

Jagadeesh Gokhale

Senior fellow Jagadeesh Gokhale is recognized internationally as an expert on entitlement reform, labor productivity and compensation, and the impact of fiscal policy on future generations. He works with Cato's Project on Social Security Choice to develop reforms for programs such as Social Security and Medicare. Gokhale served in 2002 as a consultant to the U.S. Department of the Treasury and in 2003 as a visiting scholar with the American Enterprise Institute. He was the senior economic adviser to the Federal Reserve Bank of Cleveland from 1990 to 2003.

Gokhale has published papers in many top-tier economics journals and his analysis of the fiscal condition of European economies has lately attracted considerable media attention. His most recent book, *Social Security: A Fresh Look at Policy Alternatives*, challenges received notions about that program's financial future and explores the implications of alternative reforms.

My parents, educated and of liberal outlook, hoped that I would follow in their footsteps by pursuing architecture or medicine. Little did they expect that I would eventually complete a doctorate in economics—a subject that always baffled them. “What, exactly, do you do at work?” my mother once asked. “I study human behavior,” I answered, “and find ways to improve our well-being.” Being skeptical of younger generations' values, my father immediately met that answer with emphatic approval. A vigorous argument ensued between them, allowing me to sneak away.

In India, during my MA courses in economics, I was lucky to be taught by professors who were trained in the United States—at Chicago, Cornell, and Penn. However, India's tryst with a socialist destiny was still in progress during the late 1970s, and some of my professors remained enamored of socialist economic planning. My institute hosted scholars from an East German university who provided texts and lectures on socialist economics. But the books were in German and needed to be translated into English. Having learned the language earlier, I volunteered, and spent the spring and summer of 1979 translating two books on socialist economics. I learned in the process how completely empty it was.

The German professors tried to teach us that “profit” was a Western capitalist concept—devoid of meaning and very harmful. The concept of “interest,” however, had a

clear meaning—enabling the operation of a banking system. Socialist planning, they said, involved lengthy negotiations between workers and managers—called “democratic centralism”—and the production plan that emerged was executed precisely, no matter what.

But if it was negotiated separately in each production unit, how was it a “central plan”? What, exactly, did the planners do? Later, we read critiques of socialism by von Mises, Hayek, and Lange, confirming our suspicions that it could never work. That experience sparked my interest in classical theories of capital accumulation—the topic of my MPhil dissertation—and it prompted me to reject a scholarship to attend the East German university. I applied to U.S. universities instead.

After completing my PhD at Boston University, I joined the Federal Reserve Bank of Cleveland as an economist. The Fed provides excellent opportunities to work on a wide range of economic issues. I coauthored studies on many topics, including generational accounting, Social Security reform, national saving, private intergenerational transfers, wealth inequality, and so on. The experience reinforced my training in economics, overshadowing my

PhD as a relatively minor achievement.

One of the “successes” of my work as an economist is the construction of new fiscal-policy measures—sorely needed at a time when the federal budget will be increasingly dominated by out-of-control spending on entitlement programs for decades to come. The Social Security and Medicare Trustees began to regularly publish these measures soon after my study showed their usefulness.

Although I enjoyed my time at the Fed, I wanted to move to where the nation's policy is decided. Luckily, Ed Crane, founder of the Cato Institute, found my work on fiscal policy measurement sufficiently compelling to make me an offer—a job which I was happy to accept. It was a good decision, for I am now thoroughly immersed in researching fiscal issues, including health care, state and local pensions, debt problems in Europe, and the implications of economic growth and globalization on demands for yet more social support programs. My work here led to my appointment as a member of the Social Security Advisory Board in 2009.

My recent work on fiscal policy and entitlement reforms is at the heart of Cato's attempt to turn our systems of government and the economy away from communitarian tendencies. Such systems bind individuals to overarching national objec-

tives that are destructive of individual creativity and freedom. A key instrument used by career politicians is debt-financed government spending under clever financial arrangements to keep the debt hidden. Revealing the full extent of our government's indebtedness is a prerequisite for limiting and redirecting public policies toward those consistent with maintaining individual liberty, unfettered markets, and a better chance for achieving international peace. ■

