What are your research interests right now?

I tend to work on things that crop up in managing the risk of alternative investments, related to part time work at a fund of funds I’ve been involved with since 2004. A fund of funds has very practical but difficult problems to which, mostly, there isn’t some elegant mathematical solution. So, for example, I’ve done work on the value of liquidity – how much excess return you should expect for letting a hedge fund lock up your money for three or more years. Similarly, right now, I’ve been working on a methodology for evaluating so-called tail risk in hedge funds, which aren’t as market neutral as they would like to pretend. Most of the inspiration for this comes from talking to portfolio managers. I like to use options and volatility theory to look at these questions.

What do you see as academically exciting?

I’m attracted to two things at opposite ends of the spectrum. One is the econophysics or agent-based approach to modeling markets, which tries to look at collective effects. It seems to me these models have hope of providing some insight into the consequences of many individuals doing similar things. And then, I like trying to find simple ways to explain finance-theoretic principles. I dislike the arcane way that finance has headed. If you look at Einstein’s derivation of the special theory of relativity, the math is pretty simple. It’s based on a principle you can state in words: that the laws of nature must look the same in all inertial frames. General relativity has much more difficult math, but the principle is still easily articulated: laws must look the same in any frame, even an accelerating one. That said, it’s a bit of a pipe dream to imagine one can do something like that in finance. But nice to think about.

What would you work on if you had lots of time?

A novel.