Andrew Kerner—Research Statement

My research focuses on the political implications of financial globalization. My work considers how governments compete for foreign investment and how integration into the global financial economy affects domestic politics. Within that, my work clusters around a few discrete topics:

1) **Foreign Direct Investment and Political Risk Management**
2) **Political Support for Neoliberalism**
3) **Globalization's Impact on Developing Country Policymaking**
4) **Gender and Central Banking**

I have published 19 peer-reviewed articles, including in *the European Journal of Political Economy*, *International Organization, British Journal of Political Science, Political Science Research and Methods, International Studies Quarterly, Comparative Political Studies, Business and Politics, Economics and Politics, Columbia FDI Perspectives, ICSID Review-Foreign Investment Law Journal,* the *Review of International Organizations* and the *Oxford University Press Research Encyclopedia of Politics*. I have also written several working papers at various stages of the peer review process. I am revising a book manuscript on pension reform under contract at *Oxford University Press*.

The research statement below describes these works, organizing them around the four themes noted above.

Foreign Direct Investment and Political Risk Management

My longest-standing research focus is on the relationship between political risk and the behaviors of multinational corporations (MNCs). MNCs' investments—typically in the form of Foreign Direct Investment (FDI)—are, for many countries, a key source of capital and a vehicle to access the knowledge, technology, and practices that reside in the world's most competitive corporations. Attracting FDI is often a political task. Foreign direct investment is typically long-term and illiquid. Firms put a lot of capital at risk for long periods of time, and they subject that capital to the politics of the countries they invest it in. Many countries that need FDI are also home to political and economic conditions that can scare off multinational corporations and deter investments from happening. Much of my research on this topic considers the domestic political conditions that help developing countries overcome that "political risk" and the government's practice of further assuring foreign direct investors through treaties.

These questions are essential to the international political economy literature and the study of international institutions. In a more real-world sense, this research touches on critical discourses around the balance of power between corporate and state interests and on multinational corporations' ability to use international courts and treaties to maintain rules and standards that supersede domestic politics. Its an important topic on its own, but it is also of a piece with other international institutions (the WTO, for example) that work towards a more capital-friendly global economy at the expense of national political autonomy.

My first article on this subject was *"Why Should I Believe You: The Sources of Credibility in Bilateral Investment Treaties and Their Effects,"*[1] which explores bilateral investment treaties ability to attract FDI into developing countries. The paper considers that BITs' effects are likely to vary across investors

[1] 2009 "Why Should I Believe You: The Sources of Credibility in Bilateral Investment Treaties and Their Effects" **International Studies Quarterly**. 53(1)73-

depending on whether they were inside or outside the treaty area. It provides a theoretical basis for understanding those heterogeneous impacts and empirical tests that allow me to compare them. I returned to that question in *"What's The Risk? Bilateral Investment Treaties, Political Risk and Fixed Capital Accumulation."*[2] *"What's the Risk"* also asks whether BITs work but considers that conventionally used FDI measures are ill-equipped to answer that question. Those data are typically measured with substantial non-random error and refer to a financial quantity often far removed from the commercial activities they typically proxy. I find that a better-suited measure reveals a much smaller effect of BITs on FDI than previously reported.

"*Do Investor-State Disputes (Still) Hurt FDI"*[3] considers whether the stigma of being brought to arbitration on a BIT-related treaty obligation reduces FDI flows. Prior literature suggests that it does. We also find that it does, but only sometimes (the nature of the suit matters, for example) and under circumstances that are far less common now than they were. As such, the costs of states binding themselves to these agreements appear lower than previously thought. As in prior work, we also find that getting FDI the measurement "right" reveals a more realistic view of those impacts.

"Global Treaties and Domestic Politics: Do BITs Constrain Fiscal Policy in Developing Countries?"[4] also considers the policy implications of ratifying bilateral investment treaties. We argue that BITs' policy consequences extend well beyond the regulatory policies with which BITs are typically associated. We show that BITs can limit signatory countries' ability to raise tax revenue through "umbrella clauses" that allow multinational corporations to enforce tax-related clauses in stabilization agreements in an international tribunal. We show that this is particularly consequential to fiscal intake in countries with significant oil and gas investments, where stabilization agreements are widespread and, often, onerous. This is a notable finding in part because the BIT regime typically seeks to limit any tax effects.

Several other of my papers deal exclusively with FDI measurement issues and how it informs what we can reliably say about the FDI flows' political drivers. My work on the topic has found a broad and diverse audience. In addition to those articles noted above, I have written on that topic in political science journals (*"What We Talk About When We Talk About Foreign Direct Investment"*[5]) and international financial law journals (*"What Can We Really Know About BITs and FDI,"* and *"How to Study the Impact of Bilateral Investment Treaties on FDI."*[6]) and have spoken on it to government representatives at the OECD Finance Division.

Popular Support for Neoliberalism

Another major focus of my research concerns individuals' lived experience with market-based capitalism and the effect of that experience on their support for market-based policies. These are essential questions. For one, the rise and dominance of neoliberal, market-based policymaking over

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[2] 2014 (with Jane Lawrence) "What's The Risk? Bilateral Investment Treaties, Political Risk and Fixed Capital Accumulation." **British Journal of Political Science**. **44(1), pp. 107-121.**

[3] *2022* Do Investor-State Disputes (Still) Hurt FDI? (w/ Krzystof Pelc) **British Journal of Political Science** 52, no. 2 (2022): 781-804.

[4] [4] Bodea, Cristina and Ye, Fangjin and Kerner, Andrew, Global Treaties and Domestic Politics: Do BITs Constrain Fiscal Policy in Developing Countries? (November 16, 2018). Available at SSRN: https://ssrn.com/abstract=3288100 or http://dx.doi.org/10.2139/ssrn.3288100

[5] 2014 "What We Talk About When We Talk About Foreign Direct Investment." **International Studies Quarterly** 58(4), 805-81

[6] *2019* How To Study the Impact of BITs on FDI. **Columbia FDI Perspectives** No. 249 April 8, 2019; *2018* "What can we really know about BITs and FDI?" **ICSID Review - Foreign Investment Law Journal,** six038,

the past 40 years has affected people's lives and reshaped their relationship with the state and the market. It has recast the very idea of what states do and what citizens can reasonably ask of them. But neoliberalism can be reversed, and in many cases, those reversals stem from a failure to deliver promised material benefits. My work in this area helps us understand the political terrain that neoliberalism has produced and its political viability in the face of unwanted social and economic consequences.

Much of that work considers what drives people to support or oppose free trade and international investment, and how and when a person's proximity to globalization-related job loss impacts their attitudes. Globalization-related job losses, particularly those lost to offshore production, are among the most enduring consequences of globalization in rich countries and one of its most unpopular side effects.

The core of my work on this topic is a suite of papers that use survey experiments to expose people to the idea of offshore production and gauge its impact on people's attitudes towards the free trade policies that enable it. Several of these papers use a protocol in which I (and co-authors) ask survey takers to rate their interest in purchasing a (fictional) product based on a sample advertisement. The advertisement contains experimental manipulations, including whether the product is made in the United States or one of several foreign locations and whether the producing firm engages in corporate social responsibility (CSR). The experiment generates subtle, apolitical exposure to offshoring and establishes the conditions under which that exposure reduces enthusiasm for free trade.

"*Salvation by Good Work? Corporate Philanthropy and Public Attitudes Toward Trade Policy*"[7] relies on an iteration of that survey experiment that randomized whether we told survey takers that their product was manufactured in Indonesia or the United States and whether the producing firm engaged in corporate social responsibility (CSR) in its home state of Ohio. It shows that exposure to offshore production depresses political support for free trade, but CSR mitigates the effect. In that way, corporations themselves mediate between the link between undesirable consequences of corporate-friendly policies and a political backlash against them.

"Does the Location of Corporate Social Responsibility Matter?"[8] and "*Offshore Production's Effect on Americans' Attitudes Towards Trade*"[9] use similar experimental designs but expand the analysis to describe heterogeneous effects across multiple production locations and demographic groups. *"Does the Location of Corporate Social Responsibility Matter?"* finds that "doing good" works best when corporations do that good at home and that the returns to locally targeted CSR are especially large for firms that produce in China. *"Offshore Production's Effect on Americans' Attitudes Towards Trade"* shows that exposure to offshoring via advertising reduced enthusiasm for free trade when the product was made in China (as opposed to Mexico or Canada), especially among white men living in proximity to trade-related job losses. This finding confirms some common understandings of American trade politics' intersection with race and gender.

The idea that gender shapes the way Americans consider globalization is echoed in *Gender Roles And Threat Perception Due To Globalization?,*[10] which is currently under review at the APSR. This working paper considers that distinctions between how women and men react to offshoring may be at least

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[7] *2019* Salvation by Good Works?: Offshoring, Corporate Philanthropy and Public Attitudes Toward Trade Policy (with Jane Sumner) **Economics and Politics**

[8] *Working Paper* Does the Location of Corporate Social Responsibility Matter? (with Jane Sumner and Brian Richter)

[9] *2020* Offshore Production's Effect on Americans' Attitudes Towards Trade (with Jane Sumner and Brian Richter) **Business and Politics** 22(3) pp. 539-571

[10] *Working Paper* Gender Roles And Threat Perception Due To Globalization? (with Jane Sumner) https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4178505*

partially due to differences in gender norms rather than gender *per se*. We argue that American men are sensitized to offshore manufacturing partly for their beliefs about the social importance of the male breadwinner and "male"-coded employments in sectors like manufacturing. We analyze multiple years of ANES survey data and find that the "gender gap" in trade attitudes is better understood as a "gender norms" gap. That American resistance to globalization is organized around attitudes towards gender roles rather than gender *per se* also helps explain some otherwise puzzling findings in the trade politics literature.

Quitting Globalization: Trade-Related Job Losses, Nationalism, and Resistance to Chinese FDI in the United States"[11] hits on a similar topic but uses an alternative (and simplified) experimental design to explore Americans' resistance to inward investment from Chinese firms. We find that Americans are leery of Chinese investment and that this leeriness is most significant among people living near Chinese trade-related job losses. We find further that those job losses are most impactful among people who are not otherwise nationalist.

My other projects in this area consider the popular acceptance of neoliberalism in the context of pension reform. That research includes two articles--"*Pension Returns and Popular Support for Neoliberalism in Post-Pension Reform Latin America"*[12] and *"The Ownership Society in a Comparative Perspective"*[13]— and a book manuscript titled *"The Ownership Society: Latin American Pension Reform and the Financialization of Mass Politics."*[14] Each of these works explores capital ownership's role in shaping popular attitudes towards the appropriate balance of state and market. They are motivated by conventional wisdom that expanding capital ownership creates an "ownership society" of citizens with "pro-capital," right-of-center political views. *"The Ownership Society in a Comparative Perspective"* traces the long American history with the idea that political currents could be pushed rightward by expanding asset ownership. It shows how generations of politicians and executives pushed mass homeownership and financial asset ownership, not only (or even mainly) as a vehicle for national investment but to create an anti-communist bulwark of worker-capitalists.

The "ownership society's" political appeal has consistently outpaced the empirical basis for believing in it. It is entirely unclear if the ownership society even exists. *"Pension Returns and Popular Support for Neoliberalism in Post-Pension Reform Latin America"* and *"The Ownership Society: Latin American Pension Reform and the Financialization of Mass Politics"* address the topic in the context of Latin American pension reform. Since its advent in Chile during the 1980s and its continent-wide spread in the 1990s, Latin American pension reform generated over 95 million Latin American capital owners, making it the most rapid and widespread policy-induced expansion of popular capital ownership in history. I analyze survey and election data to probe whether and how these reforms have shaped subsequent politics, focusing on pension reform's effect on popular support for neoliberalism and identification with the political right.

The conventional account of ownership society politics suggests that Latin American pension reform should have created Latin American capitalists. These works show that it has not done so at the individual or the national level. That will not surprise observers of Latin American politics, but it is puzzling for political economy theory: how could so many capital owners be created without affecting economic policy preferences? I argue and demonstrate that Latin American pension reform

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[11] *2019* Quitting globalization: trade-related job losses, nationalism, and resistance to FDI in the United States (with Jane Sumner and Yilang Feng) **Political Science Research and Methods**

[12] 2020 "Pension Returns and Popular Support for Neoliberalism in Post-Pension Reform Latin America" **British Journal of Political Science,** 50(2). pp. 585-620

[13] *2018 The Ownership Society in a Comparative Perspective*. In **Oxford Research Encyclopedia of Politics**. Oxford University Press. Online Publication Date: Jun 2018

[14] "The Ownership Society: Latin American Pension Reform and the Financialization of Mass Politics" under contract at *Oxford University Press*

has affected Latin American politics, not by moving participants to the right or towards the market, but by promoting pension returns as an indicator of whether market-based policies "work." High pension returns move participants towards embracing neoliberal politics; low returns push pension participants to prefer a more interventionist role for the state. Pension reform indirectly altered Latin Americans' political judgments by changing the terms on which Latin Americans make those judgments.

Among other contributions, this work helps us understand contemporary Chilean politics, where citizens' distaste for the pension system (and other neoliberal reforms) fueled a popular leftward movement that has coalesced into the current Boric Presidency and its groundbreaking constitutional reform agenda. That leftward move in Latin American politics is precisely the political outcome that many of the Chilean pension system's designers sought to avoid by diffusing financial assets so widely. I show that there was nothing inevitable about pension reform's failure to hold back a left-wing resurgence. Sustained low returns, not privatization *per se,* undid the social engineering underpinning Chilean pension reform.

Globalization's Impact on Developing Country Policymaking

Another part of my research considers the competition to attract mobile portfolio capital and the effect of those efforts on domestic politics. As with my work on foreign direct investment, this work focus on policymaking under financial globalization. However, portfolio capital markets—corporate stock and bond markets, sovereign debt markets, and concessional lending programs—play a different role in the financial system and lead to substantially different policy dynamics. These are the funds that governments and firms rely on to finance themselves. They are also the "hot money" flows that can make financial life unstable. The politics that govern them are less sensitive to the long-run political risk analyses that govern direct investment and are tied more closely to short-term policy actions.

Most of my work on the topic considers how the need to attract capital shapes developing country policymaking. For example, *"The International and Domestic Determinants of Insider Trading Laws"*[15] considers how competitive international dynamics shape the adoption of insider trading laws. Insider trading laws are themselves important to capital market development, and their imposition and enforcement say interesting things about how international financial competition shapes the balance of domestic political power. Enforcing insider trading laws denies corporate insiders an opportunity for rent-seeking and requires a costly bureaucratic operation. For countries that have not otherwise regulated insider trading, it is a substantial concession to the interests of outside (and typically foreign) shareholders, whose interests often define global "best practices." That paper shows that the diffusion of insider-trading laws is the product of competitive pressures to attract capital and the interaction of that pressure with political institutions that, to varying degrees, insulate policymaking from pressures to provide public goods.

"Can Foreign Stock Investors Influence Policymaking?"[16] asks a similar question but focuses specifically on The California Public Employee Retirement System (CalPERS) and its capacity to use its size to spread its preferred corporate governance policies. It uses a regression discontinuity analysis of policy reactions to CalPERS' permissible equities market program—a program in which CalPERS rated emerging markets according to their policy environments and withdrew from markets with too low ratings—to explore that activism's efficacy. It asks, did countries just below CALPERS' investable threshold adopt a different policy mix than countries just above it? That analysis suggests that

[15] 2010 (with Jeffrey Kucik). "The International and Domestic Determinants of Insider Trading Laws." **International Studies Quarterly**. (54) 657–682

[16] 2015 "Can Foreign Stock Investors Influence Policymaking?" **Comparative Political Studies** 48(1), 35-64

governments' need to remain in investors' good graces affects policymaking in a manner shaped and often substantially limited by domestic politics.

The other branch of this research explores these questions as a function of global dollar dominance and the political consequences of foreign-currency-denominated debt. Many developing countries carry substantial debt denominated in foreign currencies, typically US dollars. That dynamic—called "Original Sin"—exposes developing countries to exchange rate risks that can warp policymaking towards those that maintain access to hard currency flows. That is especially true when high US interest rates increase debt service costs. *"The Influence of Interest: Real US Interest Rates and Bilateral Investment Treaties"*[17] shows that high foreign currency debt loads lead governments to react to high global interest rates by signing more BITs. Governments that need hard currency trade domestic policy autonomy for capital inflows in times of capital scarcity. *"Real Exchange Rate Overvaluation and WTO Dispute Initiation in Developing Countries"*[18] argues that foreign currency debt dissuades devaluation, which prompts governments to file suits at the World Trade Organization as an alternative means of compensating exporters for real exchange rate appreciation. *"The Financial Determinants of Party Manifestos"*[19] shows that the coincidence of large foreign currency debts and high global interest rates generates dependencies on foreign capital owners that push party rhetoric in a more capital-friendly, neoliberal direction.

"Does It Pay To Be Poor? Testing for systematically underreported GNI estimates"[20] marries the question of how domestic policymaking works to attract portfolio capital to my interest in measurement. It asks whether developing country governments "aid-seek" by providing low estimates of their per capita Gross National Income (GNI) to qualify for concessional aid programs. Aid-seeking GNI estimates are not necessarily lies—precisely characterizing a country's GNI is nearly impossible given resource constraints, and aid-seeking estimates are often as plausible as any other—but they are not as apolitical as we often think. They are certainly not as apolitical as they should be to be used confidently in political-economic research or aid allocation. *"Does It Pay To Be Poor?"* uses a regression discontinuity research design to show that governments, especially in aid-dependent countries, "aid seek" through GNI estimates and do so frequently enough to leave identifiable patterns in the statistics published by the World Bank.

Gender bias in Central Banking.

A more recent area of my research considers gender and the challenges to achieving gender balance in economic policymaking positions. This project has been the primary focus of my research at Michigan State.

This research considers women's underrepresentation in economic policymaking and why many countries with otherwise exemplary records in gender equity have failed to match those trends in this context. We focus on central banking. The main insight of this project is that modern central banking emphasizes effective communications with the general public. However, that public commonly "male-codes" the qualities that make those communications effective. That gendering puts women at a disadvantage and dissuades governments from nominating them into central banking

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[17] 2016 "The Influence of Interest: Real US Interest Rates and Bilateral Investment Treaties" (with Timm Betz) **Review of International Organizations** 11:419–448

[18] 2016 "Real Exchange Rate Overvaluation and WTO Dispute Initiation in Developing Countries." (with Timm Betz) **International Organization** 70(4), p.797.

[19] *Working Paper* "The Financial Determinants of Party Manifestos" (with Cristina Bodea and Timm Betz)

[20] 2017 "Does It Pay To Be Poor? Testing for systematically underreported GNI estimates" (with Alison Beatty & Morten Jerven) **Review of International Organizations** 12 (1),1–38

positions requiring the projection of stereotypically "male" traits. Ironically, best practices in modern central banking—politically independent central banks speaking plainly to the general public—emphasize communicative efficacy and banker-specific credibility to the point that they disincentivize gender equitable staffing. Promoting women into central banking roles is easier when monetary policy is politically informed and central bank communications are limited to a professional audience less subject to gender-based heuristics.

We test our theory in a variety of ways. We test the causal mechanism—that male central bankers are more effective public communicators—using survey experiments that randomly assign paraphrases of actual central bank communications to male and female officials. We have fielded these surveys in the United States, Europe, and Japan. Our American data has yielded a working paper currently under review.[21] Those data and that paper support our theory. Federal Reserve communications that we attribute to female central bankers are *much* less effective at generating optimism about the economy, the likely path of inflation, and faith in the Federal Reserve as an institution. Our European data suggest similar dynamics, though, to a greater degree in the US, the female disadvantages are mitigated by emphasizing female central bankers' expertise and credentials.[22] These findings and those associated with our Japanese data are the subjects of working papers under development.

We use observational data to test our theories' implications for women's appointment to public-facing central banking positions. We recently published that work as *"Fear of Inflation and Gender Representation in Central Banking*."[23] That paper theorizes that women will be appointed less often when and where central banking positions demand more effective public and more male-coded communication. We argue that those demands are most significant where past inflation is high and institutional and policymaking structures highlight central bankers' responsibility for generating credibility, such as central bank independence and the absence of an exchange rate target for monetary policy. We find support for our theory, as well as several theoretical extensions.

We intend to develop this project into a book manuscript that synthesizes our experimental and observational work, along with a first-of-its-kind analysis of women's distinctive career trajectories in the American economic bureaucracy, into a comprehensive and groundbreaking exploration of gender and central banking.

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[21] [21] Bodea, Cristina and Kerner, Andrew, Gender Bias and Central Bank Communication: Do Americans Trust Female Policy Makers? (August 9, 2022). Available at
SSRN: https://ssrn.com/abstract=4186248 or http://dx.doi.org/10.2139/ssrn.4186248

[22] When Do Women Speak With Authority on Economic Issues? Evidence From the Euro Area (With Cristina Bodea, Thomas Sattler, and Federico Ferrara)
HTTPS://SSRN.COM/ABSTRACT=3881069 OR HTTP://DX.DOI.ORG/10.2139/SSRN.3881069

[23] *Forthcoming* Fear of Inflation and Gender Representation in Central Banking (with Cristina Bodea) **European Journal of Political Economy**