

Peter B. Kenen

The best introduction to this great man, including his [warnings about the Euro](#), is his obituary, written by Barry Eichengreen and Charles Wyplosz on December 23, 2012. This is reproduced below.

Peter Kenen, who has died aged 80, was one of the most influential international economists of the 20th century.

His research contributions profoundly shaped not just thinking but also policy – on exchange rates, the balance of payments, the international monetary system and European monetary union.

As a theorist he contributed importantly to the literature on the patterns of international trade and then on the economics of exchange rates following the collapse of the Bretton Woods system.

But his style and approach were distinctive. Kenen was able to address current problems with uncompromising rigour but also in ways that practical policy makers could understand.

Kenen's biggest early contributions were on optimum currency areas, the framework still used by economists to analyse monetary union.

He showed that monetary unions work smoothly when there is overlap in the industries in which the constituent economies specialise. Conversely, when one economy, say Germany, has as its basis the production and export of capital goods while another, say Italy, focuses on consumer goods, the two may find it difficult to cohabit within a monetary union when, for whatever reason, trade patterns change.

He also demonstrated that fiscal transfers play an important role in most monetary unions in offsetting region-specific shocks. This established, by implication, that monetary union without fiscal union was problematic.

These were issues Kenen returned to when Europe moved towards a single currency. He wrote the definitive analysis of the consequences, [Emu after Maastricht](#), while on a fellowship at the Bank of England in 1992. This proved the most important single guide for economists and policy makers seeking to understand the transition to the euro – all the more notable given that Kenen was an American, albeit an exceptionally cosmopolitan one.

He anticipated many of the euro area's subsequent problems, from the dilemmas of a European Central Bank seeking to make monetary policy for a diverse set of national economies to the tensions created by the absence of fiscal and banking union and the controversy over imbalances in the so-called Target2 system of cross-border transfers. If European leaders did not always listen, that was not Kenen's fault.

Among other interests were capital flows, reform of the international monetary system and the role of the dollar. His work on the developing-country debt crisis anticipated the Brady Plan in 1989.

He was a tireless advocate of a strengthened role for the International Monetary Fund, of special drawing rights and of a substitution account to remove the “dollar overhang” that remains a weak point in the international financial architecture.

Peter Kenen was born on November 30 1932 in Cleveland, Ohio, the son of a newspaperman. After receiving his PhD at Harvard with a prizewinning dissertation published as *British Monetary Policy and the Balance of Payments*, he taught at Columbia University – where as head of the economics department and then provost he served during the turbulent student protests of the 1960s – and then at Princeton, where he died.

He sought tirelessly to bring together academics and policy makers, in particular through two forums: the Bellagio Group and the Group of 30, which also includes financial market participants.

Both organisations bear Kenen's stamp: they force academics to step out of the ivory tower while encouraging decision makers to think analytically about their choices. When not mentoring his many students, Kenen caught bluefish on the New Jersey shore. He is survived by his wife Regina and four children.

Peter Doyle
September, 2014
p.t.d.y@outlook.com
Twitter: @retepelyod
