Theory of international financial center in network system

by
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Abstract

This paper is to define the financial center and investigate the role of financial center theoretically in financial crisis. In other word, we provide a proof: given quarantine cost, when the network administrator implements the quarantine in the country with maximum degree, the administrator maximizes the reduction risk in the network, short-run. In the long-run, given low cost of quarantine, when the network administrator implements the quarantine in the financial center, the administrator can converge the risk on network system to zero. This proof provides a theory of financial center and support the empirical studies of Miyakoshi and Shimada (2022).

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