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Research Statement

My research studies how financial policies and global shocks affect firms, financial markets, and the macroeconomy. I work at the intersection of macroeconomics and international finance, with a focus on emerging market economies. I use firm-level and cross-country data, together with macroeconomic models, to study how financial frictions shape the transmission of policy and external shocks. A central question in my work is how policies that improve the stability of one part of the financial system can create risks elsewhere in the economy.

My job market paper, *Over the Hills and Far Away: Macroprudential Policy and Firm Foreign Exchange Exposure*, examines this question in the context of India. My other work studies the effects of US monetary tightening on emerging economies. I am also developing projects on sovereign risk, exchange rate policy, and the interaction between monetary and macroprudential policies.

Macroprudential Policy and Firm Financial Fragility

My job market paper studies how macroprudential regulation affects firms' access to credit and their exposure to exchange rate risk. Macroprudential policy aims to reduce systemic risk by strengthening banks. But when tighter regulation raises the cost of domestic bank credit, firms may turn to other sources of finance. In emerging economies, this can mean borrowing in foreign currency. Such borrowing exposes firms to exchange rate movements and can create new risks for the financial system.

I study this mechanism using balance sheet data for Indian non-financial firms. I find that when macroprudential policy tightens, firms that depend more on domestic banks reduce their reliance on bank borrowing and increase their use of foreign currency debt. Their total borrowing changes little. The evidence suggests that firms replace the credit they lose from domestic banks rather than reduce their borrowing. I also show that firms with greater foreign currency exposure experience larger losses, lower profitability, and a higher likelihood of financial distress when the rupee depreciates.

I develop a model of firms and banks to study the implications for financial stability and welfare. The model captures the trade-off between stronger bank balance sheets and greater firm fragility. Higher capital requirements help banks sustain lending during a crisis. At the same time, they can push firms toward foreign currency debt and increase their vulnerability to exchange rate shocks. Calibrated to India, the model implies that the welfare-maximizing capital requirement is close to 7.6 percent, and that ignoring the shift to foreign currency debt would lead to a capital requirement that is too tight.

This paper contributes to my broader research agenda on the transmission of financial

policy. It shows that the effects of regulation depend not only on the institutions directly affected by a policy, but also on how firms adjust their financing decisions. It also highlights the links between domestic credit markets and international financial markets. These links matter for the design of macroprudential policy in economies where firms rely on both domestic banks and foreign lenders.

Global Monetary Shocks and Emerging Market Economies

My joint work with Galina Hale and Harrison Shieh, *This Time Is (Mostly) Different: U.S. Tightening Cycles and Global Resilience in the 1980s vs 2020s* (NBER Working Paper 35673), studies why the effects of US monetary tightening on emerging economies differ across periods. The sharp increase in US interest rates after the pandemic raised concerns about a repeat of the sudden stops and financial crises of the 1980s. Yet the global economy has proved more resilient.

We document differences between the 1980s and the 2020s in monetary policy effectiveness, fiscal space, and external vulnerabilities. We develop a Mundell–Fleming framework with a fiscal space constraint to explain these differences. The model highlights the role of fiscal space in determining how increases in foreign risk-free rates affect domestic economies. Cross-country evidence supports this mechanism.

This work examines how changes in the global financial environment shape the transmission of external shocks. It complements my job market paper, which studies how domestic policies affect firms' exposure to these shocks. Together, the papers motivate a broader question: how do domestic financial institutions, policy choices, and firm balance sheets determine the response of emerging economies to changes in global financial conditions?

Climate Risk and Adaptation Finance

My joint work with Galina Hale, Borja Gonzalez Reguero, Brook Constantz, and Piyush Gandhi, *Putting a Price on Adaptation: A Generalizable Framework for Valuing the Benefits of Climate Adaptation*, studies how to value investments that protect assets from climate risk. Decisions about how to protect coastal homes, businesses, and infrastructure from flooding are investment decisions made under uncertainty. Conventional cost-benefit analysis counts only the expected physical damage a project avoids. It misses two things: losses that spread beyond the damaged building, such as lost rent and business revenue, and the extra value people place on avoiding rare but severe losses.

We develop a framework that captures both and applies to any climate hazard. We apply it to Santa Cruz, California, using CoSMoS-Adapt flood scenarios and data on individual buildings. We fit a Pareto distribution to flood losses and estimate how much property owners would pay to lower the chance of a severe flood: up to about a third more than the damage they expect to avoid.

Comparing benefits with the costs of dune restoration, submerged reefs, and seawalls, we find that counting spillovers and risk raises benefits to three to five times those of a

standard analysis and changes which projects pass a cost-benefit test. Restored dunes give the highest return per dollar, and benefits are concentrated in a few stretches of coast.

This work applies the tools of finance to climate policy. In financial markets, the risk of large losses is central to how assets are valued. The same principle matters for public investment in adaptation. The results bear directly on adaptation finance: how much to invest in protection, which strategies to fund, and how to account for risks that standard assessments miss. The paper builds on a technical report I co-authored for California's Fifth Climate Change Assessment.

Financial Development, Religion, and Growth

My joint work with Siong Hook Law and Nirvikar Singh, *Where Finance Meets Faith: Rethinking the Finance–Growth Relationship* (work in progress), studies whether the growth effects of financial development depend on social context. A large literature finds that finance supports growth only up to a point. Beyond that point, further financial deepening is associated with lower growth. We ask whether this relationship depends on how religious a society is.

Using cross-country panel data, we find that the non-linear relationship holds in advanced economies and in secular emerging economies. In these economies, financial development beyond a certain level is associated with lower growth. The pattern does not hold in more devout emerging economies, even at similar levels of financial development.

This work extends my interest in how the effects of finance depend on the setting in which it operates. This paper shows that the effects of financial development depend on the social context in which households and firms borrow, save, and invest. Policies that aim to deepen financial markets in emerging economies may therefore have different effects across countries at similar levels of development.

Research Agenda

My future research will develop this agenda along three related directions.

Exchange rate policy and corporate currency risk. I plan to study how central banks manage exchange rate fluctuations and how their interventions affect firms' financial decisions. Exchange rate intervention can limit short-term currency movements, but it can also affect firms' incentives to borrow in foreign currency and hedge their exposure. I am interested in how firms adjust their borrowing and hedging decisions in response to exchange rate policy, and how these responses affect investment and financial stability. This work will examine the links between exchange rate management, corporate balance sheets, and the transmission of global financial shocks.

Interactions between monetary and macroprudential policy. Monetary and macroprudential policies operate through many of the same financial institutions, but they need not have the same effects. Monetary tightening changes the cost of borrowing, while macro-

prudential regulation affects banks' lending capacity and incentives. Their interaction can influence the composition of credit, firms' choice of financing, and the distribution of risk across the financial system. I plan to study how these policies interact in open economies, particularly when firms can substitute between domestic bank credit and foreign currency borrowing. An important question is whether the combined effects of these policies differ from the sum of their individual effects.

Global financial spillovers and sovereign risk. My work on US monetary tightening has led me to examine how external shocks propagate across countries and financial markets. In a related project, *Sovereign Risk Networks: Mapping Financial Linkages Across Emerging and Advanced Economies*, I use sovereign bond yields and network methods to study financial linkages across countries. I plan to extend this work to understand how global shocks transmit through sovereign risk, capital flows, and domestic financial conditions. I am particularly interested in how fiscal capacity and external balance sheet vulnerabilities shape the response of emerging economies to changes in global interest rates and risk premia.

Conclusion

My research examines how financial policies and external shocks affect the allocation of credit and the distribution of risk across firms, banks, and countries. I combine empirical analysis with macroeconomic models to identify these mechanisms and assess their implications for policy. Going forward, I aim to develop a research agenda that connects domestic financial regulation, corporate balance sheets, and global financial conditions. The goal is to understand how policy can support financial stability without shifting risks to other parts of the economy.