Six Years After Its 2013 Launch, the Center on Finance, Law, and Policy (CFLP) continues to uphold its commitment to actionable, interdisciplinary research. What started with a convening of 40 faculty members from across the University has evolved into a robust team of more than 70 faculty affiliates with expertise ranging from fintech to financial regulation to entrepreneurship to behavioral economics, along with three staff members, and a network of 25 student research assistants from seven schools across the University.

Today, the Center generates impact through three primary avenues: conducting research, facilitating dialogue between experts from across the University and across the globe, and leveraging the wide array of talents across the university’s faculty and student body to aid Detroit’s renaissance.

As researchers, our faculty-student teams tackle complex issues that plague officials and regulators worldwide. An example of this forward-thinking effort is our ongoing work on the role of central banks: In partnership with the Bill & Melinda Gates Foundation, CFLP faculty and research assistants are reimagining how central banks can better promote the needs of underbanked and underrepresented populations worldwide.

We’re proud of our work, but we recognize research needs a platform beyond academic papers and journals to spark progress. The Center regularly hosts conferences that convene foremost experts in their fields domestically and internationally, leading discussions concerning the most daunting challenges facing regulators and policymakers today. Since 2015, the Center has hosted an annual financial stability conference in partnership with the U.S. Office of Financial Research, covering topics like the role of big data in finance and the risks associated with ever-changing financial technology. Last year’s conference, held at the U.S. Department of the Treasury in Washington, D.C., addressed how regulators can implement more effective measures to prevent lapses in oversight that led to the Great Recession of 2008. This year, we will return to the Treasury’s Cash Room to take on Global Systemic Risk.

In line with our mission, we strive to not only produce informative research but also serve as effective practitioners. The CFLP is proud to coordinate the Detroit Neighborhood Entrepreneurs Project (DNEP), an accelerator that pairs Detroit small business owners with students from the Law School, Ross School of Business, Ford School of Public Policy, and Stamps School of Art & Design, in a first-in-the-nation model to help businesses address their legal, business, and design challenges.

At the Center on Finance, Law & Policy, our goal is to produce transformative and practical work in pursuit of the public good. We reshape our local communities, inform national policy, and tackle global issues through the extraordinary efforts of world-class students and faculty housed at the University of Michigan.

I encourage you to explore our trailblazing projects described in greater detail within this progress report, and I hope you’ll continue engaging with the Center as we move into 2020.
The recent financial crisis. The CFLP interdisciplinary, holistic approach to financial regulation, in light of these experiences, might provide an opportunity to reexamine how big data can help to reinvigorate financial inclusion, particularly in emerging markets.

In the aftermath of the 2008 financial crisis, there was a recognition that big data could play a crucial role in financial regulation, particularly in terms of enhancing financial inclusion. The Center on Finance, Law & Policy (CFLP) has been at the forefront of this discussion, convening international experts from all sectors to examine the evolving role central banks face in the global economy.

In October 2-3, 2018, the CFLP convened international experts from all sectors to examine the evolving role central banks face in the global economy. This event, which was supported by the U.S. Office of Financial Research (OFR) and the Federal Reserve System, included keynotes and interactive audience experiments, participants learned how big data can help to improve financial stability and innovation in the financial system.

In February 6, 2019, the CFLP hosted a keynote address by PayPal’s Chief Privacy Officer, Kristie Chon. Ms. Chon discussed her experience at PayPal, including the challenges and opportunities associated with using machine learning to protect consumers.

In March 20, 2019, the CFLP hosted a keynote address by the Bill & Melinda Gates Foundation, which discussed the opportunities and challenges associated with using big data to improve financial inclusion, particularly in emerging markets.

In May 14-15, 2019, the CFLP hosted a keynote address by the Bill & Melinda Gates Foundation, which discussed the opportunities and challenges associated with using big data to improve financial inclusion, particularly in emerging markets.

In June 19, 2019, the CFLP hosted a keynote address by the Bill & Melinda Gates Foundation, which discussed the opportunities and challenges associated with using big data to improve financial inclusion, particularly in emerging markets.

In September 14-15, 2019, the CFLP hosted a keynote address by the Bill & Melinda Gates Foundation, which discussed the opportunities and challenges associated with using big data to improve financial inclusion, particularly in emerging markets.

In October 18, 2019, the CFLP hosted a keynote address by the Bill & Melinda Gates Foundation, which discussed the opportunities and challenges associated with using big data to improve financial inclusion, particularly in emerging markets.

In November 26-27, 2019, the CFLP hosted a keynote address by the Bill & Melinda Gates Foundation, which discussed the opportunities and challenges associated with using big data to improve financial inclusion, particularly in emerging markets.

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Founded in 2013 by faculty from Michigan Law, the Ross School of Business, the Ford School of Public Policy, and Michigan Engineering, the Center on Finance, Law & Policy now benefits from a rich network of faculty affiliates representing an ever widening collection of University of Michigan schools and programs.

Faculty affiliates draw on their depth of knowledge and expertise to analyze complex systems of interacting agents. A broad theme of his research is the interplay of technology and incentives in shaping behavior.

KATHRYN DOMINGUEZ

Kathryn Dominguez’s research interests include topics in international financial markets and microeconomics. She has written numerous articles on foreign exchange rate behavior and current policies, and her work examines of movements in the foreign exchange market.

DANA MUIR

Dana Muir is a nationally recognized expert on fiduciary and remedial issues in the fields of investments, pension plan funding, plan investment selection and management, and employee stock purchase plans. She is a passionate supporter of Ross School research that shows how business can play a positive role in society and the way the law supports business in playing that role.

VIKRAMADITYA S. KHANNA

Vikramaditya S. Khanna’s interest areas include corporate and securities law, corporate crime, law in India, legal profession, corporate governance in emerging markets, and law and economics.

UDAY RAJAN

Uday Rajan’s research focuses on informational frictions such as adverse selection and moral hazard and their effect on market transactions. His recent work is on the role of credit ratings in the financial markets and on bank regulation.

ADRIENNE A. HARRIS

Adrienne Harris is the co-PI on the Central Bank of the Future research project, which seeks to identify technological, institutional, or tools that central banks could use to support economic inclusion, particularly in emerging markets. Prior to joining academia, she was the Chief Business Officer & General Counsel for a FinTech start-up and a Special Assistant for Economic Policy to President Obama.

Michael Wellman’s research applies principles of computation and economics to engineer rational decision-making strategies and analyze complex systems of interacting agents. A broad theme of the work is the interplay of technology and incentives in shaping behavior.

TRINA R. SHANKS

Trina Shanks currently serves as an independent抱investigator for the SEED Impact Assessment study, which has set up a quasi-experimental research design to test the impact of offering Head Start families SFI college savings plans for their enrolled children. Her additional areas of research include the relationship between asset poverty, and child welfare, public policy for families, and social and economic development, particularly in urban communities.

GABRIEL RAUTERBERG

Gabriel Rauterberg’s research interests include financial, trading markets, securities regulation, corporations, and contracts. Current projects focus on assessing the role of regulation and transparency in the modern stock market; an empirical investigation into corporations’ strategies and analyze decision-making engineer rational economics to computation and principles of research applies Michael Wellman’s stock market; an analysis of high-frequency trading in the modern market microstructure and regulation.

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“Blue bag lunch talks” are free and open to the University of Michigan community. They aim to foster interdisciplinary collaborations and showcase the work being done at the University of Michigan on issues related to finance, law, and policy. Faculty and graduate students are welcome to present research related to finance, law, and policy at any stage of these monthly events - from general questions and ideas, to works-in-progress, to published work.

The Center on Finance, Law & Policy has hosted more than 40 lunch talks since its founding, creating an opportunity for University of Michigan faculty to receive feedback from their peers at other University of Michigan schools and colleges.

Amiyatosh Purnanandam
Ross School of Business
Color and Credit: Race, Regulation and the Quality of Financial Services

Paula Lantz
Ford School of Public Policy
Social Impact Bonds: Potential Challenges in Bringing Private Sector Investors to Public Problems

Adam Pritchard
Michigan Law School
Should I Stay or Should I Go?: Gender Gaps in the Lateral Market for SEC Lawyers

Tawanna Dillahunt
School of Information
Necessity-Driven Entrepreneurship in Resource-Constrained Communities

Linda Tesar
LSA/Economics
The Value of Being Systemically Un-Important: The Case of MetLife

Elizabeth Anderson
Women’s Studies
The Business Enterprise as an Ethical Agent

Peter Adriaens
Ross School of Business
College of Engineering
School for Environmental & Sustainability
Private Financing of Public Infrastructure: Will Digital Finance Open the Floodgates?

Find out about upcoming Blue Bag Lunches at http://financelawpolicy.umich.edu/lunch-talks
Dreamz Creamery, a vegan popsicle company that worked with a team to help consumers understand the brand. Another example is Sweet Well — making and selling cookie dough. It keeps the business focused on doing one thing very well. Through DNEP courses at U-M, and we are able to provide professional quality technical assistance at little or no cost to business owners. DNEP aims to foster a lifelong commitment to community engagement, particularly with the city of Detroit. An interdisciplinary team of faculty across the University of Michigan provide guidance and direction for DNEP. DNEP is housed within the Center on Finance, Law & Policy at the Law School.

What makes a good DNEP client? Small businesses owners are open to change and excited to try new ideas. These types of businesses tend to be more successful and more innovative. For example, a team of business students worked with PizzaPlex, a pizza restaurant and event space in southwest Detroit. PizzaPlex had a lot of innovative ideas – these types of businesses tend to be more successful and more innovative. For example, a team of business students worked with PizzaPlex, a pizza restaurant and event space in southwest Detroit. PizzaPlex had a lot of innovative ideas – these types of businesses tend to be more successful and more innovative.

I’m 110 percent with the city of Detroit. We are unique in the ecosystem—we are able to help businesses in a lot of different ways because of the variety of neighborhood-based businesses. We are unique in the ecosystem—we are able to help businesses in a lot of different ways because of the variety of neighborhood-based businesses. Detroit Dough

Q&A with the Program Manager

How did you become interested in entrepreneurial work? I was in graduate school, I was accepted into a fellowship program with an international NGO that ran co-creation programs for small businesses in Central America. I’ve been working with small businesses—entrepreneurs are constantly dealing with questions of strategy that could have a huge impact on the success of their business. How does DNEP help the entrepreneurial ecosystem in Detroit? In Detroit, there are large organizations that do a great job working with high-tech and early-stage businesses. DNEP tends to work with small businesses that have been around for a couple of years, are newer on their path, and have employees on their teams. While the entrepreneurs have to do work after working with DNEP, we work closely with entrepreneurs and we are able to help businesses in a lot of different ways because of the variety of neighborhood-based businesses. We are unique in the ecosystem—we are able to help businesses in a lot of different ways because of the variety of neighborhood-based businesses. Why should students be interested in taking a DNEP course? For the participating student team members, this is an opportunity to see what happens in the real world. These are the questions that businesses ask every day: How can we market our business to appeal to our current and target consumers? How can we increase our business? How can we increase sales? How can we improve the customer experience? How can we improve the value proposition to the customer? How can we improve customer experience? What would you like to see for the future of DNEP? We would love to see more business owners expand. What would you like to see for the future of DNEP? We would love to see more business owners expand. How do you feel about the students providing creative advice and they all understood the business a fresh perspective. Detroit Dough worked with a team of six BBA students at the Ross School of Business through the Multidisciplinary Action Project (MAP) senior capstone course. The team did research on the growth of the industry and surveyed current and target consumers; created a social media campaign designed to increase sales; and, proposed recommendations for an expansion strategy. The team also proposed the addition of a new product line and provided a growth strategy. It is great to work with U-M students. The team provided creative advice and they all understood the latest trends in marketing. Carla Quarm, Founder

Muse Cosmetics worked with DNEP’s Business+Law+Design program. The interdisciplinary team of students revamped Muse Cosmetics’ operations — they analyzed revenue, which led Muse to close its unprofitable brick-and-mortar shop, and developed a new marketing plan for the company. Art & Design students redesigned the company’s logo and updated the company’s packaging. Law students conducted trademark research, and business and business students researched potential markets into which Muse Cosmetics should expand. Muse Cosmetics

It is great to work with U-M students. The team provided creative advice and they all understood the latest trends in marketing. Carla Quarm, Founder

Sweet Dreamz Creamery worked with a team of four Ross School of Business students and three U-M Marketing students for the Designing Persuasive Communications capstone course. The company’s mission is to create an advertising campaign similar to ad agencies making a pitch to a potential client. The winning team, as chosen by Sweet Dreamz, provided market research, guidelines for social media marketing, a new logo, and packaging designs. #WorryLessIndulgeMore

ENTREPRENEURS

MUSE COSMETICS

The Detroit Neighborhood Entrepreneurs Project (DNEP) is an accelerator for small businesses in Detroit. Small businesses work with DNEP by being paired with a team of students through DNEP courses at the Law School, Business School, School of Public Policy, or the School of Art & Design. DNEP businesses receive free strategy, marketing, legal, accounting, and/or design consulting work that can help accelerate their business, and are able to build lasting connections with the University of Michigan.

Detroit is a large city, so DNEP works with small businesses that have been around for a couple of years, are newer on their path, and have employees on their teams. While the entrepreneurs have to do work after working with DNEP, we work closely with entrepreneurs and we are able to help businesses in a lot of different ways because of the variety of neighborhood-based businesses. We are unique in the ecosystem—we are able to help businesses in a lot of different ways because of the variety of neighborhood-based businesses. Detroit Dough

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The University of Michigan is a collection of top-tier undergraduate and graduate schools from a wide variety of disciplines. The CFLP acts as a convener to facilitate interdisciplinary research among U-M’s award-winning faculty to take on some of the toughest challenges facing our economy. U-M researchers leverage theoretical, empirical, and applied research in service of creating a financial system that is safer, fairer, and better harnessed to a real, current day economy. For more information visit http://financelawpolicy.umich.edu/research-projects

Traditionally, central banks have served three policy functions – monetary policy, payments systems oversight, and financial institution supervision. The Central Bank of the Future project explores how these core functions contribute to financial inclusion, poverty alleviation, and a more inclusive economy – and what could be improved.

Central banks play important roles in monetary policy, financial sector supervision, and payment systems. Central bank policies can play critical roles in whether the financial system advances financial inclusion. As technology continues to change the financial sector, however, there may be new ways in which these institutions undertake this work using financial technology (“fintech”). This also raises the question of whether central banks are well positioned to promote a more inclusive economy—or whether the role of the central bank should be revisited. Simultaneously, the 2018 World Inequality Report finds that global income and wealth inequality is growing. In partnership with the Bill and Melinda Gates Foundation, this project explores the mandate and design of central banks to consider whether they might play an even stronger role in promoting financial inclusion, financial health, and a more inclusive economy. More broadly, it creates a vision for what the “central central banks of the future” might look like and focuses in particular on how emerging technology could support the bank in its efforts to promote financial inclusion, growth, and development.

Primary investigators Michael Barr, Dean of the Ford School, and Adrienne Harris, Senior Research Fellow, Ford School Professor of Practice and former Special Assistant to President Obama, are leading a project to help develop the central bank of the future and its role in fostering financial inclusion around the world. This project will consider how the role of a central bank could evolve in the future to enable it to make greater contributions toward financial inclusion. The project will consider monetary policy, financial sector supervision, and payments systems, as well as other functions. The project also is meant to identify technologies, processes, or tools that could support a Central Bank to achieve public policy objectives related to inclusion, and consider how other sectors, including the private sector and philanthropy, might have a role to play in supporting the development of those tools.

Over the period of this two-year grant we are engaging with standards-setting bodies, central banks, financial regulators and policymakers, as well as futurists and technologists, incumbent financial institutions, fintechs, and other financial ecosystem stakeholders.

One key output of this project will be a policy paper outlining potential future designs for a central bank and potential pathways for reaching that future state, along with a series of working papers focused on specific topics.

Read our working papers at financelawpolicy.umich.edu/central-bank-research or join the conversation on our LinkedIn page.
The vast majority of all orders sent to exchanges are cancelled, which makes it difficult to distinguish spoofing from innocent trading activity. The Project aims to develop improved detection methods through a three-step process: building market manipulation strategies that could theoretically yield profits in the real world. These strategies will then be executed in a simulated exchange built from actual market data. The Project will examine actual market data to try and infer the extent of spoofing, and will use machine learning to discover signals that will permit more effective and precise enforcement against new forms of market manipulation. The Project will also provide trading algorithms to detect spoofing in real exchanges and in real-time.

Improved identification and detection will complement the second component of the Project: An empirical understanding of the incidence of spoofing will help to draw sharper and more workable distinctions between innocent activity and manipulative strategies subject to enforcement. Better detection methods will guide recommended revisions to legal definitions relating to market manipulation. Such definitions currently over-apply on notions of fraudulent intent that do not translate well to the new world of computer program-driven market manipulation. Superior detection will also provide traders more compelling data that will strengthen their cases against suspected manipulators. Thus, the Project hopes to yield new and robust strategies for detecting and enforcing against novel forms of market manipulation.

There are two components to this project: (1) developing methods of detecting manipulative activity, and (2) updating legal and regulatory frameworks to enable more effective and precise enforcement against new forms of market manipulation. The primary target is ‘spoofing’, the act of placing trade orders without the intent of execution in order to influence market prices.

The Ford School of Public Policy, the Ross School of Business, the Law School, and the Georgia Institute of Technology have provided support for this research. The Project is currently funded by the National Science Foundation.

Small businesses are an essential part of the American economy; yet they fare significantly worse than larger enterprises. According to the Bureau of Labor Statistics (2016), around 40 percent of new small businesses fail in their first year and almost 50 percent fail by their fifth year. While small business failures are of course in part due to access to financial and human capital, the link between small business failures and the proper definition of financial behavior and decision making in the face of complexity is much more subtle. Indeed, the Project looks beyond the contemporary economic and regulatory conditions that drive small business financial failure and asks more fundamental questions: What sorts of decisions do those who own small businesses make, and do those decisions have any predictable characteristics? The Project aims to develop improved detection methods through a three-step process: building market manipulation strategies that could theoretically yield profits in the real world. These strategies will then be executed in a simulated exchange built from actual market data. The Project will examine actual market data to try and infer the extent of spoofing, and will use machine learning to discover signals that will permit more effective and precise enforcement against new forms of market manipulation. The Project will also provide trading algorithms to detect spoofing in real exchanges and in real-time.

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What does it mean to have integrity when the trader is a computer?**

Conducting Small Business Owner Research

The diverse backgrounds and level of expertise of the research team are two aspects that make this project so exciting. When you combine the questions of an expert on financial institutions (Barb Barro), an entrepreneur on startups (Dr. Schoar), and an expert on entrepreneurship (Dr. Dilger) into one research project the result is a dynamic research agenda that asks complex questions and inquires nothing for granted. For example, a portion of the survey we’re developing tries to capture how small businesses mobilize resources to assist in financial health. While there is some evidence to suggest that entrepreneurs may be more financially literate than the general public, this project looks beyond simple comparisons of literacy to reveal more complex relationships between financial knowledge, decision making processes and context, and impacts on actual financial health. Further, our study will offer insights into how, when, and why small businesses mobilize idle or mobilize to mobilize resources to assist in financial decision making to better explain why small business owners rarely consult with experts, even as they face an increasingly complex capital marketplace. From these results, we can develop empirically informed behavioral interventions optimized for the special environment within which small businesses operate.

By focusing on financial literacy and activities specific to small business, this work looks to a landscape of small businesses, this project will more clearly capture heterogeneity in small business capacity (by business size, type, and outcomes) and how small business capacity differs from that of individuals and from larger enterprises. While there is some evidence to suggest that entrepreneurs may be more financially literate than the general public, this project looks beyond simple comparisons of literacy to reveal more complex relationships between financial knowledge, decision making processes and context, and impacts on actual financial health. Further, our study will offer insights into how, when, and why small businesses mobilize idle or mobilize to mobilize resources to assist in financial decision making to better explain why small business owners rarely consult with experts, even as they face an increasingly complex capital marketplace. From these results, we can develop empirically informed behavioral interventions optimized for the special environment within which small businesses operate.

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As a student, having the opportunity to work with these faculty from a cross-institutional team and gain insights into how they think and conceive of a project that has been invaluable to my own research.**

Lydia Wilden PhD

Public Policy & Sociology
Data Privacy and Portability

Ford School of Public Policy
Michigan Law

Consumer data is playing an increasingly important role in driving value creation in the financial services sector.

Personal banks utilize advanced processing techniques to study client behavior, applying this knowledge to developing their own technologies, as well as sharing it with Financial Service Providers (FSPs): third-party developers who create ancillary financial products to meet needs outside of what banks provide.

But who owns a customer’s financial data? FSPs assert that consumers should be empowered to own their own data and welcome the innovation this generates, while many banks have voiced concerns that increased data sharing would pose a severe security risk. Both sides argue that their approach to financial data is in the consumer’s best interest. This uneven approach is exacerbated by a localized policy approach to data protection in the US, resulting in a fragmented and inconsistent regulatory system, rather than an overarching legal standard.

Solutions to these issues need not be mutually exclusive: banks, FSPs, and policy-makers can develop standards that improve customer choice, consumer protection, security, and privacy. A cooperative effort can promote new entrants, competition, and innovation that improves both efficiency and the economic well-being of consumers. Progress will involve both technological security improvements, as well as changes in how society and regulatory bodies interact with technology.

As it stands, however, consumer financial data lacks portability. In other words, the data lacks the freedom of movement that could drive competition among service providers by allowing consumers to choose the optimum mix of products and services that suit their particular financial needs. Portability would allow consumers to take greater ownership and control over their data, which could also be good for the economy as a whole. In 2013, the McKinsey Global Institute estimated that increasing access to data in consumer finance could add between $210 - $280 billion a year to global GDP, with up to 50 percent of this total flowing to consumers through enhanced price transparency and tailored product offerings.

Globally, data portability is not a novel concept. In fact, the U.S. lags significantly behind some other countries such as the U.K., Australia, and India, which have taken strides toward allowing data portability; however, the challenge facing U.S. policymakers is to construct a sensible policy framework suited to the particular regulatory and technical attributes of the U.S. consumer financial services sector.

With support from Omidyar Network, the CFLP completed a working paper on this topic, available at financelawpolicy.umich.edu/working-papers.

Content by Abigail Darhart, U-M Law School’19 excerpted and edited for space

University of Michigan FinTech Collaboratory

U-M College of Engineering • Ross School of Business
Ford School of Public Policy • LSA

U-M’s FinTech Collaboratory will build multidisciplinary curricula around financial technology developments, such as blockchain, crypto-currency and digital payment systems.

Supported by a $1 million dollar gift from the Ripple University Blockchain Initiative, the University of Michigan established a FinTech Collaboratory in 2019, enabling University students and faculty to conduct research and develop programming at the forefront of financial technology. An interdisciplinary Collaboratory is a natural fit for the Center on Finance, Law & Policy, who will act as a convener, along with the Center for Smart Infrastructure Finance at the School of Engineering, and the FinTech Initiative at the Ross School of Business.

As an integrated effort between the schools and research centers, the Collaboratory will have the capacity to look at advancing financial technology through a multifaceted lens, addressing the business impact and social ramifications of these growing technologies, alongside the computational data.

With such a rapidly emerging and evolving field as FinTech, the Collaboratory will prove invaluable as an educational resource for providing active learning experiences, allowing the curriculum to develop alongside the technology, and allowing students and faculty research to shape real-world solutions to contemporary economic challenges, such as global infrastructure and data portability and security in a mobile era.

Download a current list of FinTech classes offered at U-M this academic year from http://financelawpolicy.umich.edu/ fintechcourses
Since 2015 the Center on Finance, Law & Policy and the US Office of Financial Research have co-hosted a financial stability conference to bring together interdisciplinary groups of regulators, policymakers and researchers to take on the most pressing threats to our financial system. In 2018 the conference took place in Washington DC, at the US Treasury Department’s historic Cash Room.

On April 2-3, 2020, the conference will return to DC with keynote speaker Gillian Tett, U.S. managing editor of the Financial Times, to explore Global Systematic Risk.

For more info, visit us online at http://financelawpolicy.umich.edu/global-systemic-risk-conference
Abigail DeHart
CFLP RA 2016-2019
JD, Law School, 2019
Law Clerk to Judge Judy Levy, Eastern District of Michigan
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Counsel at WilmerHale
CFLP RA 2018-Present
BFA, Stamps Art & Design, 2021
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MPP, Ford School, 2019
Analyst, Bureau of Economic Analysis, Chief Innovation Office
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