

Advice on Graduate School in Economics
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This document is intended primarily for Michigan economics undergraduates but should generalize to students in similar programs at similar schools.

What can I do with a graduate degree in economics, and how much will I make?

With an MA, you can get a job in business or in government at the local, state or federal level. Typical salaries would be in the \$45,000-\$70,000 range depending on where you get your degree, what you focus on, and where you get a job. The private sector typically pays more than the government sector, and is looking for a somewhat different skill mix. Private sector jobs also often demand more hours of work and more effort while at work, which compensates at least in part for the higher salary. Most jobs would involve data analysis of some type, either qualitative or quantitative or both, as well as report writing and presentations. You can also often teach with an MA at the community college level, or in a private secondary school. Teaching at these levels does not pay very well but can be very rewarding.

With a Ph.D. in economics, you can get a job in academia, in business or in government at the state or federal level (or the local level in a handful of the largest cities). Being a professor is a lot of fun, but requires a lot of work, especially early on as you try to get tenure. It is also best suited to individuals who are self-directed and who can figure out what needs to be done and get it done without a lot of monitoring. The current starting salary in the U.S. for economics professors at places like Michigan is about \$135,000 for nine months; starting salaries are lower, say around \$90,000-\$110,000 at schools below the top fifty. Full professors at Michigan have salaries that average around \$240,000. Being a professor at a liberal arts college that focuses on teaching pays less, but requires much less research output and provides a different and (arguably) less intense lifestyle.

The labor market for economics professors is an international one. Salaries outside the US tend to be lower, but there is substantial variation across countries, and workloads often vary as well. Graduate courses (and sometimes even undergraduate courses) in economics are typically taught in English regardless of the local first language.

You can supplement your salary with consulting (though this usually comes mostly after tenure) and research grants that provide summer support. Typical consulting rates for economics professors are \$500-\$2000 per day plus expenses, with new professors at the low end of that range and famous people (e.g. Nobel Prize winners) well above it. Consulting rates also vary by field (e.g. finance and industrial organization consulting pays better than labor economics consulting) and by type of work (e.g. labor economists in general make more as expert witnesses in employer discrimination cases than as technical advisors on program evaluations).

Ph.D. economists also work in the private sector, typically for banks (especially those who study financial economics or macroeconomics or forecasting), law firms, tech firms (e.g. Google, Amazon, and Yahoo!), management consulting firms that provide services to private firms, such as estimating demand functions, and consulting firms that provide services to governments, such as evaluating programs. These jobs are a lot of fun. The pay is a bit higher than in academia (though some of that is sucked up buying fancy clothes). The private sector also requires more soft skills than academia.

Ph.D. economists in governments work in a variety of different agencies on a variety of different policy topics. Economists at the U.S. Department of Labor design and evaluate programs, or supervise others in doing so. Economists at the Bureau of Labor Statistics and other federal statistical agencies design data collection efforts, conduct basic analyses of new data sets, study measurement issues and so on. Economists in the Treasury Department or the Federal Reserve do forecasting and help set fiscal and monetary policy, respectively. In general, government jobs pay less than being a professor at a research university and less than the private sector. Government jobs also feature, in general, shorter hours and, relative to the private sector, more job security.

Where should I go to get graduate degree in economics?

Where to get your graduate degree depends on the subfield of economics in which you are particularly interested, on what degree you want to get, and on what sort of job you want to get. What follows are some basic guidelines:

If you want to go into academia, go to the best possible graduate school you can as defined by the standard research rankings. Good research universities, such as Michigan, basically only hire from the top 20 schools and, within that group, hire most often from the top 10 schools. In addition to more rigorous training, going to a top school plugs you into a powerful and influential network (both via the faculty and via your fellow students).

If you want to get a Ph.D. and work in government or in policy type consulting, a Ph.D. in public policy from a top policy school (e.g., the Kennedy School at Harvard or the Harris School at Chicago) is a reasonable substitute for a Ph.D. in economics from a department outside the top 20. You will have access to the economics courses and, to some degree, the faculty, while paying less of a cost in technical preparation.

If you want to study in a specific subfield, focus in particular on schools that are strong in that subfield, where strong means having several faculty members, not just one, however famous he or she might be. Keep in mind that many students change their subfield during graduate school as a result of learning more about which subfield represents their best match. Also keep in mind that faculty move around, so you should be sure that you choose somewhere you are happy with even if one or two faculty members move away.

If you only want to get an MA, go to a school that specializes in MAs. Do not go to a school that only awards MAs as a consolation prize for students who fail to pass their Ph.D. comprehensive exams.

What do graduate schools look at when evaluating applications for graduate school?

Doctoral programs look at the following items, in order of importance:

1. Your math GRE score
2. Letters of recommendation from faculty members they know and trust
3. Your verbal GRE score and TOEFL score (both only if you are not a native speaker)
4. Research experience (e.g. work as a research assistant at a Fed)
5. Graduate economics courses taken as an undergraduate and how well you did
6. Your analytic GRE score
7. Research output, if you have it
8. How many technical courses you took as an undergraduate and how well you did
9. Letters of recommendation from faculty who know you well
10. Other letters of recommendation
11. Your performance in non-technical economics courses as an undergraduate
12. Your personal statement

Technical courses mean courses involving a lot of math. This includes math courses, statistics courses, engineering courses and computer science courses. It also includes a limited set of undergraduate economics courses, such as econometrics and mathematical economics, as well as graduate courses in economics taken as an undergraduate. It does not include undergraduate courses in applied fields in economics, such as labor or macroeconomics. Higher-level (e.g. 400 level at Michigan) technical courses taken at the end of your undergraduate career matter more than lower-level courses taken earlier on.

Your skills in English, as measured by the GRE verbal score and/or your TOEFL score, matter (for admission purposes) only if you are not a native speaker. The key issue is whether or not your English is good enough for you to be a TA/GSI and to not impose huge costs on the faculty members who have to read your papers. Variation in English skills above this will not affect admission to graduate school, but will have an effect when you go to publish your work and to look for a job (and when you get your teaching ratings).

What should I do at Michigan if I want to go to graduate school?

Most of the recommendations follow immediately from the answer to the preceding question.

First, take a lot of math courses and do well in them. To get into a top graduate program you should have at least two years of calculus, a year of linear algebra as well as differential equations and real analysis. Numerical analysis is helpful as well.

Second, take lots of undergraduate econometrics and statistics courses and do well in them.

Third, take other technical undergraduate economics courses, including game theory and mathematical economics.

Fourth, take at least one version of Economics 495. This will give you a chance to get to know a faculty member well in the setting of a smaller course, which is useful for getting letters that say more than “this person took my class and got this grade”. It will also help you learn how to do research.

Fifth, write an honors thesis. Finish as much as possible of the thesis in the fall so that the faculty members who write you recommendation letters can see what you have accomplished.

Sixth, even if you do not write an honors thesis, get to know some faculty well enough so that they can write a compelling letter of recommendation for you.

Seventh, if you study for the GRE, focus on the math test and, to a lesser extent the analytical test. If you are a native speaker, there is likely little value to studying for the verbal test.

Eighth, especially if English is not your native language, try to become as good a speaker and writer as you possibly can. The return to effective communication in economics is surprisingly high.

Ninth, do not stress too much about your personal statement. Do not fill it with sob stories about your hard life, with clever ideas for papers you want to write (though it is okay to talk about specific subjects that interest you in a general way), or with extravagant praise about the faculty at the school to which you are applying (as they will understand it is cheap talk). Just explain why you want to be an economist and why you are applying to the school in question in an honest and reasonable way.