

2013 DEAN'S MEDALIST

The CLA Dean's Medal is given annually to an outstanding member of the faculty on the basis of excellence in scholarship or creative activity.

Timothy Kehoe is a model of dynamic general equilibrium. Seemingly inexhaustible and improbably quick for such a large man (with two artificial joints), Tim places local customs and global institutions on equal planes as he travels the world. Perspective thus balanced, he generates a stream of international research that has—and continues to—fundamentally change modern macroeconomics.

But in truth, he is more than a brilliant economist. His gift for leavening the harsh discipline of mathematical economics with nuanced flavors of culture, history and language, and imparting that blend to others renders Kehoe, at a deeper level, the consummate liberal artist.

Profound understanding of economics “is not enough for Tim,” says CLA Dean Jim Parente. “He has a commitment to communicate it. Tim is so engaging, so warm. And he’s got a great ability to present complex economic ideas in very cogent, clear ways.”

No other economist, moreover, better refutes Carlyle’s epithet of “dismal.” With students, alumni, finance ministers and fellow economists, he conveys deep enthusiasm about his field. “Tim’s passion for economics is legendary,” notes coauthor and former student Kim Ruhl. “I do not know another person, in or out of academics, who enjoys his work as much as Tim.”

His success in reaching others stems not just from this contagious delight but from cultural wealth. “How many economists, or scholars of any sort, can go to Barcelona and give a presentation in Catalan?” asks David Levine, a long-time collaborator. Kehoe has near-native command of Spanish as well as Catalan (albeit with a New England accent) and is learning Portuguese.

He reads ceaselessly, especially history and literature. He’s been known to appreciate festivals, drink beer and write poetry (about beer). And food? If you need a restaurant recommendation, Tim is your man—particularly in Barcelona, where several chefs are close friends. This humanity, these liberal arts, allow Tim to bond with others beyond economics, and later perhaps, to bring economics back to the conversation.

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Thomas Sargent, 2011 Nobel laureate

Kehoe has advanced the development of modern macro and continues to drive it forward. “His work has transformed diverse areas of macroeconomics, ranging from the analysis of risk-sharing arrangements to new ways of thinking about sovereign debt crises and attacks on currencies,” notes Thomas Sargent, a 2011 Nobel laureate. “I admire Tim immensely.”

He ranges from abstract theory to pragmatic policy. His earliest research used differential topology to understand

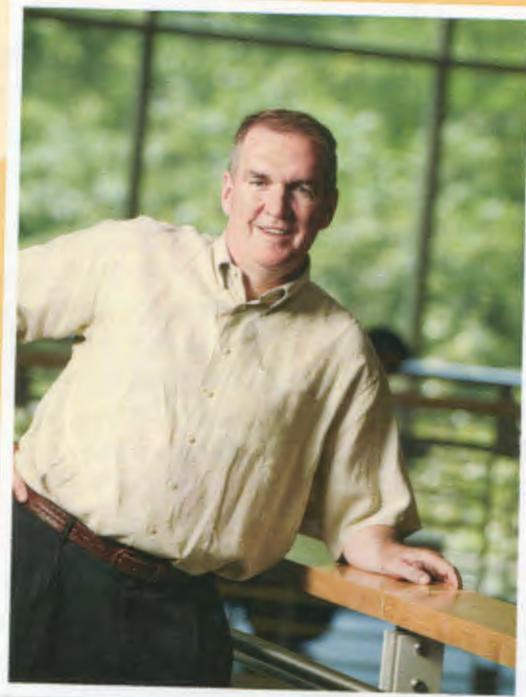
the conditions necessary for unique solutions to general equilibrium models—models in which exchange among households, firms and governments determines prices, output and consumption. These interrelationships change, of course, introducing dynamism that makes solving networks of equations profoundly challenging.

“Tim is an old school general equilibrium theorist—high praise coming from me,” says Robert Lucas, another Nobel laureate. “He can sort out the underlying structure of a complicated theory as quickly and accurately as anyone I know.”

Tim continues to refine theoretical models, but much of his current research applies theory to harsh realities: debt crises, trade disputes, international recessions. As Sargent observes, “He combines his deep understanding of general equilibrium theory with a driving desire to explain empirical observations.”

Applied models “let economists put theories to work,” Kehoe says. Assembling data, calibrating models so that consumers, producers and governments do in theory as in reality, and introducing shocks or changing policies, Kehoe and colleagues use dynamic GE models to predict outcomes and prescribe policies.

His spotlight is often on the U.S., yet more so Latin America and Europe. In the 1990s, he advised Mexico on



ECONOMICS PROFESSOR TIMOTHY KEHOE

entry into NAFTA, working with former classmate Jaime Serra-Puche, then Mexico’s trade secretary. He later helped Panama design similar policies.

Currently Kehoe is studying causes and potential solutions to Europe’s ongoing financial distress. He recently analyzed eurozone sovereign debt crises. Now he’s forecasting effects of an end to the “global savings glut”—what could happen when other nations, suddenly or not, stop lending to the United States.

The intellectual rigor, societal consequence and wide influence of Kehoe’s research are models in academe. “I think it really comes down to not only his exceptional achievement as an economist, but also the global impact of the work that he’s doing,” concludes Parente. “He’s an extraordinary scholar and just an incredible human being.”

BY DOUG CLEMENT