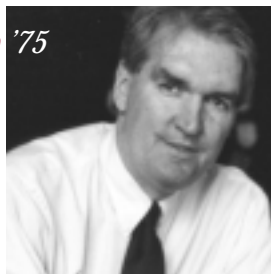


the ECONOMISTS

by Paul Kandarian

The brothers Kehoe crunch numbers for some pretty high-ranking people.

Dr. Timothy J. Kehoe '75

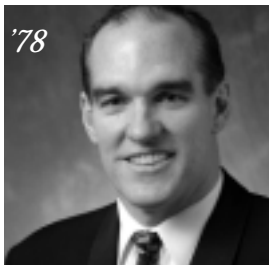


Dr. Timothy J. Kehoe '75, economics professor at the University of Minnesota, where he is currently the Distinguished McKnight University Professor, advised the Spanish government on the impact of joining the European Community in 1986 and the Mexican government about joining the North America Free Trade Agreement (NAFTA) in 1994.

His younger brother, Dr. Patrick J. Kehoe '78, is a monetary advisor to the Federal Reserve who regularly meets with the top monetary advisors to Alan Greenspan, the chairman of the Federal Reserve System (the "Fed").

Their lofty careers began with humble beginnings at Providence College where, the brothers said, the firm foundation was formed for the lives that lay ahead.

Dr. Patrick J. Kehoe '78



“I got a good foundation at PC,” said Patrick Kehoe, who also holds the Paul Frenzel Land Grant Chair in Economics at the University of Minnesota and is a consultant for the International Monetary Fund.

“I value my education at PC,” said Timothy Kehoe, who is also a part-time policy advisor at the Fed in Minneapolis and currently on sabbatical leave from the University of Minnesota. “I loved it there.”

With the credentials the Kehoes are packing, they are often turned to for advice on the state of the United States economy. Both say it’s hanging tough.

ECONOMIC OUTLOOK

“The U.S. economy is doing fine,” said Timothy Kehoe, whose research and teaching focus on the theory and application of general equilibrium models. “If you look at the economy of the U.S. against those of Western Europe and Japan, we have an economy less saddled by regulations and things that promote inefficiency. In the U.S., you have lots of investments, especially in the 1980s and 1990s, in high-tech equipment. There were huge productivity gains then.”

Though the U.S. economy is going through what both Kehoes and virtually all economists call a period of uncertainty, Timothy Kehoe said “the long-run prospects look good. Right now, things are uncertain due to the confluence of a number of factors.”

One is the aforementioned high-tech surge of the 1990s, he said. “The ‘dotcom’ revolution had a lot of people—not economists but mostly financial gurus—saying ‘We’re in a new era’ and people had the idea that somehow if you got involved in the Internet industry, you were going to make money no matter what. There were a lot of silly investments going on. And that led to this kind of recession a few years ago.”

Then the accounting scandals hit—involving companies like Enron—which further fueled economic uncertainty nationwide, he said. “A lot of the stock market had been driven by small people getting into investments,” Timothy Kehoe said. “Then Enron and other scandals happened and made people afraid to invest.”

Uncertainty also increased due to terrorism, in particular the war in Iraq and the attacks of Sept. 11, 2001. But the uncertainty was already in place by then, he said. “A lot of people in government blame things on that [September 11], but the recession had already started,” he added.

People ask him all the time when things will get better, he said. “Economists say look at the indicators of output, and things are getting better there,” he said. “But the average person asks ‘When is the job market going to get better?’ and that’s a good question.”

Traditionally, the job market lags behind increases in productivity, he continued, as producers take a wait-and-see attitude before engaging in wholesale hiring. “It’s hard to imagine things not getting better soon,” he said about the U.S. economy when interviewed in August. “If it doesn’t, we’re going through a whole new phenomenon and economists will have to figure it out.”

Timothy Kehoe is spending the fall of his sabbatical doing research and teaching a Ph.D. course on international economics at the University of Maryland. He will then spend two months back at the University of Minnesota, another two months at the Instituto Autonomo Tecnologico de Mexico in Mexico City, and the final two months of his leave at the Universitat Pompeu Fabra in Barcelona, Spain, teaching a graduate course and doing research in each place.

Patrick Kehoe, a specialist in international economics for the Fed; a former chaired professor at the University of Pennsylvania; and, like his brother, a fellow of the prestigious Econometric Society, which furthers the advancement of economic theory in its relation to statistics and mathematics, agreed with his brother’s outlook on the U.S. economy. He called the current uptick in the economy “a jobless recovery because output is recovering but not many jobs are being created. Hopefully, as the recovery continues, the jobs will follow.”

“The question in people’s minds is, ‘Was the high growth of the late ‘90s what we’re going to return to and is this current slowdown a temporary deviation, or is the boom of the late ‘90s a sort of illusory bubble that has now burst and we will now go back to solid but not spectacular trend growth we’ve had from the ‘50s to the ‘90s?’ We’re in the midst of sorting out the answer to that question,” he said.

He said that post-World War II America has, by and large, seen steady but not spectacular growth, a longstanding trend that he and other researchers at the Fed use to gauge what will happen next. “You can hit the economy with a stick but in short time, it will return back to trend,” he said. “But are the old trends the right ones, or did the ‘90s put us on a new trend path with permanently faster growth?”

As a top researcher for the Fed, which has regional offices across the country, the job of Patrick Kehoe and others “is to advise Greenspan indirectly by briefing the president of the Minneapolis Fed on the newest issues. If our president wants to be briefed on the newest ideas, we’re on top of it. The Minneapolis Fed is well known for being a leader in the newest ideas in macroeconomics.”

As to Greenspan’s handle on economic issues, Patrick Kehoe said, “He’s super smart. He doesn’t need us telling him day-to-day stuff; he needs people to ask questions of. Our job is not crunching numbers; it is different. We spend more time encouraging the Minneapolis Fed president to engage him on new ways to think about what’s going on instead of taking the old ways and grinding out numbers for him.”

PC BEGINNINGS

The Kehoes’ economic beginnings took shape at PC; but for Timothy Kehoe, they almost didn’t. “When I entered PC, I said I was a chemistry major. I was in the Liberal Arts Honors Program and my first year was spent looking around,” he said. “Then I saw an economics course Dick Noel was teaching [the late Normand R. “Dick” Noel ’64, associate professor of economics], took it, and really liked it. He encouraged us; he was a great teacher.”

After that course, Timothy Kehoe double-majored in economics and mathematics, and it was Noel who pushed him to attend graduate school. He earned his master’s degree and Ph.D. from Yale University in 1977 and 1979, respectively. Also in his first year, he had the Rev. Thomas M. Coskren, O.P. ’55, instructor in English and assistant director of the Honors Program at that time, a man he said “put a lot of dedication into his work.”

Another important influence at PC was Ed Flanagan [Associate Professor Edward M. Flanagan, Jr. ’53], with whom both Kehoes took Russian. “He was very good, very enthusiastic and dedicated,” Timothy Kehoe said. Patrick Kehoe said Flanagan had an impact on his own teaching style today. “He taught me a lot about how to treat students,” he said, “how to make them want to work hard by treating them in a respectful way.”

The Kehoes came from hard-working Irish roots, Timothy Kehoe said, which helped them immeasurably while at PC. “My grandmother, Mary ‘Polly’ Murphy, was typical working-class Irish, but still found the time to be president of the Newport PC Mothers’ Club,” he said.

One of the Kehoes’ uncles, James F. Murphy, also attended PC, Class of ’39, went on to a career as a lawyer in Providence, and for a time headed the Democratic Party in Rhode Island. The Kehoes’ father was in the Navy and the family moved a fair bit. When they were young, however, they spent about five years in Newport; they have numerous relatives there and still consider it home.

Though the Kehoes already came from a family background that valued and insisted on a disciplined work ethic, Timothy Kehoe said it was further instilled in him at PC. “I had part-time jobs; I scraped plates in the cafeteria in the morning, then went to class,” he said. “I worked as a book-keeper for a construction company in my last two years.” He also made a lot of friends at PC, he said, some of whom he keeps in touch with. “I loved it there,” he said.

Patrick Kehoe, who played basketball from 1975-1978 under Dave Gavitt, recalled that he had to balance playing basketball for the Friars with a tough academic schedule. “I remember getting back from a week-long road trip and then having to spend the next week studying 12 hours a day for finals.” After PC, he attended and played basketball at McGill University in Montreal and later earned his Ph.D. in economics at Harvard University. But it was his fledgling academic years at PC that started him down the road to success, he said.

“Intellectually, Rick Lavoie [Associate Professor Richard Lavoie ’62], who I had for probability and statistics, was a very good influence on me,” said Kehoe, who graduated with a degree in mathematics and Russian. “He was very willing to sit down with me and guide me through some tricky bits. Dr. Lavoie would suggest advanced material that was beyond what was in the book. It was the first really serious intellectual challenge of my life and he really made it so interesting; it got me hooked on getting a job that primarily uses the gray matter.”

Dr. Clement L. DeMayo, professor of mathematics, was another key influence in his life, he said. “He was an excellent teacher; he had a very organized way of approaching things,” Kehoe said. “He thought you should develop your own language and notation, and that rubbed off on me.”

“Math is like an old, old science,” Patrick Kehoe continued. “Things are pretty much clearly straightened out. Economics is a new science; there are a lot of areas you wade into as a researcher where there’s not even a coherent framework. You have to define a new language so that you can pose a coherent question, then work out a disciplined

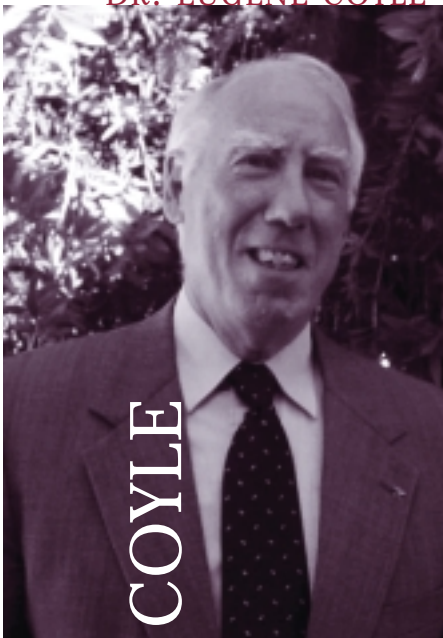
framework using that language, and then analyze data. Some of his classes made me appreciate the importance of building a coherent mathematical language to address questions. DeMayo and Lavoie were helpful in that regard.”

Since their days at PC, the Kehoe brothers have remained close and have even collaborated on a number of research papers that include gauging the impact of NAFTA on the United States, Canada, and Mexico; what causes some countries to grow faster than others; and what causes eco-

nomie depressions. They’ve also co-edited a book, *Modeling North American Economic Integration*.

But it is their days at PC they will always remember with fondness and recognize as the springboard to their success. “It was a great foundation” for things to come, Patrick Kehoe said. “During my Ph.D. years at Harvard, I had to compete with people with Ivy League undergraduate degrees from Princeton, Yale, Harvard, and I seem to be every bit as prepared as the rest of them.”

DR. EUGENE COYLE '54 KNOWS ABOUT THE POWER OF ECONOMICS — quite literally.



COYLE

Dr. Eugene Coyle '54 is a consultant who specializes in regulatory and resource economics and whose work these days focuses on helping countries like Mexico and Korea fight against privatization of water and electric systems.

Coyle once interviewed for a position in the administration of California Gov. Gray Davis (The job never materialized for anyone, Coyle said.) and did consulting work for the Public Utility Commission in California, a state that has had more than its share of electric utility problems.

After PC, Coyle became a fighter pilot in the U.S. Air Force and later a commercial pilot in Colombia and Ecuador before pursuing graduate school to further study economics. He earned his Ph.D. in economics at Boston College and from 1962 through 1964 was an analyst at Brown Brothers Harriman and Company on Wall Street, where he was responsible for recommending investments in the common stock of utility companies. As part of his duties, he traveled throughout the country to familiarize himself with growth prospects of utility service territories, evaluate management, and make judgments about future prospects for utility companies.

His career was solidly founded in utility economics; by 1972, he had received a National Science Foundation grant to participate in a six-week conference on applied price theory at Brown University.

His graduate and undergraduate teaching has covered a wide spectrum of economics and finance courses in places such as Emmanuel College, the University of Miami, St. Mary's College, and the University of La Verne in Naples, Italy.

As a consulting economist, Coyle has lectured extensively at conferences and colleges, including the University of London and the Federal University of Rio de Janeiro. He has testified before legislative bodies and public authorities including the U.S. House of Representatives, the Congress of Brazil, the Mexican Constitutional Reform Commission, and the California Assembly.

All his success, Coyle said, might not have happened if not for his early years at PC. “When I went to PC, I was struggling to figure out who I was and what I wanted to study,” he said, adding that he was on the track team “and that gave me connection to people and it got me some help on how to study, particularly from Father Dore” [Rev. Vincent C. Dore, O.P. '23, dean of studies and vice president of academic affairs at the time].

Coyle wasn't an economics major then, he said, but “stumbled into an economics course and it opened up the world for me, really. I had a lay professor, Clifford Brott [assistant professor of economics, Class of 1950], and from then on, I did fairly well academically.” The athletic director at the time, Rev. Aloysius B. Begley, O.P. '31, “was a wonderful man and a great influence on me, as was Father [Thomas Hugh] McBrien [O.P. '41], a theology teacher.”

Of his overall PC experience, Coyle said, “I found friends there, a kind of family in a way. In a more general sense, PC took me in and nourished me for four years until I grew.”

— Paul Kandarian