **Hassan Arvin-Rad** and **Faye Steiner**. Both have extensive teaching experience subsequent to receiving their doctorates. Again, they

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Department of Economics/NU

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## SPRING QUARTER VISITORS

Week(s) of	Visitor	Field	Room
Whole Quarter	Reuben Gronau (Hebrew U)	Labor / Transportation	AAH 3218
Whole Quarter	Kenneth Small (UC Irvine)	Urban / Transportation	LEV 637
March 29 & April 5	Maitreesh Ghatak (LSE)	International/Development	AAH 3213
March 29	Avner Greif (Stanford)	Economic History	AAH 3233
April 5	Jonathan Levin (Stanford)	Economic Theory	AAH 3233
April 12 & 19	Diego Puga (Toronto)	International/Development	AAH 3213
April 12	Aldo Rustichini (Minnesota)	Economic Theory	AAH 3233
April 26	Hélène Rey (Princeton)	International/Development	AAH 3213
April 26	Holger Sieg (Carnegie Mellon)	Labor Economics	AAH 3233
May 3 and 4	Avinash Dixit (Princeton)	Economic Theory	AAH 3233
May 24	Ariel Pakes (Harvard)	Industrial Organization	AAH 3233
June 14	Cormac Ó Gráda (UC Dublin)	Economic History	AAH 3233

will be fully introduced to you in the September edition. We also have a third offer outstanding at the time of going to press.

### Staff

At the start of the Winter Quarter, we welcomed **Sara Gasbarra** to our front office staff. I am sure you have already had a chance to meet her and welcome her to the Department.

In January **Maryann Semer** celebrated twenty years of service at Northwestern.

### Recent Research Grants

The following faculty have all received recent research grants from the Searle Foundation: **Martin Eichenbaum**, **Lynne Kiesling**, **Bruce Meyer**, **Joel Mokyr** and **Michael Whinston**. In addition **Burton Weisbrod** received a grant from the Spencer Foundation.

**Charles Manski** and **Michael Whinston** both received grants from the National Science Foundation.

## Events

### Open Day

The annual Open Day for prospective PhD students will be held on April 2. Graduate students who would like to assist in welcoming prospective students should contract Professor Wolinsky. The day will culminate in a reception to which all the graduate students and faculty are invited.

### Job Market Orientation

Students who are thinking about going on the market next year should attend an introductory meeting scheduled for 5:15pm on Monday, April 19th in Andersen 3245.

**Professor Gordon**, the Director of Graduate Placement, will provide an orientation for those considering going on the market in the fall. However, any student in the third year and beyond who are curious about the job market process are welcome.

### Department Wide Seminar

The next distinguished visitor in our Department-wide seminar series is **Avinash Dixit** from Princeton University. He will be visiting and giving two talks on Monday, May 3 and Tuesday, May 4.

Both are scheduled from 3:30 to 5pm. His wide-ranging research interests include international trade and microeconomic theory.

### Second & Third Year Orientation

**Professor Ferrie**, the Director of Graduate Studies, will be holding mandatory meetings for the second and third year students on Wednesday, May 5. He will cover important deadlines, degree requirements, and funding availability. He will also answer your questions. The meetings will be held in Andersen 3245.

Second year students should attend from 5pm to 5:30pm, and third year students from 5:30pm to 6pm.

### Schwartz Lecture

The annual lecture series organized by the Kellogg School of Management to honor the late Nancy Schwartz will be at 4:30pm on Wednesday, May 19 in Leverone Hall room G40. This year's lecturer is the Nobel-prize winner **Daniel Kahneman** from Princeton University. His topic will be "Psychology and Behavioral Economics."

### Field Course Meeting

An orientation session for students entering their second year will be held on Tuesday September 21 from 1pm to 4pm in 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 KSM. Prospective second year students who also expect to be Teaching Assistants will need to return to Evanston the previous week for mandatory training (see Formal Announcements section).

## Teaching

### Next Year's 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 start of Spring Quarter.

### This Quarter's Course Descriptions

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

#### Economics 414-3

Economics of Information  
Professor Pavan  
MW 11-1

AAH 3245

The course addresses some important contributions to the theory of contracts and incentives in organizations. Topics include: (1) Static and dynamic principal-agent(s) models with moral hazard and adverse selection: ratchet effect, renegotiation-proofness principle, type-dependent reservation utilities, multitasking, internal and external incentives, collusion; (2) Multiple bilateral relationships: common agency, revelation principles, contracting externalities, disclosure policies; (3) Property rights,

renegotiation, hold-up and incomplete contracts; (4) Financial contracting; and (5) Organization theory: vertical integration, hierarchies, authority, career concerns, delegation, relational contracts.

Evaluation will be based on a final (take home) exam.

#### Economics 440-2

Economics of the Labor Market  
Professor Mortensen  
MW 9-11

AAH 3245

The goal of the course is to integrate the theory and empirical literatures on wage and employment determination and to use the result to study the effects of labor market policies on both. The topic coverage includes micro and macro issues. Models of labor turnover, job flows, unemployment duration and incidence, unemployment, job creation and destruction, and wage dispersion are developed and studied. The two empirical 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. The course is designed for students of macroeconomics as well as those specializing in labor. Economics 440-1 is not a prerequisite.

#### Economics 460-1

International Trade  
Professor Matsuyama  
TTh 1-3

AAH 3245

This course, can be combined with Economics 499 to satisfy a field requirement. This course discusses selected topics in international trade. Evaluation will be based on a report or a class presentation, and a research proposal. Readings are selected journal articles, plus the required textbook, *Advanced International Trade*, by Robert Feenstra

(Princeton University Press).

#### Economics 481-3

Econometrics  
Professor Matzkin  
MW 1-3

AAH 3245

The course deals with semiparametric and nonparametric methods for estimating popular microeconomic models. The models studied include qualitative response models, tobit models, duration models, simultaneous equations models, and panel data models. Evaluation is by several problem sets and a paper. Reading List: *Nonparametric Econometrics* by Pagan and Ullah and selected papers.

#### Economic 482

Econometrics: Time-Series Methods  
Professor Spady  
TTh 1-3

AAH 430

This course will cover the main topics of time series analysis, including ARIMA, vector autoregressions, nonstationarity, long memory processes, cointegration, and factor analysis. The goal of the course is to provide a working knowledge of the application of state of the art techniques while providing insight into contemporary theoretical work. The applications and illustrations will be drawn from financial economics, with some macro and political science examples.

The textbooks will be Gourieroux and Jasiak's *Financial Econometrics* and James Hamilton's *Time Series Analysis*. Evaluation will be based on three homework projects, and a limited time final project. These projects will apply the techniques developed in the course to two data sets: one on the recent (last 2 years) daily behavior of 100 or so financial assets, the other on the daily Annenberg Election Survey of the 2000 Presidential campaign as found in D. Romer et. al, *Capturing Campaign Dynamics* (Oxford University Press). Students will be free to work in whatever software they like, but well worked-out examples using Stata will



games, dynamic games, market power, and adverse selection. However, the emphasis of the course is not on follow the book, but rather on material that complements the ideas found in the book.

**MGR ES 462**

Decision Theory

Professor Klibanoff

Th 3-6

Lev 561

Note: first class meeting is second week of classes on April 8<sup>th</sup>

This is a 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) Ellsberg's paradox, models of ambiguity and uncertainty attitude; (2) dynamics -- preferences over time, dynamic consistency, updating, time and risk; (3) probabilistic sophistication; (4) finite-state models; (5) models of unforeseen contingencies/preference for/against flexibility; (6) incomplete preferences; and (7) Prospect theory. Which of these or other topics we cover may vary depending on time and the interests of members of the class.

The course will be part lecture by me, part prepared presentations by students, and discussion by everyone. Evaluation will be by problem sets and in-class presentation. The required text is *Notes on the Theory of Choice* by David Kreps (Westview Press) and we will also be reading a number of selected papers and working papers.

**MGR ES 470**

Operations Economics

Professors Lariviere and Van Mieghem

T 9-12

LEV 561

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 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 industrial organization. It is primarily paper-based. Evaluation will be based on the presentation of papers (perhaps in groups), homeworks and an end-of-quarter paper.

**Finance 488**

The Econometrics of Financial Markets

Professors Andersen and Schaumburg

T 9-11, W 2-4

AAH 4214

This course covers a select list of current empirical research topics in finance. The main focus is on testing theories of asset price determination and the distributional characteristics of financial return series, exploring the interplay between economic theory, statistical assumptions, and relevant econometric techniques. The field of

empirical finance is much too large to be covered in a single course. The list of topics we plan to cover include formal testing of the CAPM and multi-factor models, Hansen-Jagannathan bounds, consumption (production) based asset pricing, present value models and long-horizon regressions as well as volatility modelling. If time allows, we shall also discuss estimation of continuous-time models, term structure models, and option pricing. There will be reliance on text books as well as papers chosen to provide a blend of basic readings and indications of new directions in research.

Evaluation is by assigned review papers and a final course project. The required texts are: Campbell, Lo and MacKinlay *The Econometrics of Financial Markets* (Princeton University Press, 1997) and Cochrane *Asset Pricing* (Princeton University Press, 2001).

**Finance 520**

Seminar in Finance: Liquidity and Asset Pricing

Professors Korajczyk and Lucas

T 1:30-5

AAH 4214

Liquidity - the ability to exchange a real or financial asset for another one at a low cost - is clearly of value to households, firms, and market makers. Yet modeling and quantifying the implications of liquidity for asset prices, real investment, and the broader economy has proven difficult. This course surveys several strands of the growing literature, both theoretical and empirical, on liquidity and asset prices.

Topics include: empirical evidence on the price of liquidity, modeling household and firm demand for liquidity, the effects of trading costs on equilibrium asset returns, the role of financial institutions, & liquidity in fixed income markets.

*Economics 501 Seminar*

The seminar will meet on Monday and Wednesdays during the 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.

The schedule for the Spring Quarter was shown in the previous *Graduate Connection*. Pareto-improving exchanges are permissible, but should be coordinated with Professor Pavan.

Second years students may wish to attend some of the spring seminars in order to get some idea of expectations for field papers. (There will be no seminars in the weeks of April 19 and May 3.)

### 2004-05 Quarter Dates

Fall: **Wed** Sept 22 - Fri Dec 10

Winter: **Mon** Jan 3 - Fri March 18

Spring: **Tues** March 29 - Fri June 10

## 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*.

The cut off date for meeting the requirements for funding is July 31. In summary, funding requirements are:

**Second Year:** Passed two or more prelims at the June sitting and have passed the TSE test. (Details on rules for those who pass zero or one prelim in June are posted on the web site.)

**Third Year:** Completed all prelims, and submitted an approved field paper.

**Fourth Year:** Admitted to doctoral candidacy (includes completing course work and two field papers)

**Fifth Year:** Conditional funding if committee chair certifies that you will be on the job market.

### 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.

**One important implication is that each time the examinations are offered counts as an “attempt” irrespective of whether you attend. All first year students should make sure they are available to attend the September sitting, should that be necessary.**

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

#### Spring 2004 Sitting

Wed June 16 Microeconomics

Wed June 23 Macroeconomics

Wed June 30 Econometrics

All examinations will be held 1PM - 4PM.

#### Fall 2004 Sitting

Wed Sept 1 Microeconomics

Thur Sept 2 Macroeconomics

Fri Sept 3 Econometrics

All examinations will be held 1PM - 4PM.

Note: examinations are *before* Labor Day.

### Admission to Doctoral Candidacy

The Department has clarified the procedures for admission to doctoral candidacy. Full details are on our web page in the section on goals for second and third year students. In summary, candidacy is a two-step process. The candidate initiates the process by completing the Graduate School form *Recommendation for Ph.D. Qualifying Examination Committee*. This form lists the proposed date for the qualifying exam and the recommended committee. The form is countersigned by the Department Chair and submitted to the Graduate School.

The Chair's signature verifies that the student has completed his or her course work. To allow the Chair to quickly make

this verification, the student will need to supply some straight forward information on preliminary examinations, major and minor fields and economic history requirement on a simple two-page form obtainable from the Graduate Secretary's office or on-line. This form along with a copy of the student's transcript should accompany the Graduate School's form when it is submitted to the Department for signing.

When the Graduate School receives this signed form, it generates a personalized three-page form, which is signed by the candidate's committee on the day of the qualifying exam. This latter form authorizes the Graduate School to admit you to Doctoral Candidacy.

### 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. 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:

Winter: until Mon March 22

Spring: Mon March 29 - Mon June 14

### Attention Next Year's T.A.s

If you expect to be a T.A. next fall you need to be aware of the following arrangements:

**TA Preference Forms** The forms that allow T.A.s to indicate their preferences for classes will be placed in your mailbox in the main office toward the end of the week of September 6. Completed forms have to be returned by September 17. Unfortunately, the allocation can only be announced at 4pm on Tuesday September 21 because we do not know enrollment in 201 and 202 until enrollment closes that

afternoon. Classes start the following day.

**New TA Training** The University runs two half-day training sessions for new T.A.s. The exact date for this has not been set, but based on past experience it will most likely be held on the mornings of Wednesday and Thursday September 15/16, 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.

**Next Holiday Season** All T.A.s will have to be in Evanston until Monday lunchtime on December 13 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 2 for the start of winter classes.

### Office Allocations

The Department has space to provide carrel accommodations for 58 graduate students. Typically about 65-70 post-first year students seek accommodations. Therefore some rationing is needed. Allocations for next year are based on long-standing priorities:

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 Professors Savage and 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.

### Graduate School Deadlines

**April 2** for filing the *Application for Admission to Candidacy* at the Graduate School to receive a Master's Degree in June.

**April 2** for submitting the *Application for a Degree* to permit you to participate in the June Commencement ceremony and receive your diploma.

**May 14** for submission of completed dissertation and all supporting materials to the Graduate School to receive a Ph.D. degree in June.

**May 21** for students expecting a Master's degree in June to turn in a *Final Examination Report* and any *Change of Grade* forms for 499 Projects or 590 Research.

**September 28** for students to be admitted to candidacy for the start of the fall quarter. Admittance after this date means that you will pay medium rate tuition for both the fall and the subsequent three quarters.

### Commencement Arrangements

Commencement will be held on Friday evening June 18 at Ryan Field (a.k.a. Dyche Stadium). Late in April students expecting to graduate in June will receive information regarding ordering academic costume from the E.R. Moore Company and information about Commencement, including ticket information. The Graduate School also organizes a "hooding ceremony" at lunchtime on that Friday, where your PhD supervisor will present you with your degree. If you are expecting to graduate this June, now is the time to ensure that your supervisor is available at noon on that Friday.

## Funding Opportunities

### 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. There is also information on how to obtain funds for research expenses and attending 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 web page.

### 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 the *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 KSM 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.

## 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).

### *Prospective Students*

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

First, on Friday, April 2, 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, we need some students to contact prospective students in the later part of March and April. Third, we need

volunteers to assist incoming students over the summer by informally answering their questions as they prepare to move to Evanston.

If you wish to help with any of these activities, please contact Prof. Asher Wolinsky. We will then provide you with the relevant contact information.

### *Next Graduate Connection*

Volume 10, number 1 will be published in the week of September 13.

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