

Economics at the LSE

I took the MSc in Economics at the LSE in the academic year 2010-2011 having taken the GDE at Birkbeck in 2009-2010. It was a very stimulating year, and one which I enjoyed at many levels. These notes are intended primarily for other students intending to make a similar transition. They will not apply equally to everyone of course, but hopefully they will be a guide for those who are unsure about making their decision.

MSc Economics

This programme centres around three compulsory core subjects (Macroeconomics, Econometrics and a choice of Microeconomics course). On top students are allowed to choose one option subject from a varied list some of which are more micro-based (Contracts and Organisations, or Economics of Industry for example) to others that are more macro-based (say Development and Growth, or International Economics for example). Choosing an appropriate option is crucial as it is very difficult to switch after the first two weeks.

The course is over 9-10 months and is very tightly timed. The pace in all subjects tends to increase in Lent term, and given that MSc Economics (or MSc Finance and Economics) students have to submit a dissertation on their chosen option course after the Easter vacation, some form of forward planning - reading ahead or preparing a tentative essay topic and outline before Christmas - is crucial.

The pace of the Michaelmas term can be somewhat deceptive, and there are many distractions such as company presentations and the like. Also, many of the students in my year had their sights firmly set on progressing to Ph.D. programmes at American universities and so spent considerable time preparing applications during the Michaelmas term.

There are end-of-term examinations in the main core courses at the end of both Michaelmas and Lent terms. Although these can only act as a guide, they do need to be taken seriously. In all cases the examinations were fair, although in places they were very fast-paced. This applies particularly to the Econometrics exams.

Naturally it is important to compare the LSE MSc over 9-10 months with that of other universities in which extra time after year-end examinations is taken for an extended dissertation. For many candidates this will - and should be - a key determining factor. As it is, the 6,000 word dissertation component at LSE accounts for half the marks on the option course, or 12.5% of the overall final mark. The ideal situation here is for students to have a clear idea of a topic and some background preparation as early as possible in the year. From my own experience, when it comes to the Easter vacation the trade-off between time spent writing a good extended essay and time spent revising for the final examinations and there is literally no time to try to perfect a thesis. In a clear sense, this is the make-or-break time in the course. The final writing-up over the Easter vacation is meant to be treated under exam conditions, so no contact with the thesis supervisor is allowed. The guidelines for the thesis/dissertation suggest that students should spend around two weeks of concentrated work time over the Easter vacation to write a final version for submission. In my experience, students who can do exactly this end up having an advantage going into the final examinations. In many cases, students only find a topic relatively late on in the year as they get more into the option course and naturally this can be very risky.

In regard to practical work, there is a short introductory course on using STATA held at the end of Michaelmas and the beginning of the Lent term. This is intended to be enough to get students started should they need to use an econometric package in preparing an extended essay.

Regardless of the amount of preparation put in, the examinations at the LSE are hard, and it is probably important for prospective students to understand that up-front. In my experience, detailed preparation for the examination is a key issue. However, since the final examinations

for most candidates will take place within one calendar week, planning for the exam period is crucial.

Some general notes about the courses:

Microeconomics (upgradeable)

Micro is the one core course that can be upgraded to an advanced course relatively easily. The final decision is that of the lecturer(s) of the course, but students will need to get a distinction in the Mathematics for Micro component of the September course. The advantage of the Advanced Micro course is that the class size is smaller, and you get to study with the EME programme students. In 2010-2011 it seemed a popular course upgrade choice and one I would recommend to anybody from a mathematical background.

The standard Micro course for MSc students tends to use Varian's "Microeconomic Analysis" and then Mas-Colell et al., together with a list of articles and extracts from other relevant books. The Advanced Micro course uses Rubinstein's "Lectures in Microeconomics" in the Michaelmas term and then Mas-Colell et al. plus Fudenberg and Tirole's "Game Theory" in the Lent term.

Macroeconomics

Testbooks: (1) Obstfeld and Rogoff, (2) Romer, (3) Barro and Sala-i-Martin. Probably (1) and (2) are the two that I used most, although I did also use to parts of (3).

Methods of Economic Investigation (= MEI / Econometrics)

Michaelmas - OLS, GLS, MLE, Classical Tests, Aims of Inference, Instrumental Variables, etc. (roughly at the level of Greene's book, although structured more tightly)
Lent - Panel Data (10 lectures at the level of Wooldridge's book) and finally Time Series (a selection of topics depending on the interests of the lecturer)

Option Course

Students have to choose one option from a broad range. It is very important to get the choice right. Examination is through one 3-hour paper in June (50%) and an extended essay (6,000 words, 50%) submitted in June. The department tries to make sure that social activities for students during the year are organised in option course groups.

I should repeat here that potential students should be warned that it is very difficult to change from one option to another mid-way for there is simply too much to learn. Realistically, the decision has to be made in the first week or two of Michaelmas. This can be difficult as the nature of the course may change greatly with the change of lecturer in the Lent term. Again, some form of planning ahead really is necessary - and the more such, the better. This could include reading speaking to the Lent term lecturer to get a detailed idea of the contents of the that part of the course.

Other programmes.

Econometrics and Mathematical Economics (EME)

This is probably the most competitive course admissions-wise. The professor who runs the programme does not make it particularly easy for people to move onto this programme. To be upgraded to it you would have to get over 90% in all components of the introductory courses

in mathematics and statistics in September and have proof of a suitable mathematical background in earlier courses.

Once on the course, the advantages are a relatively smaller programme size, so that students tend to work together in groups. Moreover, students on this programme tend to be able to choose from a much broader range of option courses than on other programmes. This can include options from Economics, Finance or Statistics.

The core econometrics component of this course is the Econometric Analysis course. Many students on this programme did dedicated Econometrics degrees as undergraduates and were used to a practical approach. However, Econometric Analysis is a purely theoretical course which some would classify as closer to Mathematical Statistics.

The core Micro course is the Advanced Microeconomics course which is also available to the Economics MSc students.

There is no Macro course in this programme, although students in the 2010-2011 year were able to choose the Macroeconomics module from the MSc Economics course as an option.

Finance and Economics

This is a very popular course that has a significant overlap with MSc Economics but which is run by the Finance Department rather than the Economics Department. The common courses are Microeconomics (either the standard or the advanced one) and the first term of MEI / Econometrics.

After the first term of Econometrics in common with the MSc Economics course, the Finance and Economics MSc then focuses on Financial Econometrics. The second term lectures cover a range of topics the exact choice of topics varies from year to year with the choice of lecturer. In 2010-2011 it covered empirical tests of Asset Pricing models (CAPM, Multi-factor Models), empirical features of asset returns, ARCH/GARCH models and GMM.

The core course that replaces Macroeconomics is Financial Economics. This covers general asset pricing models (including CAPM and C-CAPM) in the first term, and then progresses more onto derivative pricing theory in the second term (at the level of Tomas Bjork's book "Arbitrage Pricing Theory in Continuous Time"). The feedback from everyone I know on this course is that it was very well-taught and very interesting, albeit at the same time hard.

Students taking this MSc have a choice of option courses within the Finance Department.

Note: In the academic year 2010-2011, a small number of MSc Economics students who wished to take a finance-based option subject were allowed to choose two half-unit courses given by the Finance Department.

General points

The impression I got was that the majority of students taking Finance and Economics were aiming at taking up jobs in the City afterwards. For the MSc Economics and EME programmes the proportion aiming to move onto a research degree is relatively high at around 40%.

The standards in all programmes are very high overall. There is naturally a big mix of students - some already have 5 years or more of study to an advanced level, and so are in a very strong position from the start. However, I would urge others to take this as a positive

point, for it means there are people in the class with whom to talk and from whom to learn outside the classroom.

For those wishing to proceed to a Ph.D. at the LSE, it is necessary to attain a distinction in the MSc. The criteria for determining an overall distinction changed in the academic year 2010-2011 and the details should be checked in advance. Even if intending to move on to another university to write a thesis, you should apply to the MSc (Research) stream. The application costs about £50 and requires a supporting statement outlining a programme of research. If you do not already apply for such status at the start of the year, you definitely need to submit such an application by early January (start of Lent term).

Transition for Birkbeck Students

For Birkbeck applicants especially, I should point out that the number of mature students is relatively low. In my year there was a small number of candidates who had maybe 2-5 years' work experience, but anything more than that was relatively rare. Whilst the age profile is skewed towards the early to mid-20's, I found everyone very accepting of mature students.

Moreover, for Birkbeck students taking on the MSc straight from GDE, there are a number of issues to bear in mind. One is that any relevant work background or contact with economist colleagues will likely pay huge dividends. Especially in regard to the choice of option course and the choice of extended essay therein, any way in which a decision can be arrived at early in the year or even prior to the start of the year is hugely beneficial.

Realistically the workload involved in any of the MSc programmes is a big step up from GDE. Any applicant needs to be aware that will have to work long hours from the start of the course, even if the lectures appear to be moving slowly at first.

Entry to any of the programmes is very competitive. In my case, applying as a mature student from the Birkbeck GDE programme I was required not only to attain distinction in GDE but also meet a grade requirement (60% or above) on the LSE Summer School in Advanced Econometrics. When I took this course there were others in a similar position, although most already held unconditional offers and were taking the course on the advice of the department. The audience also included economists from places such as the European Commission and the Dutch Rijksbank and also a number of Ph.D. students from overseas institutions all coming to consolidate on their existing knowledge. The summer school is by no means easy, and if you have any sort of grade requirement it will be necessary to work very hard. The course lasts 3 weeks and comprises 36 hours of lectures (9-12 each morning) plus 12 hours of classes. The content is meant to be similar in level to that of the second year undergraduate Econometrics course taught at LSE, but that is already quite high. The lecture load is split between three lecturers - 4 3-hour lectures on OLS, the Gauss Markov Theorem, Statistical Inference, 4 lectures on Instrumental Variables and Endogeneity and Panel Data, and finally 4 lectures on Time Series models. At least the first two parts will be taught by pure econometricians. Unless you have a background in econometrics, you can expect to be working late every day. There is a mid term exam in week 2 and a final exam at the end of week 3. The atmosphere on this course is very intense, but very enjoyable. The main text book used was Verbeek's "A Guide to Modern Econometrics" as used for the ASE course in GDE, plus Wooldridge's book for the Panel Data component. The Time Series component concentrated much more on particular journal articles.

Apart from any summer school requirement, it is important to make full use of any remaining time in the summer months leading up to the September mathematics and statistics courses to do preparatory reading. The more systematically this can be done, the better. Once on the September courses, many will find time is limited. Even for relatively experienced candidates from a fairly mathematical background, the volume of practice questions is quite high and given that there are lectures and classes each day it can quickly add up to a lot of work. The format is similar to that of the summer school, although the lecture load is less intense. There are problem sheets to do every weekday, plus supplementary daily computer-based Quizzes (which are also compulsory). The September courses cover Mathematics (General Review,

Mathematics for Microeconomics, and Mathematics for Macroeconomics) and Probability and Statistics. The more advanced parts of the Mathematics part of the course are roughly at the level of the Mathematical Economics module in GDE. The final examination for the September course is a 3-hour test on all the Mathematics courses plus a 2-hour test on Probability and Statistics. These tend to be quite tightly timed. Candidates for the EME programme will usually be expected to get 90% or more in all components. For less mathematical candidates, the pace will probably seem very fast. For those finding the September courses difficult, there are plenty of follow-up classes offered to help prepare in greater comfort.

I came from a relatively mathematical background so the September course was not so difficult. Having said that, be aware that the final examination is tightly timed and it is very easy to drop marks. The Summer School requirement was much more difficult. In three weeks the lecturers used several hundred slides. It was very intense and I had to work late every day.

The GDE programme will provide a very good foundation for all the core courses of the MSc. The particular requirement that I faced in relation to Econometrics may partly be due to my applying as a mature student. Especially in Econometrics the pace of LSE examinations is fast, and there is a great benefit in learning this sooner rather than later. Moreover, when it comes to the end of year the final examinations take place in quick succession within one calendar week. For candidates coming from GDE this has to be taken seriously, as the volume of material to learn in a short space of time is so much higher.

As with many things, preparation is the key, and the MSc is no exception. I would strongly advise any students progressing to the MSc from GDE to spend as much of the summer as possible doing preparatory reading. For Microeconomics, at least Varian's "Microeconomic Analysis" together with Gibbons' "Primer on Game Theory" should provide the necessary base; for Macroeconomics, probably the best all-round recommendation would be Romers's "Advanced Macroeconomics"; and for econometrics, something along the lines of Greene's "Econometric Analysis" would be very worthwhile.