AARON M. MEDLIN

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EDUCATION

Ph.D. in Economics, University of Massachusetts, Amherst, USA, expected 2024 (Major fields: International Finance; Monetary Economics)

M.A. in Economics, University of Massachusetts, Amherst, USA, 2019 (Major fields: Macroeconomics; Finance; Comparative Economic Systems)

B.S. in Economics with distinction, Indiana University South Bend, USA, 2015 (Major: Economics; Minor: Business Administration)

PRIMARY FIELDS

- Macroeconomics
- International Finance
- Political Economy of Central Banking
- Comparative Economic Systems

DISSERTATION

Title: Three Essays on International Cooperation, Central Bank Swap Lines, and Benchmark Interest Rates

Committee: Gerald Epstein (Advisor/Chair), Kevin Young, Mila Sherman, Adam Honig (Amherst College).

Essay titles and brief descriptions:

"Losing Monetary Control: Federal Reserve Swap Lines and the LIBOR Threat" - an analysis of the role of LIBOR during the Global Financial Crisis of 2008 and Covid-19 financial panic of 2020 as a consideration of Fed swap line policy. (Draft Link)

"What Drives Central Bank Swap Line Use?" - an empirical analysis of swap line drawings by foreign central banks from the Fed in response to dislocations in offshore F.X. markets versus money markets. (Draft Link)

"Benchmark Interest Rate Reform: Redistributive Cooperation, Decentralization, and Monetary Control" – an analysis of the political economy of benchmark interest rate reform resulting in regulatory decentralization and control over currency specific benchmark rates by central banks and its implications for redistribution of wealth and power in the global financial system. (Draft Link)

PUBLICATIONS

"Federal Reserve Anti-Inflation Policy: Wealth protection for the 1%?" In Esteban Perez and Matías Vernengo (Ed.), *Debt Dynamics, Financialization and Shared Prosperity: Essays on Structural-Keynesianism*, Edward Elgar. Forthcoming. (with Gerald Epstein) (PERI Working paper version Link)

"How the Federal Reserve Protects the Top One Percent." *American Prospect*, 19 January 2023. (with Gerald Epstein) Link

"Young Workers in Nonstandard Work Arrangements, 2005-2017." Center for Economic and Policy Research. Report, June 2019. (with Hye Jin Rho) Link

"Identifying the Impact of Immigration on Local Firm Entry and Exit." 한국경제통상학회 (*Journal of Economics Studies*), 2017, Vol. 35(1), pp. 43-72. (with Gihoon Hong) Link

"Stimulus or Austerity: A Comparative Analysis of Fiscal Policy in Response to the Great Recession*." Indiana University South Bend Undergraduate Research Journal*, 2015, Vol. 15, pp. 73-93. Link

Working Papers

"Federal Reserve Monetary Policy and Wealth Inequality: An instrumental-variable local projections approach." 2023. Job market paper. Link

"Money, Credit, and Financial Crises by International Monetary Regime: An extension of Schularick & Taylor." 2020. Working Paper. Link.

Seminars and Presentations

Money as a Democratic Medium 2.0 conference, Havard Law School, Cambridge, MA, June 2023.
Panel: "Inequality & the Asset Economy."

Graduate Student Colloquium, University of Massachusetts, Amherst, May 2023.
Paper presented: "Federal Reserve Monetary Policy and Wealth Inequality."

Political Economy Research Institute, Conference: "U.S. Inflation Today: What is to be done?", University of Massachusetts, Amherst, December 2022.
Paper presented: "Federal Reserve Anti-Inflation Policy: Wealth protection for the 1%?"

Undergraduate Research Conference, Indiana University, South Bend, April 2015.
Paper presented: "Identifying the Impact of Immigration on Local Firm Entry and Exit."

Research Experience

Indiana University South Bend
Research Assistant, Bureau of Business & Economics Research — Fall 2015
Research Assistant, Hong Zhuang — Spring 2015

Center for Economic and Policy Research (CEPR)
Domestic Program Intern — May—Aug 2019

University of Massachusetts Amherst
Research Assistant, Political Economy Research Institute, James Boyce — Spring 2019, Summer 2023
Research Assistant, Political Economy Research Institute, Gerald Epstein — Spring 2022—present

Research Interests

- International central bank cooperation and inter-central bank lending.
- Impact of monetary and fiscal policy on household debt dynamics and income and wealth inequality.
- Comparative systems of private credit regimes and implications for financial stability.
- The political economy of benchmark interest rate reform.

Teaching Experience

Indiana University South Bend
Teaching Assistant, Econ 104 Intro to Macroeconomics — Fall 2015

University of Massachusetts Amherst
Teaching Assistant, Econ 311 Money and Banking — Fall 2017
Teaching Assistant, Econ 104 Introduction to Macroeconomics — Fall 2017
Teaching Assistant, Econ 104 Introduction to Macroeconomics — Spring 2018
Teaching Assistant, Econ 104 Introduction to Macroeconomics — Fall 2018
Teaching Assistant, Econ 204 Intermediate Macroeconomics — Fall 2019
Online Instructor, Econ 204 Intermediate Macroeconomics — Fall 2019
Teaching Assistant, Econ 204 Intermediate Macroeconomics — Spring 2020
Online Instructor, Econ 204 Intermediate Macroeconomics — Summer 2020
Teaching Assistant, Econ 103 Introduction to Microeconomic — Fall 2020
Instructor, Econ 397SL Special Topics: Debt Economics — Spring 2021
Online Instructor, Econ 204 Intermediate Macroeconomics — Summer 2021
Instructor, Econ 191 The Economics Behind Our Lives — Fall 2021
Teaching Assistant, Econ 104 Introduction to Macroeconomics — Spring 2023

Teaching Interests

Introductory/Intermediate Macroeconomics; International Finance; Public Finance; Money & Banking; Comparative Economic Systems; Econometrics; Time Series Analysis

Media Interview

Doug Henwood. *Behind The News*. 94.1 KPFA, June 27, 2019. https://kpfa.org/episode/behind-the-news-june-27-2019

Volunteering and Service

Boys & Girls Clubs of St. Joseph County, 502 E. Sample St. South Bend, IN
Volunteer Assistant — Summer 2015

Economics Graduate Student Organization, University of Massachusetts, Amherst, MA
Website Administrator — Fall 2017—Fall 2023
Faculty Meeting Communications ("Ex-Comm") — Fall 2021—Spring 2022
Graduate Studies Committee — Fall 2021—Spring 2022
Treasurer — Fall 2020—Fall 2023

Awards and Recognition

Professional Programs Prize Winning Presentation, IUSB Undergraduate Research Conference — Spring 2015

Omicron Delta Epsilon, International Economics Honor Society — Spring 2015

References

Gerald Epstein
Professor & Co-Director Political Economy Research Institute (PERI)
Department of Economics, University of Massachusetts, Amherst
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Mila Getmansky Sherman
Sherman Professor & Judith Wilkinson O'Connell Faculty Fellow, Associate Director of the Center for International Securities and Derivatives Markets (CISDM)
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Dissertation Summary

THREE ESSAYS ON INTERNATIONAL COOPERATION, CENTRAL BANK SWAP LINES AND BENCHMARK INTEREST RATES

This dissertation comprises three essays that contribute to a deeper understanding of the Global Financial Crisis (GFC), the Federal Reserve's international response, and the U.S. government's campaign for benchmark interest rate reform, shedding light on the implications for effective monetary policy transmission and the evolving landscape of the international financial system.

Chapter 1: Federal Reserve Swap Lines and the LIBOR Threat

In this first essay chapter, I demonstrate how monetary policy transmission to U.S. households and businesses was hindered by USD LIBOR—an offshore dollar interbank rate used extensively in adjustable-rate loans—which notably diverged from domestic interest rates during the GFC, exacerbating subprime mortgage defaults. The Federal Reserve's central motivation in providing liquidity through central bank swap lines was to alleviate offshore interbank funding pressures in the major financial centers, which were pivotal to determining LIBOR. My argument is supported by qualitative evidence—drawn from primary sources like FOMC meeting minutes—and econometric analyses. By estimating a probability model, I assess the likelihood of a foreign central bank securing a swap line from the Fed if a LIBOR panel bank is in its jurisdiction. The model also considers various factors that represent US-specific interests, e.g., the jurisdiction's share of U.S. trade and the financial exposure of U.S. banks. My findings suggest that whether a central bank domiciled one or more LIBOR panel banks in its jurisdiction, conditional on the change in the LIBOR spread over the Fed funds rate, a measure of liquidity stress in offshore interbank markets, accounts for 53% of the variation in which central banks received Fed swap lines. Notably, variables representing U.S. interests do not hold significance in my model, a finding that contrasts with other studies. This insight is crucial for discerning the Fed's priorities in providing unlimited dollar liquidity to specific foreign central banks. It also supports the argument that the Fed's support of the offshore interbank market was a highly rational self-interest calculation, not merely for the benefit of banks—as some claim.

Draft available at SSRN: https://ssrn.com/abstract=4349999

Chapter 2: What Drives Central Bank Swap Lines Use?

Some researchers have argued Fed swap lines were to effectively intervene in foreign exchange markets by placing a ceiling on covered interest parity (CIP) deviations. While this may be a beneficial side effect of swap lines, I argue it is not the primary consideration. In this second chapter, I use an instrumental variable regression approach to address this question. Regressing swap line drawings by five central banks with continuous access to Fed swap lines since 2008 on CIP deviations and LIBOR spread over the Fed funds rate, I find little empirical support that swap line drawings are responsive to CIP deviations. However, I do find statistically significant evidence that Fed swap line use responds to the LIBOR-Fed funds rate spread, providing further empirical support for the argument advanced in the first essay.

Available at SSRN: http://dx.doi.org/10.2139/ssrn.4475819

Chapter 3: Benchmark Interest Rate Reform: Cooperative Redistribution, Decentralization, and Monetary Control

The key takeaway from the first chapter is the importance for policymakers to monitor the benchmark interest rates used by financial institutions in credit products, such as adjustable-rate mortgages, as these can hinder effective monetary policy transmission. Recognizing this vulnerability, U.S. policymakers advocated for international reforms of benchmark interest rates. In this final essay chapter, I delve into the strategies and motivations of U.S. agencies aiming to phase out LIBOR. This led to the global transition from LIBOR, a privately regulated benchmark interest rate, to new risk-free rates overseen by central banks in most jurisdictions. This shift from the City of London's control to individual central banks has profound implications for wealth and influence over the financial system: (1) by redistributing the flow of wealth and business between major financial centers and (2) by enhancing central banks' influence over international financial conditions in their own currencies. The Federal Reserve, especially, benefits enormously from this change, given LIBOR's deep integration into the U.S. financial system and potential to disrupt monetary transmission. Moreover, the widespread adoption of USD LIBOR's successor, the Secured Overnight Financing Rate (SOFR), further amplifies the Fed's influence over both onshore and offshore dollar financial conditions in a world where the dollar is still the most broadly used currency to borrow.

Available at SSRN: http://dx.doi.org/10.2139/ssrn.4544354