

## **Daniel J. McKeever**

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### **Research Interests**

Fields: Financial Intermediation and Systemic Risk, Corporate Governance, Derivative Pricing, Stock Market Participation, Portfolio Management

### **Education**

**Ph.D. in Finance, Smeal College of Business, Penn State University, 2013-2018**  
GPA: 3.87/4

**B.A. in Economics and Journalism, The Ohio State University, 2006-2010**  
GPA: 3.75/4; double major with research distinction in Economics

### **Working Papers**

#### **The Inadequacy of Capital Adequacy: Bank Failures in Complex Systems**

I expand on the solution offered by Elliot, Jackson, and Golub (AER 2014) and by Jackson and Pernoud (working paper, 2019) for recursively deriving banks' market values as a function of their primitive asset holdings and of their debt and equity holdings in other banks. Borrowing concepts from the engineering literature on large-scale failures "complex systems", I test via simulation for the parameters of the distribution of bank failures during times of asset market distress, varying the interconnectedness of banks' balance sheets and the capital adequacy ratio each bank is required to maintain as free parameters. I find that, although increasing the interconnectedness of the banking system has the predictable effect of skewing the distribution of bank failures toward a higher frequency of large failure "cascades", increasing the capital adequacy requirement causes more, rather than fewer, large failure cascades. This counterintuitive result has a straightforward explanation in the context of complex systems: the "prompt corrective action" required of troubled banks under ratio-based capital adequacy requirements results in the sale of distressed assets throughout the banking system, resulting in a wider spread of risk and a corresponding increase in the likelihood of multiple bank failures in a short time period (a cascade). This suggests that the current "node-level" bank regulatory regime is potentially counterproductive in managing the incidence of widespread bank failures in a heavily-interconnected system.

#### **Managerial Capabilities and Human Capital Selection: An Examination of the Role of Managerial Task-Specific and Industry Experience**, with Rory Eckardt and Tom Moliterno

We analyze the draft pick performance of MLB front offices over several decades, providing a rare empirical insight into largely theoretical questions of factor selection ability among managers of organizations. We find significant differences in the draft selection performance and risk/return profiles of MLB front offices; our ongoing work seeks to link these differences in factor selection

ability to characteristics of individual managers within the front office, using a unique hand-collected MLB personnel data set.

### **Busy Director Seeks Independent Board: Matchmaking in the Labor Market for Governance**, with Terry O'Brien

We use a novel empirical approach to estimate parameters for a set of firm and director characteristics that are likely to determine the matching process in the labor market for directors' services. Recent papers in this area have used conventional empirical techniques (identifying truly exogenous variation; instrumental variables) that have explicit weaknesses. We use an implementation of a tool from the network sociology literature called a "stochastic actor-oriented model" that more credibly fits the setting, and use it to estimate parameters for a panel of S&P 1500 firms over the period from 1996 to 2019. We find that, on average, firms prefer younger directors, female directors, and directors with executive and/or board committee-level service, while they forgo adding busy directors. Directors prefer smaller, better-governed, more independent boards of firms that have strong operating performance, have more growth opportunities and pay directors well.

### **Stock Market Participation in the Beginning: Sweden, 1912-1935**, with Kristian Rydqvist

We study stock market participation in the beginning of the industrial era of Sweden. Most stocks are owned directly by physical individuals with domestic address. The participation rate across the country is 1%, but the participation rate varies with income, gender, and geography. We estimate savings rates from household-level data that are in line with the savings rates from national accounts, and we demonstrate how savings rates vary with household income. The participation rate of citizens of Stockholm is higher than the rest of the country, but stock ownership is dispersed far away from the stock market. This observation coupled with the fact that many listed companies do not have blockholders suggests that legal institutions protect outside shareholders.

### **Swedish Lottery Bonds**, with Kristian Rydqvist

This paper extends Green and Rydqvist (JFE 1999). The contribution is to demonstrate the importance of the marginal investor's tax liability in asset pricing, using an event study framework in a unique setting (tax-advantaged lottery bonds issued by the Swedish government during periods of high marginal tax rates). We show that prices' ex-day behavior is consistent with asset pricing theory that places first-order importance on the tax rate that the marginal investor faces for capital gains. We borrow from the option pricing literature to derive a model that explains a calendar effect in the bonds' prices; to our knowledge, this is the first such model to be formalized and derived.

## **Works in Progress**

**Can Asset Prices Predict Pandemics?** (early work)

## **Academic and Professional Experience**

**Assistant Professor (Finance), Binghamton University School of Management, 2018-Present**

Instructor, Derivatives Markets (FIN 450-550), Spring 2019 and Spring 2020  
Instructor, Investments (FIN 322), Fall 2018 and Fall 2019

**Instructor, Smeal College of Business, Penn State University, 2014-2015**

Derivatives Markets, Summer 2014 and Fall 2015

**Research Economist, U.S. Commodity Futures Trading Commission, Office of the Chief Economist, 2010-2013**

Provided economic analysis and designed data reporting regimes as the staff economist on the Commission's rulemaking teams for the Dodd-Frank Act's three major swap data reporting rules.

Served as project manager to lead and oversee the design, construction, and publication of the CFTC Swaps Report, a new Commission research product designed to increase the transparency of swaps markets.

Analyzed a wide range of financial data in assisting with Commission surveillance actions and enforcement investigations related to market manipulation and deceptive trading practices.

**Professional Service**

Referee, Journal of Financial Research, 2018-2019

Referee, Pacific Basin Finance Journal, 2014-2015

**Honors and Awards**

Binghamton University SOM Award for Excellence in Teaching, 2020

Binghamton University SOM Faculty Teaching Honor Roll, Fall 2018-Spring 2019

Smeal Small Research Grant recipient (2017)

**Skills**

Software: Proficient with SAS, Matlab, Stata, and Mathematica

Empirical analysis: Network mathematics, simulation programming, actor-oriented models, derivative pricing