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## Research Statement

I research the politics of international and comparative financial systems. Within this broad area I analyze the behavior of monetary and regulatory authorities, the origins and evolution of regulatory regimes, the interplay between regulatory and macroeconomic policies, and the response of market actors to institutional arrangements and policy choices. Additionally, I draw from contemporary network theory and methods to conceptualize and analyze the structure of global finance as a complex, dynamic system. For example, I study at how cross-national financial interdependence affects the regulatory choices states make and the investment decisions that firms make, and how the topology of the global system affects the likelihood that phenomena such as financial crises remain localized or become globalized.

### *Dissertation*

My dissertation embeds actors within an empirical systemic model that allows me to consider the role of structure and agency across levels of analysis. I apply complex network theory and methods to the global financial system, and analyzes political, economic, and financial behaviors within that context. Each of the three chapters focuses on one level of analysis – system, state, sub-state (e.g. firm) – within the context of the other two.

The first chapter presents an explicit empirical model of the global banking system over time. I use extensions of exponential random graph models (ERGM) to compare the role of endogenous processes with the actions of agents in affecting development and change of the network. These models allow traditional hypothesis testing without the need for the assumption of independence among observations, and allow me to present a tractable operationalization of the international system. The primary goal of this chapter is to analyze how dynamics in the global political economy affect the composition of system structure. Does the presence or absence of a international regulatory standards – such as the Basel accords or regional integration efforts such as the European Union – affect patterns of interdependence? Do financial crises, and the political responses to them, diffuse through the system in similar ways regardless of the location of origin, or do states' position within the network play an important causal role in determining the performance of their financial sectors? I argue, and preliminary results suggest, that the topology of the network plays a very important role in determining developments in global markets over time. Specifically, the fact that the international system is clearly hierarchical, containing a handful of easily identifiable financial centers (led by the U.S.) and a large number of peripheral economies, implies different system performance than would be expected to occur in a more evenly-distributed network. A version of this chapter was presented at the 2012 Annual Meeting of the International Studies Association.

The second chapter examines how states' positions within the global network, in combination with comparative political and economic factors, condition policy choices related to banking and finance. It is motivated by the empirical observation that there is a large amount of cross-national divergence in regulatory policy, while most of the literature presumes all states face similar pressures when crafting regulatory policies. For example, in 2006 roughly half the states in a World Bank survey required stronger capital adequacy ratios than those mandated by the Basel accords, an outcome known as "super-equivalence". As this would presumably put their firms at a competitive disadvantage in globalized markets, this behavior is not expected nor explained by previous literature. I argue that markets provide a diverse set of incentives for governments when crafting policy that is conditioned by their position within the structure of the international financial system. Financial centers are rewarded for different types of policies than emerging economies. As a result, we should expect the types of policy divergence that we actually observe, rather than the convergence that the extant literature assumes, often implicitly, will occur. I employ a variety of statistical tools to examine the determinants of governments' policy choice, and find support for my expectations. A version of this chapter was presented at the 2011 Annual Meeting of the International Studies Association.

The third chapter shifts focus to the firm level, and is also motivated by an empirical puzzle: not only do governments often set stricter standards than the international minima, firms often significantly over-comply with regulatory requirements. Previous political science work on regulation generally assumes, often implicitly, that firms will not over-comply lest they lose competitiveness. I draw from the work established in the previous two chapters as well as theories of the firm from financial economics to argue that financial firms' risk-taking calculus is strongly affected by the structure of markets and firms' location within that structure. I demonstrate that an influential factor conditioning firm behaviors is their position within the global financial structure, as well as the position of the local market they operate in. Other important factors include the political environment firms operate in, the quality of economic management in their home countries, and factors specific to firms (e.g. type of firm, ownership structure of the firm, size of the firm). I use a variety of quantitative models on multilevel data to test these claims across countries and time. A version of this chapter was accepted for presentation at the 2012 Annual Meeting of the American Political Science Association.

## *Other Work*

In my non-dissertation research I continue to focus on the international and comparative politics of finance. In an article forthcoming in *Perspectives on Politics*, my co-authors and I argue that recent developments in the global economy suggest that international political economy (IPE) scholars should more carefully examine the structure of the international system. We provide theoretical and empirical justifications for the claim that the structure of systems conditions the performance of systems, particularly in times of distress. We develop a complex network model of the global financial system and use it to analyze the spread of financial crises and the persistence of the United States as a global financial center.

Another article, currently "revise and resubmit" at *International Studies Quarterly*, builds from previous work in political science and economics showing that central banks that possess monetary and regulatory authority pursue more bank-friendly monetary policies than non-regulatory central banks. My article argues that if banks expect these policies they will alter their risk-taking activities in anticipation of support from the monetary authorities in times of distress. I examine the capital ratios of banks in OECD economies from 1992-2007 – the period during which the Basel accords largely harmonized key capital requirements – and find that banks do behave more riskily when monetary and regulatory authority is unified.

I am also the co-editor of a *Research Handbook on International Monetary Relations*, which is under contract at Edward Elgar Publishing. This book presents an approach to the global monetary and financial system that draws from a variety of IPE approaches. I will contribute two chapters to this book: one chapter on the "private regulation", which emphasizes the role of private sector actors in regulating financial firms, and a co-authored chapter which introduces the volume, conceptualizes the topic, and presents a synthesis of the book's arguments. Additionally, in a chapter in the *Research Handbook on Hedge Funds, Private Equity, and Alternative Investments* (Edward Elgar Publishing 2012), my co-author and I critically examine the performance of theories of regulation in light of the recent global financial crisis. We suggest that while there are some insights to be found in all of them, all of them contain key flaws. We propose possible avenues for future theoretical and empirical work that can improve our understanding of regulatory politics.

## *Future Trajectory*

I have many plans for future research. I hope to maintain an active research program in the politics of finance and complex network methods, but also intend to broaden my focus to other areas. After completing my dissertation, I would like to examine direct investment finance in some of the same ways that I am currently research portfolio investment finance. Much prior work in IPE suggests that portfolio investment and direct investment are different in some fundamental ways, but few if any studies have contextualized these investments in a way that explicitly accounts for the inherently bilateral nature of cross-border investment. I expect, though I do not yet know, that the direct and portfolio investment networks resemble each other in some key respects, and that there are similar dynamics present in both of them. If true, this would qualify some of the major claims in the literature concerning both.

I also plan to continue conducting research on the dynamics of the international monetary and currency reserve systems. Some motivating questions include: why has the international reserve system not diversified away from the dollar as many analysts had expected? How does U.S. monetary policy drive macroeconomic and macropolitical outcomes in other countries, particularly emerging markets that are highly sensitive to changes in commodity prices? How is the macroeconomic "Unholy Trilemma" resolved in different times and places, and how does this impact international and comparative political economies?

In the future, I intend to develop a more active research agenda related to financial crises. First, I wish to examine the ways in which crises diffuse through the global system. Some motivating questions for this work include: What systemic factors contribute to the likelihood of experiencing a financial crisis? What political institutions make crises more or less likely? Second, I hope to study the ways in which public and private actors respond to crisis episodes. In the wake of crises, what types of regulatory reforms are considered? Are they carried out at the domestic or international levels? How do markets change the ways they discipline firms in response to crises and political reforms? How do individual firms respond to these changes?

Finally, I am interested in revisiting the work that Susan Strange began on "structural power", using tools from complex network theory to operationalize the concept in a more empirically explicit way. Strange argued that American hegemony would persist so long as it remained at the center of four systems: the security system, the financial system, the trade and production system, and the information and knowledge system. While Strange was able to use basic descriptive statistics to support her claims, recent advances in network science allow us to operationalize these four areas in greater depth. Preliminary work on this project has been encouraging.