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TORONTO, ONTARIO, CANADA, M5S 3E6
416-978-5703
SED Annual Meeting 2014

is hosted by
Rotman School of Management, University of Toronto

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Marina Azzimonti, Veronica Guerrieri

Local Organizers
Matthew Mitchell, Diego Restuccia

Plenary Speakers
Nicholas Bloom, Lawrence Christiano, Iván Werning

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Pricila Maziero Mike Waugh
Alisdair McKay Mirko Wiederholt

Daniel Yi Xu
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Welcome to the 2014 Annual Meeting of the Society for Economic Dynamics

This year is special because it is the SED’s 25th anniversary, and we are very happy to celebrate it with you!

We have a very exciting program for this year’s meeting. The recent financial crisis and the deep recession that hit the US and many other countries have challenged macroeconomists to understand better the dynamic links between financial markets and the macroeconomy. Additionally, the slow labor market recovery following the Great Recession has fueled an impressive amount of research on labor market frictions. Finally, the money-credit contraction in the US and the Euro crisis have generated the need for innovative work on monetary policy design. The program clearly reflects this.

We have 433 excellent papers in the program covering all areas of economics, and which have been selected from over 1,300 submissions, plus plenary addresses from Nick Bloom (Stanford), Ivan Werning (MIT), and Larry Christiano (Northwestern).

Under the guidance of our past presidents Tom Sargent, Ed Prescott, Dale Mortensen, Tom Cooley, Boyan Jovanovic, David Levine and Richard Rogerson, all of you have helped our meetings grow from the first one (Minneapolis, June 1990) into the large and intellectually significant affair they are today. A panel session on “SED@25: a tribute to Dale” will take place as remembrance of our history and, in particular, of Dale Mortensen, one of the founding fathers of the SED. We also wanted to pay a special tribute to Dale Mortensen’s contributions to search theory by organizing two special sessions inspired by his work.

Putting together a meeting on such a large scale involves a lot of work. So thanks go to the 50-member program committee who selected the papers in a timely manner. Particular thanks go to our local organizers, Matt Mitchell and Diego Restuccia, who pulled this together. Our officers, Ellen McGrattan (Treasurer) and Christian Zimmermann (Secretary) have also played a key role in setting things up at the US end.

As you know, these meetings are costly endeavors. So financial support from our sponsors is gratefully acknowledged, but we also want to thank you for participating, one day you will say...

“Oh yes! I was there at the 25th SED meeting!”

Have a good time! Enjoy the conference and Toronto. With very best wishes,

Marina Azzimonti, Veronica Guerrieri, Ramon Marimon
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- Search, Matching and Training  
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Regulating Consumer Financial Products: Evidence from Credit Cards
Johannes Stroebel (New York University)

Are Young Borrowers Bad Borrowers? Evidence from the Credit CARD Act of 2009
Andra Ghent (Arizona State University)

Perverse Nudges: Minimum Payments and Debt Paydown in Consumer Credit Cards
Benjamin Keys (University of Chicago), Jialan Wang

Household Heterogeneity and Aggregate Outcomes

Idiosyncratic risk, insurance, and aggregate consumption dynamics: a likelihood perspective
Alisdair McKay (Boston University)

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Does Greater Inequality Lead to More Household Borrowing? New Evidence from Household Data
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The Term Structure of Currency Carry Trade Risk Premia
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Wealth Distribution and the Business Cycle
Benjamin Moll (Princeton University)

The Wealthy Hand-to-Mouth
Greg Kaplan, Gianluca Violante (NYU)

The Wealth Distribution in Bewley Models with Investment Risk
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Macroeprudential Capital Controls and the Shadow Economy
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Monetary and macroprudential policy with foreign currency loans
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Overlending and Macroeprudential Tools
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Incarceration and Low Skilled Labor Markets: A Macroeconomic Analysis
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A quantitative analysis of the retail market for illicit drugs
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Why do Europeans steal more than Americans?
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Continuous Markov Equilibria with Quasi-Geometric Discounting
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A General and Intuitive Envelope Theorem
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Poverty and Self Control
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Matching with Frictions and Heterogeneity: Empirical Applications

Productivity Shocks, Dynamic Contracts and Income Uncertainty
Thibaut Lamadon (University College London)

Separations, Sorting and Cyclical Unemployment
Andreas Mueller (Columbia University)

A Forest Fire Theory of Recessions and Unemployment
Matthew Jackson, Pietro Tebaldi (Stanford University)

Risk Taking and Banking

Efficient Financial Crises
Ariel Zetlin-Jones (Carnegie Mellon University)

A simple general equilibrium model of large excess reserves
Huberto Ennis (Federal Reserve Bank of Richmond)

Agency Cost Determinants of Bank Risk-Taking
Kinda Hachem (University of Chicago)
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**Accounting for recent labor market behavior**

*Peter Rupert (University of California, Santa Barbara)*

**Are Labor or Product Markets to Blame for Recessions?**

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**What Shifts the Beveridge Curve? Recruitment Effort and Financial Shocks**

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Sovereign Default and Government’s Bailouts  
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Portfolio Choice and Partial Default in Emerging Markets: a quantitative analysis  
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Good Disclosure, Bad Disclosure  
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Identifying Equilibrium Models of Labor Market Sorting  
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Masakazu Ishihara (New York University), Andrew Ching

Advertising, Consumer Awareness and Choice: Evidence from the U.S. Banking Industry
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Firing Costs and Labor Market Fluctuations: A Cross-Country Analysis
Lee Ohanian, Andrea Raffo (Federal Reserve Board), Richard Rogerson

Great opportunities or poor alternatives: self-employment, unemployment and paid employment over the business cycle
Matthias Kredler, Ana Milan, Ludo Visschers (Madrid and University of Edinburgh)

Explaining the Spread of Temporary Jobs and its Impact on Labor Turnover
Franck Malherbet (CREST and Ecole Polytechnique)

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Wealth Distribution and Human Capital: How Borrowing Constraints Shape Educational Systems
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What Should I Be When I Grow Up? Occupations and Unemployment over the Life Cycle

Martin Gervais (University of Iowa), Nir Jaimovich, Henry Siu, Yaniv Yedid-Levi

Learning, Occupational Choice and Human Capital Accumulation: A Multi-Armed Bandit Approach

Rafael Lopes de Melo, Theodore Papageorgiou (Penn State University)

Hiring Practices, Duration Dependence, and Long-Term Unemployment

Gregor Jarosch, Laura Pilossoph (Federal Reserve Bank of New York)

Inflation and Welfare in Modern Monetary Models

111010

A Model of Monetary Exchange with Lumpy Consumption

Guillaume Rocheteau, Pierre-Olivier Weill, Tsz-Nga Wong (Bank of Canada)

Central Bank Purchases of Private Assets

Stephen Williamson (Washington University in St Louis)

Rehypothecation

David Andolfatto, Fernando Martin (Federal Reserve Bank of St Louis), Shengxing Zhang

Applications of Dynamic Contracts to Finance

111020

Optimal Design of Internal Disclosure

Dmitry Orlov (Stanford Graduate School of Business)

Adverse Selection, Slow Moving Capital and Misallocation

William Fuchs, Brett Green (UC Berkeley - Haas School of Business), Dimitris Papanikolaou

Impatience vs. incentives

Marcus Opp (UC Berkeley - Haas School of Business), John Zhu
Friday, June 27th, 9:30am to 11:00am

Search in the Housing Market

Buying First or Selling First? Buyer-Seller Decisions and Housing Market Volatility
Espen Moen, Plamen Nenov (Norwegian Business School (BI))

Homeownership and the Scarcity of Rentals
Jonathan Halket (University of Essex), Matteo Pignatti

moving house
Rachel Ngai (London School of Economics), Kevin Sheedy

Dynamic Tax Policy

Optimal Taxation with Incomplete Markets
Anmol Bhandari, David Evans (New York University), Mikhail Golosov, Thomas Sargent

Debt and government spending in ambiguous times
Axelle Ferriere, Anastasios Karantounias (Federal Reserve Bank of Atlanta)

Transitional Dynamics and Long-Run Optimal Taxation under Incomplete Markets
Omer Acikgoz (Yeshiva University)

Topics on Global Production

The Margins of Global Sourcing: Theory and Evidence from U.S. Firms
Pol Antras, Teresa Fort (Tuck School of Business, Dartmouth), Felix Tintelnot

The Impact of Contract Enforcement Costs on Outsourcing and Aggregate Productivity
Johannes Boehm (London School of Economics)

Export-Learning and FDI with Heterogeneous Firms
Amanda Jakobsson (Singapore Management University)
Heterogeneity in Macroeconomics

Friday, June 27th, 9:30am to 11:00am

Inequality, Recessions and Recoveries

Fabrizio Perri (University of Minnesota)

Individual and Aggregate Labor Supply in a Heterogeneous Agent Economy with Intensive and Extensive Margins

Yongsung Chang, Sun-Bin Kim, Kyooho Kwon, Richard Rogerson (Princeton University)

Intergenerational Redistribution through Monetary Policy

Makoto Nakajima (Federal Reserve Bank of Philadelphia)

Understanding the Labor Supply

Job Search Behavior among the Employed and Unemployed

Jason Faberman, Andreas Mueller, Aységul Sahin, Giorgio Topa (Federal Reserve Bank of New York)

Aggregation and Labor Supply Elasticities

Monika Merz (University of Vienna)

The Intensity of Job Search and Search Duration

Jason Faberman (Federal Reserve Bank of Chicago), Marianna Kudlyak

Marriage, Work and Intra-household Dynamics

Marriage Market and Labor Market Search with Endogenous Schooling Decisions

Luca Flabbi (IDB and Georgetown University), Christopher Flinn, Nezih Guner

Household Sharing and Commitment: Evidence from Panel Data on Individual Expenditures and Time Use

Jeremy Lise, Ken Yamada (Singapore Management University)
Public Finance in a Global Economy

Rethinking Optimal Currency Areas
Varadarajan Chari, Alessandro Dovis (Penn State), Patrick Kehoe

Sovereign Debt vs Redistributive Taxes: Financing Recoveries in Unequal and Uncommitted Economies
Alessandro Dovis, Ali Shourideh (University of Pennsylvania)

Renegotiation and the Maturity Structure of Sovereign Debt
Ananth Ramanarayanan (University of Western Ontario)

Macro Labor

Business Cycles and Household Formation
Greg Kaplan (Princeton University)

The Cyclicality of the Opportunity Cost of Employment
Gabriel Chodorow-Reich (Harvard University), Loukas Karabarbounis

Men Not At Work
Mark Aguiar, Erik Hurst (University of Chicago), Loukas Karabarbounis

Financial Market Imperfections

Liquidity as Social Expertise
Pablo Kurlat (Stanford University)

Financial Entanglement: A Theory of Incomplete Integration, Leverage, Crashes, and Contagion
Nicolaе Garleanu (University of California, Berkeley), Stavros Panageas, Jianfeng Yu

Liquidity Risk and the Dynamics of Arbitrage Capital
Peter Kondor (Central European University), Dimitri Vayanos
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Money, Credit and Inflation
LL1025

Inflation Dynamics During the Financial Crisis
Simon Gilchrist (Boston University), Raphael Schoenle, Jae Sim, Egon Zakrjsek

Measuring the Effect of the Zero Lower Bound on Yields and Exchange Rates in the UK and Germany
Eric Swanson (FRB San Francisco), John C. Williams

High Frequency Identification of Monetary Non-Neutrality
Emi Nakamura (Columbia University), Jon Steinsson

Housing and Migration
133

Gross Migration, Housing and Urban Population Dynamics
Morris Davis, Jonas Fisher (Federal Reserve Bank of Chicago), Marcelo Veracierto

Rural-Urban Migration, Structural Change, and Housing Markets in China
Carlos Garriga, Yang Tang (Nanyang Technological University), Ping Wang

The Effects of Labor Migration on Optimal Taxation: An International Tax Competition Analysis
Soojin Kim (Purdue University)

Family Economics
151

Deadbeat Dads
Meghan Skira (University of Georgia), Andrew Beauchamp, Geoffrey Sanzenbacher, Shannon Seitz

Marriage Dynamics, Earnings Dynamics, and Lifetime Family Income
Joseph Altonji, Ivan Vidangos (Federal Reserve Board)

DINKs, DEWKs & Co. Marriage, Fertility and Childlessness in the United States
Thomas Baudin, David de la Croix (Université catholique Louvain), Paula Gobbi
Friday, June 27th, 11:30am to 1:00pm

**Macro Approaches to Development**

**LL1030**

Lack of Selection and Poor Management Practices: Firm Dynamics in Developing Countries
Ufuk Akcigit, Michael Peters *(London School of Economics)*

Misallocation of Human Capital and the Wealth of Nations
Junichi Fujimoto *(University of Tokyo)*, David Lagakos;

Land Misallocation and Productivity
Diego Restuccia *(University of Toronto)*, Raul Santaeulalia-Llopis

**Intermediation in Dynamic Contracts**

**142**

Sophisticated Intermediation and Aggregate Volatility
Luigi Iovino *(Bocconi)*

Optimal Dynamic Contracts in Financial Intermediation: With an Application to Venture Capital Financing
Igor Salitskiy *(Stanford University)*

Risk Sharing and Contagion in Networks
Antonio Cabrales, Piero Gottardi *(European University Institute)*, Fernando Vega-Redondo

**Information Frictions in DSGE Models**

**157**

Reputation and Liquidity Traps
Taisuke Nakata *(Federal Reserve Board)*

Policy Paradoxes in the New-Keynesian Model
Michael Kiley *(Board of Governors of the Federal Reserve System)*

The Limits of Monetary Policy Under Imperfect Knowledge
Stefano Eusepi *(Federal Reserve Bank of New York)*, Marc Giannoni, Bruce Preston
**Session 70: Banks, Liquidity and Financial Crises**

**LL1060**

- **Short-Term Debt and Financial Crises: What we can learn from U.S. Treasury Supply**  
  *Arvind Krishnamurthy (Northwestern University)*

- **Capital Requirements in a Quantitative Model of Banking Industry Dynamics**  
  *Pablo D'Erasmo (University of Maryland / FRB Philadelphia)*

- **Banks, Liquidity Management and Monetary Policy**  
  *Javier Bianchi (University of Wisconsin)*

**Firms' Heterogeneity**

**147**

- **Credit Shocks in an Economy with Heterogeneous Firms and Default**  
  *Aubhik Khan, Tatsuro Senga, Julia Thomas (The Ohio State University)*

- **Serial Entrepreneurship and the Impact of Credit Constraints of Economic Development**  
  *Galina Vereshchagina (Arizona State University)*

- **Surprise, Surprise - Measuring Firm-Level Investment Innovations**  
  *Ruediger Bachmann (RWTH Aachen University)*

**Estimation Techniques**

**LL1035**

- **Estimation and Counterfactuals in Dynamic Structural Models Using an Euler-Equations Policy-Iteration Mapping**  
  *Victor Aguirregabiria (University of Toronto), Arvind Magesan*

- **Inference Based on SVARs Identified with Sign and Zero Restrictions: Theory and Applications**  
  *Jonas Arias, Juan Rubio-Ramirez (Duke University), Daniel Waggoner*

- **Expecting the Fed**  
  *Anna Cieslak (Northwestern University), Pavol Povala*
**Friday, June 27th, 2:30pm to 4:00pm**

**Networks and Decentralized Exchange**

1065

**Mandatory Disclosure and Financial Contagion**

*Gadi Barlevy (Federal Reserve Bank of Chicago)*

**Misallocation in the Market for Inputs**

*Ezra Oberfield (Princeton University)*

**Decentralized Asset Markets with a Continuum of Types**

Julien Hugonnier, *Benjamin Lester (Federal Reserve Bank of Philadelphia)*, Pierre-Olivier Weill

**Public Debt Management**

142

**Government Debt Management: The Long and Short of It**

*Rigas Oikonomou (HEC Montreal)*

**Credibility and the Maturity of Government Debt**

*Cristina Arellano (Federal Reserve Bank of Minneapolis)*, Yan Bai, Patrick Kehoe, Ananth Ramanarayanan

**Optimal Government Debt Maturity Structure**

*Davide Debortoli (Universitat Pompeu Fabra)*, Ricardo Nunes, Pierre Yared

**Real Estate - Presented by the Centre for Real Estate and Urban Economics**

111010

**Proposition 13: An Equilibrium Analysis**

*Ayse Imrohoroglu (USC)*

**Default When House Prices are Uncertain**

*Morris Davis (University of Wisconsin-Madison)*, Erwan Quintin

**The Returns to Single Family Rental Strategies**

Andrew Demers, *Andrea Eisfeldt (UCLA Anderson School of Management)*
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**Capital and Business Cycles**

**LL1020**

Entry, Exit and the Shape of Aggregate Fluctuations in a General Equilibrium Model with Capital Heterogeneity
Gian Luca Clementi, **Aubhik Khan (Ohio State University)**, Berardino Palazzo, Julia Thomas

Inventories and the Role of Goods-Market Frictions for Business Cycles
**Wouter Den Haan (London School of Economics)**

The Impact of Intangible Investments on the Macroeconomy
**Ellen McGrattan (University of Minnesota)**

**Growth and Human Capital**

**133**

Lifecycle Human Capital Accumulation Across Countries: Lessons From U.S. Immigrants
David Lagakos, Benjamin Moll, **Tommaso Porzio (Yale University)**, Nancy Qian, Todd Schoellman

On the Origin and Causes of Economic Growth
**Nicolas Roys (University of Wisconsin - Madison)**, Aanth Seshadri

Human Capital and Development Accounting: New Evidence from Immigrant Earnings
**Lutz Hendricks (UNC Chapel Hill)**, Todd Schoellman

**Labor Market Dynamics**

**147**

A Generalized Model of Stock-Flow Matching
Carlos Camilo-Tudela, **William Hawkins (Yeshiva University)**

The Asymmetric Cyclical Behavior of the U.S. Labor Market
**Domenico Ferraro (Duke University)**

Sectoral Shift, Job Mobility and Wage Inequality
Florian Hoffmann, **Shouyong Shi (University of Toronto)**
Friday, June 27th, 2:30pm to 4:00pm

Trade Models - Presented by the Rotman Institute for International Business

LL1025

Borders, Geography and Oligopoly: Evidence from the Wind Turbine Industry
Felix Tintelnot (University of Chicago), A. Kerem Cosar, Paul Grieco

The Impact of Regional and Sectoral Productivity Changes on the U.S. Economy
Lorenzo Caliendo, Fernando Parro (Federal Reserve Board), Esteban Rossi-Hansberg, Pierre-Daniel Sarte

Trade Models and Trade Elasticities
Mike Waugh (New York University)

Topics in Macroeconomics and Finance

LL1030

The Inefficient Markets Hypothesis: Why Financial Markets Do Not Work Well in the Real World
Roger Farmer (University of California Los Angeles)

Constrained Discretion and Central Bank Transparency
Francesco Bianchi (Duke University/ U. of Pennsylvania)

Productivity and the Welfare of Nations
Susanto Basu (Boston College)

Financial Crises

LL1035

Corporate Cash and Employment
Philippe Bacchetta (University of Lausanne), Kenza Benhima, Celine Poilly

Sticky Leverage
Joao Gomes (University of Pennsylvania), Urban Jermann, Lukas Schmid

Financial Distress and Endogenous Uncertainty
Francois Gourio (FRB Chicago)
Life Cycle and Savings Decisions

151

The Macroeconomics of Alzheimer: A Few Scenarios
Christian Zimmermann (Federal Reserve Bank of St. Louis)

Life-Cycle Asset Allocation with Ambiguity Aversion and Learning
Kim Peijnenburg (Bocconi University)

Inequality and the Marriage Gap
Nawid Siassi (University of Konstanz)

Social Interactions

157

Fertility, Social Mobility and Long Run Inequality: Barro-Becker Families in a Bewley World
Juan Cordoba, Marla Ripoll (University of Pittsburgh)

The Geography of Social Change
Alessandra Fogli (Federal Reserve Bank of Minneapolis), Stefania Marcassa

Discrete Games in Endogenous Networks: Theory and Policy
Anton Badev (Federal Reserve Board)

Advances in Open Macroeconomics and Finance

LL1060

Take the Short Route: How to repay and restructure sovereign debt with multiple maturities
Mark Aguiar (Princeton University), Manuel Amador

Labor Mobility in Currency Unions
Emmanuel Farhi (Harvard University), Ivan Werning

International Liquidity and Exchange Rate Dynamics
Matteo Maggiori (NYU), Xavier Gabaix
### Income Distribution and Risk Sharing

**151**

Age-Dependent Labor Income Risks, Income Inequality, and Redistribution Policy  
*Dongya Koh (Washington University in St. Louis)*

Labor Shares and Income Inequality  
*Jonathan Adams, Loukas Karabarbounis, Brent Neiman (University of Chicago)*

Unemployment (fears), precautionary savings, and aggregate demand  
*Pontus Rendahl, Markus Riegler (LSE), Wouter den Haan*

### Sources of Risk in Macro-Asset-Pricing Models

**142**

Long-Term Asset Price Volatility and Macroeconomic Fluctuations  
*Miguel Iraola (University of Miami), Manuel Santos*

External Equity Financing Costs, Financial Flows, and Asset Prices  
*Frederico Belo, Xiaoji Lin (The Ohio State University), Fan Yang*

The Origins of Stock Market Fluctuations  
*Daniel Greenwald (New York University), Martin Lettau, Sydney Ludvigson*

### Sovereign Default and Maturity

**1065**

Sovereign default and the choice of maturity  
*Juan Sanchez, Horacio Sapriza (Board of Governors), Emircan Yurdagul*

Maturity and Repayment Structure of Sovereign Debt  
*Yan Bai (University of Rochester), Seon Tae Kim, Gabriel Mihalache*

Optimal Taxation with Endogenous Default under Incomplete Markets  
*Demian Pouzo, Ignacio Presno (Federal Reserve Bank of Boston)*
Friday, June 27th, 4:30pm to 6:00pm

Information Frictions in Macro-Finance
LL1010

Uncertainty Shocks and the Role of the Black Swan
Anna Orlik, Laura Veldkamp (NYU Stern)

Units of Account and the Informational Role of Prices
Guido Lorenzoni (Northwestern University)

The Social Value of Private Information
Tarek Hassan, Thomas Mertens (New York University)

Formal and Informal Institutions in Economic Development
LL1020

Mis-allocation of Political Capital
Frederico Finan, Maurizio Mazzocco (UCLA)

Globalization and Political Structure
Gino Gancia (CREI)

Making Democracy Work: The Effects of Social Capital and Elections on Public Goods in China
Nancy Qian (Yale University)

Dale Mortensen Honorary Session: Search and Matching
LL1025

Marriage, Markets and Money: A Coasian Theory of Household Formation
Randall Wright (University of Wisconsin)

Equilibrium Price Dispersion with Sequential Search
Guido Menzio (University of Pennsylvania), Nicholas Trachter

A Simple Model of Price Dispersion and Price Rigidity
Kenneth Burdett (UPenn), Guido Menzio, Randall Wright

The net benefit from employment and duration dependence in the exit rate from unemployment.
Robert Shimer (U of Chicago), Katarina Borovickova, Fernando Alvarez
Friday, June 27th, 4:30pm to 6:00pm

Fertility and Childcare
LL1030

Bargaining over Babies
Matthias Doepke (Northwestern University), Fabian Kindermann

Childcare and commitment within households
Paula Gobbi (Université catholique de Louvain)

Costs of Children: Mapping Models and PSID-CDS Data
Alice Schoonbroodt (The University of Iowa)

Industrial Organization
LL1035

The Illiquidity of Water Markets
Javier Donna (The Ohio State University), Jose-Antonio Espin-Sanchez

Efficiency and Foreclosure Effects of All-Units Discounts: Empirical Evidence
Christopher Conlon, Julie Mortimer (Boston College)

Why is Productivity Correlated with Competition?
Matthew Backus (Cornell University)

Bank Runs
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Equilibrium Bank Runs Revised
David Andolfatto, Ed Nosal, Bruno Sultanum (The Pennsylvania State University)

Transparency and Bank runs
Cecilia Parlatore Siritto (UPenn - Wharton)

Optimal investment taxes and efficient market provision of liquidity in the Diamond-Dybvig model
Borys Grochulski (Federal Reserve Bank of Richmond), Yuzhe Zhang
Friday, June 27th, 4:30pm to 6:00pm

Technology and Productivity
LL1060

Micro Data and Macro Technology
Ezra Oberfield, Devesh Raval (Federal Trade Commission)

On the Efficiency of the World Capital Allocation
Alexander Monge (Penn State University), Juan Sanchez, Santaeulalia-Llopis

Dynamics of Factor Productivity Dispersions
Christian Bayer, Ariel Mecikovsky, Matthias Meier (Universitaet Bonn)

Optimal Monetary Policy
133

Time Consistency and the Duration of Government Debt: A Signalling Theory of Quantitative Easing
Saroj Bhatara, Gauti Eggertsson, Bulat Gafarov (Pennsylvania State University)

Uncertainty and the Signaling Channel of Monetary Policy
Jenny Tang (Harvard University)

Commitment versus Discretion in a Political Economy Model of Fiscal and Monetary Policy Interaction
David Miller (Federal Reserve Board)

Fiscal Policy and Uncertainty
147

The Welfare Costs of Fiscal Uncertainty: a Quantitative Evaluation
Ruediger Bachmann, Jinhui Bai (Georgetown University), Minjoon Lee, Fudong Zhang

Uncertainty and Fiscal Cliffs
Troy Davig, Andrew Foerster (Federal Reserve Bank of Kansas City)

Robust Dynamic Optimal Taxation and Environmental Externalities
Ted Temzelides (Rice University)
Saturday, June 28th, 9:30am to 11:00am

**Household Debt and the Macroeconomy**

1065

Why is too much leverage bad for the economy?  
John Geanakoplos, Felix Kubler (University of Zurich and SFI)

Debt Overhang and Monetary Policy  
Costas Azariadis, James Bullard, Aarti Singh (University of Sydney), Jacek Suda

Credit Supply and the Housing Boom  
Alejandro Justiniano (Federal Reserve Chicago), Giorgio Primiceri, Andrea Tambalotti

**Fiscal and Monetary Policy in DSGE Models**

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A Narrative Approach to a Fiscal DSGE Model  
Thorsten Drautzburg (Federal Reserve Bank of Philadelphia)

When does a central bank’s balance sheet require fiscal support?  
Marco Del Negro (Federal Reserve Bank of New York), Christopher Sims

Monetary and macroprudential policy with multi-period loans  
Michał Brzoza-Brzezina (National Bank of Poland), Paolo Gelain, Marcin Kolasa

**Wages and Human Capital**

133

Training Contracts, Worker Overconfidence, and the Provision of Firm-Sponsored General Training  
Mitchell Hoffman (University of Toronto)

Reconciling the divergence in aggregate U.S. wage series  
Julien Champagne (Bank of Canada)

A Dynamic Analysis of Sectoral Mobility, Worker Mismatch, and the Wage-Tenure Profile  
Damba Lkhagvasuren (Concordia University)
Saturday, June 28th, 9:30am to 11:00am

**Effects of Monetary Policy on Asset Prices**

**L1010**

Macroeconomic linkages between monetary policy and the term structure of interest rates

Howard Kung *(University of British Columbia)*

Monetary Policy Drivers of Bond and Equity Risks

John Campbell, Carolin Pflueger *(University of British Columbia)*, Luis Viceira

Financial Frictions and Reaction of Stock Prices to Monetary Policy Shocks

Ali Ozdagli *(Federal Reserve Bank of Boston)*

**Productivity, Misallocation and Development**

**L1020**

Managerial Delegation and Aggregate Productivity

Jan Grobovsek *(University of Edinburgh)*

Policy Distortions and Aggregate Productivity with Endogenous Establishment-Level Productivity

Jose-Maria Da-Rocha, Marina Mendes Tavares *(ITAM and IMF)*, Diego Restuccia

Credit, Misallocation and TFP: The case of Mexico (2003-2010)

Felipe Meza, Sangeeta Pratap *(Hunter College and CUNY Graduate Center)*, Carlos Urrutia

**Financial Networks**

**L1025**

Where to Trade: OTC vs Exchanges

Ana Babus *(Imperial College London)*, Cecilia Parlatore Sritto

Intermediation and Voluntary Exposure to Counterparty Risk

Maryam Farboodi *(University of Chicago)*

Incomplete Information and Financial Networks

Jennifer La'O *(Columbia University)*, Alireza Tahbaz-Salehi
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Social Security
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A Historical Welfare Analysis of Social Security: Who Did the Program Benefit?
William Peterman (Federal Reserve Board of Governors)

Private Pensions, Retirement Wealth and Lifetime Earnings
James MacGee, Jie Zhou (Bank of Canada)

Social Security and the Interactions Between Aggregate and Idiosyncratic Risk
Daniel Harenberg (ETH Zürich), Alexander Ludwig

Occupational Mobility
LL1060

Training Programs, Skills, and Human Capital: A Life-Cycle Approach
Florian Hoffmann, Gueorgui Kambourov (University of Toronto)

Occupational Mobility Across Years, Decades and a Century
Sekyu Choi (Universitat Autonoma de Barcelona)

The Barriers to Occupational Mobility: An Aggregate Analysis
Matias Cortes, Giovanni Gallipoli (UBC)

Labor Market and Financial Frictions
LL1030

Aggregate implications of financial and labour market frictions
Andrea Caggese, Ander Perez (Universitat Pompeu Fabra)

Debt Constraints and Unemployment
Patrick Kehoe (Princeton University), Virgiliu Midrigan, Elena Pastorino

The Impact of Consumer Credit Access on Unemployment
Kyle Herkenhoff (UCLA)
Saturday, June 28th, 9:30am to 11:00am

Sovereign Debt Crises

The Pass-Through of Sovereign Risk
Luigi Bocola (University of Pennsylvania)

Austerity
Harris Dellas, Dirk Niepelt (Study Center Gerzensee; U Bern)

Sovereign Bailouts
Bulent Guler, Juan Hatchondo (Indiana University), Burhanettin Kuruscu, Leonardo Martinez

Job-to-job Flows

The growth potential of startups over the business cycle
Petr Sedlacek (Bonn University), Vincent Sterk

Cyclical Reallocation of Workers Across Large and Small Employers
John Haltiwanger, Henry Hyatt (US Census Bureau), Erika McEntarfer

Measuring Matching Efficiency with Heterogeneous Jobseekers
Robert Hall, Sam Schulhofer-Wohl (Federal Reserve Bank of Minneapolis)

Dynamic Optimal Taxation

Optimal taxation with home production
Conny Olovsson (Sveriges riksbank)

Dynamic Capital Tax Competition in a Two-country Model
Paul Klein (Simon Fraser University)

Simple Labor Income Tax Systems with Endogenous Employment Contracts
Anqi Li, Yiqing Xing (Stanford University)
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#### Aggregate Implications of Microeconomic Price-setting Behavior

Logit Price Dynamics  
*James Costain, Anton Nakov (ECB and CEPR)*

Information Frictions, Nominal Shocks, and the Role of Inventories in Price-Setting Decisions  
*Camilo Morales-Jimenez (University of Maryland, College Park)*

Menu Costs, Aggregate Fluctuations and Large Shocks  
*Peter Karadi, Adam Reiff (National Bank of Hungary)*

#### Information and Coordination

Market Efficiency and Real Efficiency: The Connect and Disconnect via Feedback Effects  
*Itay Goldstein (University of Pennsylvania)*, Liyan Yang

Precision of Market-Generated Information in Economies with Coordination Motives  
*Giacomo Rondina (University of California)*, San Diego, Myungkyu Shim

Debt Crises: For Whom the Bell Tolls  
*Harold Cole, Daniel Neuhann, Guillermo Ordonez (University of Pennsylvania)*

#### Sovereign Default and Policies

Sovereign Risk and Bank Balance Sheets: The Role of Macroprudential Policies  
*Emine Boz, Pablo D'Erasmo, Bora Durdu (Federal Reserve Board)*

Austerity and Bailouts in Sovereign Debt Restructurings  
*David Benjamin (SUNY Buffalo)*, Mark Wright

Sovereign Defaults and Banking Crises  
*Cesar Sosa-Padilla (McMaster University)*
Saturday, June 28th, 11:30am to 1:00pm

Multisector Economies

Forecast Shocks in Production Networks
Can Tian (University of Pennsylvania)

Sectoral Contagion: A Dynamic Factor Analysis of the Great Recession
Nan Li (International Monetary Fund), Vance Martin

Aggregate Fluctuations and the Industry Structure of the US Economy
Julieta Caunedo (Washington University in St. Louis)

Long-run Fertility Dynamics

Fertility Transitions along the Extensive and Intensive Margin
Daniel Aaronson (Federal Reserve Bank of Chicago), Fabian Lange

The Biocultural Origins of Human Capital Formation
Oded Galor, Marc Klemp (Brown University)

Differential Fertility, Human Capital, and Development
Tom Vogl (Princeton University)

News Shocks

News Driven Business Cycles: Insights and Challenges
Franck Portier (Toulouse School of Economics)

Noisy News in Business Cycles
Luca Gambetti (Universitat Autonoma de Barcelona)

News shocks and Business cycles: Evidence from forecast data
Wataru Miyamoto, Thuy Lan Nguyen (Columbia University)
Saturday, June 28th, 11:30am to 1:00pm

Monetary Policy Design

133

The Perils of Nominal Targets

Roc Armenter (Federal Reserve Bank of Philadelphia)

Designing a Simple Loss Function for the Fed: Does the Dual Mandate Make Sense?

Davide Debortoli, Jinill Kim, Jesper Linde, Ricardo Nunes (Federal Reserve Board)

Monetary and Fiscal Policies in a Heterogeneous-Agent Economy

Hongfei Sun (Queen's University)

Intergenerational Transmission

LL1035

On The Production of Skills and the Birth Order Effect

Ronni Pavan (RHUL)

Parenting with Style: Altruism and Paternalism in Intergenerational Preference Transmission

Matthias Doepke (Northwestern University), Fabrizio Zilibotti

Technology and Intergenerational Persistence: Theory and Some Evidence.

Giovanni Gallipoli, Brant Abbott (Yale University)

Self-fulfilling Credit Crises

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Self-Fulfilling Credit Cycles

Costas Azariadis, Leo Kaas (University of Konstanz), Yi Wen

Expectations vs. fundamentals: Does the cause of banking panics matter for prudential policy?

Todd Keister (Rutgers University), Vijay Narasiman

Breaking the Spell with Credit-Easing: Self-Confirming Credit Crises in Competitive Search Economies

Gaetano Gaballo (Banque de France), Ramon Marimon
Income Inequality

Evolution of Inequality within Firms
Jae Song, David Price (Stanford University), Fatih Guvenen, Nick Bloom

The Distribution of Lifetime Incomes in the United States
Fatih Guvenen (University of Minnesota), Greg Kaplan, Jae Song

Consumption and Income Inequality in Sub-Saharan Africa: A Lifetime with No Humps and Low Partial Insurance
Leandro De Magalhaes (University of Bristol), Raul Santaeulalia-Llopis

Topics in New Dynamic Public Finance

Providing Efficient Incentives to Work: Retirement Ages and the Pension System
Ali Shourideh, Maxim Troshkin (Cornell University)

How Much Does Atlas Shrug?
Laurence Ales, Andres Bellofatto (Carnegie Mellon University), Jessie Jia Xu Wang

Differential Mortality and Progressivity of Social Security
Roozbeh Hosseini (Arizona State University), Ali Shourideh

Topics in Asset Pricing

Complexity in Structured Finance: Financial Wizardry or Smoke and Mirrors
Andra Ghent, Rossen Valkanov (University of California), San Diego

International Liquidity CAPM
Aytek Malkhozov, Philippe Mueller, Andrea Vedolin, Gyuri Venter (Copenhagen Business School)

Asset Pricing and Monetary Policy
Bingbing Dong (University of Virginia)
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<td>Costly Information and Discrete Adjustment in the Labor Market</td>
<td>Luminita Stevens (University of Maryland), Michael Woodford</td>
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Local Information

Conference Venue
All sessions take place at the Rotman School of Management, 105 St George Street. A floor plan is available in the program, and assistance can be provided by anyone in a red SED@25 T-shirt.

Name Badge
Please wear your name badge at all conference events, including social events.

Presentations
All rooms have computers connected to projectors. Files can be uploaded from via USB or the internet.

Internet Access
Internet access is available through the U of T network. Login details are available at the registration table. If you are signed up for eduroam through your home institution it is available throughout the university.

Lunch and Coffee
Boxed lunches will be available throughout the conference venue, including on the second floor near Desautels Hall. There will be seating in the Hall as well as around the building.

Coffee and snacks during the breaks will be available on the ground floor and lower level of the building.

Getting around the City
Subway/Bus/Streetcar is operated by the Toronto Transit Commission [http://www.ttc.ca/](http://www.ttc.ca/). Cash fares are CAD3. The closest subway station to campus is St George. See the map [http://www.ttc.ca/Subway/interactivemap.jsp](http://www.ttc.ca/Subway/interactivemap.jsp).

Taxis are a convenient way to move around the city. It is safe to hail a cab on the street, plenty of cabs are available on Bloor Street and St George. You can also sign up for Uber and get taxis from your phone ([https://www.uber.com/](https://www.uber.com/)).

Walking is generally safe in the city. All events are on campus or within walking distance from the conference venue. To help orientate you, know that the CN Tower/Lake Ontario is South.

Cocktail Reception
In addition to the welcome reception on Wednesday, there is a cocktail reception from 7:30pm-9:30pm on Thursday, June 26th (i.e. immediately following the end of sessions). The reception will be held at Hart House, 7 Hart House Circle. Hart House is on campus just a few blocks from the conference venue. People in red SED@25 T-shirts will be available to direct you.
Conference Dinner
The conference dinner will be Friday night at the Chestnut Conference Centre, at 89 Chestnut Street. This is the longest walk from the conference site (around 20-25 minutes). In addition to being a short taxi ride, the venue is near the St. Patrick subway station, three stops south from St. George on the Spadina/University line. Drinks will be served starting at 7:30pm, with dinner service starting around 8:30pm.

Food and Drink
So where should you go to eat and drink? There are a million places. I have tried a little less than half of them. Here are a few to get you started. I am going to focus mostly on the immediate area around the conference. I use immediate loosely; I am a pretty avowed pedestrian. Unless noted these places are all easy walking distance for me or Boyan. There is a map online at https://a.tiles.mapbox.com/v3/flac0.i226ko2d/page.html#15/43.6633/-79.4014

A section is reproduced inside the back cover of the program. The full map has the boldfaced neighborhoods roughly outlined.

Matt’s Food and Drink Review

For a beer
You need to get off of the Campus to find beer. The conference site is closer to the north side of campus (at Bloor St). On the section of Bloor St that is nearby there are lots of bars. West of Spadina (in the Annex area), a 10 minute walk from the conference. This area is pretty college-y, which means lots of bars but most offering little else. Don’t order the wine. The bars east, and north of Bloor, on Prince Arthur Street (the Bedford Academy and the Duke of York), are probably the closest bars to the conference site and the hotels. The hotels of course have bars; the Park Hyatt has a rooftop bar with a decent view.

Further east (past Avenue road) is Yorkville. Even though this is the place where you could have seen folks like Joni Mitchell and Neil Young back in the 70’s, it is now a fancier neighborhood full of places with old people, overpriced food and drink. (Maybe the same people that were there in the 1970s are still there.) It is popular with celebrities during the film festival season. There are nice patios there, wine bars (including Ciao) and the Oxley with real cask ale. If you want to order wine this might be a better direction (but see Harbord St below for another idea).

For a better beer selection it takes a little more walking. Two places, both a 15 minutes’ walk are: heading east BarVolo (587 Yonge St) and heading west Victory Café (581 Markham St). I prefer BarVolo but the area around it is not great, perfectly safe, just not much interesting to eat. Both are just a little south of Bloor. In the same category, to the south, is Sin and Redemption (136 McCaul St), which also has a long beer list, especially Belgian beers. Most importantly: it is on the route back from the conference dinner.

After the conference dinner, if you don’t want to come back to the conference area right away, you can also walk south to Queen Street. To the west is a strip (creatively called Queen West) with plenty of bars nearby. In general Queen Street gets better the further you go west; if you get as far west as Trinity Bellwood Park there is a very nice brewery (actually a bit north on...
Ossington Ave.) called Bellwoods Brewery. But that is VERY far west, not walking distance for after the conference dinner.

**For dinner near the conference site**

The same areas (Annex and especially Yorkville) have restaurants as well as bars. In addition, at the first light south of the conference site, if you turn right (west) and cross Spadina, you are on a stretch of Harbord St with many higher quality restaurants. Splendido is quite high end, and good. My favorite place on that stretch is the Harbord Room. THR is the Harbord Room’s “second” room if you can’t get a table at Harbord Room. There is also 93 Harbord and Loire in that area, as well as a Peruvian restaurant called Boulevard Café, all of which are good. Harbord Street is a good compromise between quality and distance. You may want to call or check opentable for a reservation. These places are also good places for a glass of wine; the Harbord Room, for instance, has a nice (but small) bar with nice cocktails as well. (There is also something called Harbord House, which is more of a pub, and not related, but fine for a beer.)

Although walking south is probably not the best option, there are bars once you reach College St heading directly south from the conference site. A little further south, almost to Sin and Redemption, is a very small oasis called Baldwin Village; it has a few restaurants, including Agave y Aguacate (a good place which received extreme praise from Anthony Bourdain), a decent ramen place Kinton and a very interesting gelato place serving handmade, Italian-style gelatos, but with entirely Asian flavours. So if you want a durian ice cream, you need to head in that direction. (Really. They have durian ice cream.) Definitely an option after the conference dinner.

**Exploring Toronto further**

If you are willing to take a cab, there are too many places to list; a good list is the one at [http://www.postcity.com/Kates-Top-100/](http://www.postcity.com/Kates-Top-100/)

In terms of places reasonably close by with lots of choices; both Little Italy and the Dundas and Ossington neighborhood have many, many bars and restaurants (as does Queen West and King West; a few blocks south of Queen). Little Italy is better developed but Dundas and Ossington is where many of the most interesting places in town are located. In general you should avoid heading toward the tall buildings (called the downtown core) for food/drink. The people down there have no taste, it seems; and wear ties. Of course there are great places entirely on the eastside, such as the Danforth, Cabbagetown, and especially Leslieville, and places further west like Parkdale and Roncesvalles (Queen really really really west), and to the north at the intersections of Yonge and roads like St.Clair and Eglinton, but that radius includes countless places.

Want one specific suggestion? OK I’ll give you two. My favorite dinner place is Ursa, on Queen St (well west; get a cab). Interesting ingredients and plating, delicious and beautiful, but be prepared: small portions, so price per pound will not seem like a bargain. My favorite lunch place (aside from the boxed lunches on site, of course) is Seven Lives Tacos, in Kensington Market. Kensington is an offbeat place with lots of informal places to find food, and a variety of places to drink. Across the street from Seven Lives is a trendy (or at least recently-trendy) cocktail
place (which also has a nightly tall can beer special) called Cold Tea. It is hard to find (hint: inside something called the Kensington Mall) but the internet can help; the door is down a long hallway in an unassuming building, and has no markings to make you think you are in the right place.

Maybe my tastes are different from yours, though. So how about some more suggestions? On the grid that follows are some recommended choices for different “representative agents” (yes I copied this idea from an in-flight magazine). Then just decide which agent best represents your tastes

**Final category: Coffee**

We will of course have coffee onsite. It will be genuine coffee, and fully caffeinated if you like. I can vouch for nothing more. Many people go to Mercurio (just north of the conference site on Bloor at St. George) for espresso; quality is really nothing special but a decent place to sit. They also have beer and wine until they close around 7. If you want a better coffee, and have time for a walk, either walk north to Ezra’s Pound (on Dupont, the next big street north past Bloor, but kind of a hike; crowded in the morning but usually OK in the afternoon) or to Kensington Market, where there are several good places, my favorite being Café Pamenar on Augusta. Seven Grams, on Avenue Rd north of the Park Hyatt, is also pretty good, and in the neighborhood but the wrong direction. Some people love (in an almost cultish way) Sam James coffee, but it is well west on Harbord St., and therefore quite a walk.

Enjoy the city, and let me know what you find. I’m always interested in hearing about new places!
Here are some places I would suggest for each person below. Map your preferences to a person, and then take this as some sort of suggestion.

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<th>Representative Agent</th>
<th>Notes</th>
<th>Beer/Wine</th>
<th>Nearby/Casual Food</th>
<th>Full Dinner</th>
<th>Late Night</th>
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<tr>
<td>Tim Kehoe</td>
<td>Rumor has it that Tim likes beer. And good food.</td>
<td>Bedford Academy 36 Prince Arthur Ave</td>
<td>Rose and Son’s 176 Dupont St</td>
<td>Harbord Room 89 Harbord St</td>
<td>Best nearby. Bellwoods Brewery</td>
</tr>
<tr>
<td>Ellen McGrattan</td>
<td>Ellen has much better taste than me, so this is hard.</td>
<td>Ciao Wine Bar 133 Yorkville Ave</td>
<td>Fat Pasha 414 Dupont St</td>
<td>Buca 604 King St W Kates #1 ranked.</td>
<td>Park Hyatt Rooftop</td>
</tr>
<tr>
<td>Marina Azzimonti</td>
<td>Marina is a semi-vegetarian. But don’t hold it against her.</td>
<td>Duke of York 39 Prince Arthur Ave</td>
<td>Fresh 326 Bloor St W</td>
<td>Foxley 207 Ossington Ave Not vegetarian, but not overly meaty.</td>
<td>Park Hyatt Rooftop</td>
</tr>
<tr>
<td>Hugo Hopenhayn</td>
<td>Hugo is semi-omnivore. He will definitely eat animals.</td>
<td>Oxley 121 Yorkville Ave</td>
<td>Big Crow 176 Dupont St (in back)</td>
<td>Black Hoof 928 Dundas Street W Charcuterie, all sorts of parts and animals.</td>
<td>Intercontinent al Bar (Proof)</td>
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<tr>
<td>Igor Livshits</td>
<td>Igor made reservations long ago. So if he invites you to dinner, you are lucky.</td>
<td>Frank @ AGO 317 Dundas Street W</td>
<td>Guu Sakabar 559 Bloor St W</td>
<td>Momofuku Daisho 190 University Ave Yes, that Momofuku. If Igor can’t get you in, try the noodle bar.</td>
<td>Bar Isabel</td>
</tr>
<tr>
<td>Randy Wright</td>
<td>Local legend has it that Randy likes the Madison.</td>
<td>Madison Ave Pub 14 Madison Ave</td>
<td>Madison</td>
<td>Madison</td>
<td>Comfort Zone</td>
</tr>
<tr>
<td>Matt Mitchell</td>
<td>Who knows about Matt. His kids say he is “random.”</td>
<td>Bar Volo 587 Yonge St</td>
<td>Seven Lives Tacos 69 Kensington Ave</td>
<td>Ursa 924 Queen St W</td>
<td>Cold Tea</td>
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The Contractions

Thursday, June 27th, 2014

The Comfort Zone @ The Silver Dollar

480 Spadina Ave, Toronto, ON

Doors 9pm, Set around 10pm

$5 Cover (Free with conference badge)
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