

A Win-Win State Educational Policy

BY ARTHUR W. WRIGHT

Early childhood education enhances economic efficiency and reduces income inequalities.

Forty years after the Johnson Administration launched its War on Poverty, we still cannot hoist a banner proclaiming “Mission Accomplished!” And in coming decades the United States will face the loss of its “Baby Boomer” prime-age workers, as well as the need to pay for their retirement costs. Salvation is at hand—but only if we will finally adopt a promising policy proposal as old as the War on Poverty itself.

That proposal would greatly expand “early-childhood education” (ECE)—systematic training in learning and social skills, for pre-kindergartners. Evidence is overwhelming that targeting ECE at low-income kids would be that rare bird, a win-win public policy initiative. Investing big in ECE would greatly enhance economic efficiency, yielding higher returns than spending on buildings, equipment—or “catch-up” efforts like enriching inner-city elementary and high schools. Into the bargain, society would also reap higher future incomes for today’s disadvantaged children, making for a more equitable distribution of income.

Usually, policies aimed at reducing inequities also *increase* economic inefficiency. The late Arthur Okun of Brookings likened such policies to carrying water in leaky buckets: The total water available is smaller than before the program began.

ECE investments are an exception to Okun’s rule, and both the Federal and state governments have devoted some funds to it, beginning with the 90%-Federally-subsidized “Head Start” program dating back to the late

1960s. Yet four decades later, large numbers of poor children go unserved. By investing more in ECE, Connecticut could constructively address daunting challenges of both future manpower and social justice.

WHAT IS “EARLY CHILDHOOD EDUCATION” (ECE)?

In its broadest sense, ECE ranges from summer church school, to day care or “Head Start” programs, to the heralded, heavy-duty pilot projects begun in the 1960s, such as the Perry Preschool Project in Ypsilanti, MI (1962-67), and the Carolina Abecedarian Program (1972-76).

For present purposes, though, the narrower label “high-quality early development program”, encountered in the literature, works well (J. Burr and R. Grunewald, “Lessons Learned...”, Federal Reserve Bank of Minneapolis, April 2006). “Quality” is measured by bachelor’s-level teacher training and a low child/teacher ratio. So we’re not talking about summer church school, plain vanilla day care, or even Head Start (unless it is “enriched” with state or local resources and applies higher teacher standards than Washington imposes). But neither is the costly intensity of the Perry or Abecedarian projects, designed as research efforts, required.

WHY IS ECE A WIN-WIN PUBLIC POLICY?

James Heckman, a Nobel-laureate economist at the University of Chicago, has spearheaded the economic research on early childhood education over the past decade or more. With varying teams of Ph.D. students and colleagues, Heckman has shown

empirically that ECE delivers impressive economic returns, and has explained why. In a January 2006 speech, Heckman summarized their results:

Early interventions for disadvantaged children promote schooling, raise the quality of the workforce, enhance the productivity of schools and reduce crime, teenage pregnancy and welfare dependency. They raise earnings and promote social attachment. Focusing solely on earnings gains, returns to dollars invested are 15-17%. (www.ced.org/docs/report/report_2006_prek_heckman.pdf, page 2)

Besides higher earnings, a 2004 study for Boston-based Strategies for Children reported a return of nearly 18% on a \$600 million ECE investment, in the form of school cost savings, higher tax revenues, and lower outlays on crime and child health and welfare benefits.

ECE is such a “magic bullet” because skill acquisition is *dynamic* in nature. Early inputs to both cognitive (e.g., reading) and non-cognitive (e.g., social) skills heavily affect the productivity of inputs added later:

Skill begets skill; motivation begets motivation. Early failure begets later failure. (*Idem.*, page 3)

We know (1) that early family environments are significant predictors of non-cognitive and cognitive skill acquisition; (2) that family environments have declined, not improved, on average since the 1960s; (3) that early interventions for high-risk children can effectively short-circuit the negative effects of unfavorable family circumstances—and raise recipients’ incomes later in life; and (4) that waiting until later to intervene—with smaller high-school class sizes, public job training programs, convict rehab

programs, tuition subsidies, and the like—is far costlier per unit return than early interventions.

The figure below (based on simulated investment returns derived from empirical work) illustrates Heckman’s argument. The returns to education for all children, disadvantaged or not, are highest for the earliest investments. But because the parents of advantaged kids already buy ECE, enlightened public policy could focus taxpayer-funded ECE investments first on children with the greatest needs—and the highest yields.

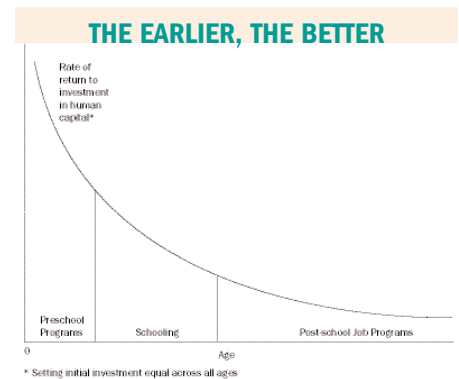
The table, from a 2007 Heckman paper with Flavio Cunha, compares four possible public investment strategies, again based on empirical results. Column (1) shows the “no intervention” baseline of various achievement rates for kids with 1st-decile skills at age 6 and (in adolescence) 1st-decile parental involvement. Column (2) shows the same rates for children who experience early “high-quality” ECE intervention. Column (3) shows that it is possible to play catch-up with adolescent interventions, but it costs better than one-third more. And because the effects of the high-quality intervention in column (2) raise the productivity of later interventions, an “optimal” program of early and adolescent investments makes possible the stellar achievements shown in column (4).

Compared with column (1), either the “early” intervention of column (2) or the more expensive “later” intervention of column (3), boost high school graduation and college enrollment rates, by 60% and 170%, respectively. And rates of conviction, being on probation, and being on welfare decline

by 25%, 30%, and nearly half, respectively.

The “optimal” intervention shown in column (4) clearly dominates both column (2) and column (3). High-school graduation and college-enrollment rates are two-fifths and three times higher, while the probabilities of being convicted, on probation, or on welfare are two-fifths, half, and a quarter of the baseline.

But the truly impressive results show up by comparing the optimal intervention, early and later on, in column (4) with the do-nothing case in column (1). Optimal ECE investment raises the rate of high-school graduation by 2.2 times, and the chances of enrolling in college by some 8.4 times! And it cuts the chance of being convicted of a crime by better than half,



HOW ECE INVESTMENT STRATEGIES COMPARE

	(1) Baseline	(2) Intervene Early	(3) Intervene Later	(4) Intervene Optimally
ACHIEVEMENT				
High school graduation	41.1%	65.8%	63.9%	91.4%
Enrollment in college	4.5%	12.6%	11.7%	37.6%
Conviction of a crime	22.8%	17.1%	17.7%	10.8%
Probation	21.5%	14.9%	15.6%	8.2%
On welfare	17.7%	9.1%	9.7%	2.6%

Source: F. Cunha and J. Heckman, “The Technology of Skill Formation,” *American Economic Review*, May 2007

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that of being on probation by nearly two-thirds, and that of being on welfare by 85 percent.

And that's not to mention the far higher adult earnings of the kid blessed with an optimal intervention, compared with those of a "baseline" child.

AN ECE WIN-WIN FOR CONNECTICUT?

The centerpiece of Republican Governor Rell's budget initiative this year was a large increase in education spending. Yet of the total tab of \$3.4 billion (over 5 years) for her program, the Governor proposed only \$64 million—1.8%—for pre-school education. Over in the General Assembly, the Democratic majority virtually ignored public education (as opposed to property tax relief *per se*), and exhibited zero interest in ECE. So are Connecticut's political leaders walking away from a sure bet for easing poverty and rebuilding the state's labor force?

There is plenty of opportunity for Connecticut to take advantage of investing more in ECE. According to data from the National Center for Children in Poverty (NCCP), in 2005 some 28% of children under age 6 in the Nutmeg State lived in "low-income" households—defined as double the Federal poverty level of \$20,000 per year (http://www.nccp.org/pub_ycp06b.html). Only three states—New Hampshire, Minnesota and Massachusetts—did better. We were at 39% in 1995, and reached a low of 25% in 1999. Nationally, the figure fell from 47% in 1995 to only 41% in 1999, where it has been stuck ever since.

But Connecticut has not done nearly as well in expanding access to ECE as it has in lowering the proportion of low-income children. This, despite the establishment in 1997 of a "School Readiness" program targeted at "priority" school districts and "severe-needs" schools. According to data from the *2006 State Preschool Yearbook*, published by the National

Institute for Early Education Research or NIEER (<http://nieer.org/year-book/>), in 2006 Connecticut ranked only 19th in access for 4-year olds, and 11th for 3-year olds.

The somewhat better 3-year old rank has more to do with weak competition than with stellar performance. Oklahoma, the national poster child for overall preschool policy, is first in access for 4-year olds, but "none-served" for 3-year olds. Even so, only 70% of Sooner 4-year olds were enrolled in ECE in 2006, which says a lot about how shabby the national ECE effort is. (In 2006, 12 states, including Rhode Island, still had no ECE program.) And that nearly half of Oklahoma kids under age 6 lived in "low-income" circumstances in 2005 (per the NCCP) suggests that Connecticut's *relative* ECE effort is laggard.

Ah, but we are generous: State spending per child enrolled in a pre-K program in 2006 was \$7,101, placing us 4th behind New Jersey, Oregon, and Minnesota. Poster-child Oklahoma, by contrast, spent only \$3,364 per enrolled child.

The State Department of Education's useful data base, Connecticut Education Data and Research or CEDaR (www.csde.state.ct.us/public/cedar/districts/index.htm), includes data on the share of entering kindergartners with "prekindergarten experience." State-wide, the share stood at about 75% in the school year 2000-01; by 2005-06, the figure had crept close to 80% (see the centerfold). But there is less than meets the eye in that impressive-sounding statistic, because "pre-K experience"—Head Start, a nursery school, a licensed day care center, or public pre-school program—is quite a bit broader than the "high-quality ECE" referred to by professionals and researchers.

Governor Rell's signature education plan announced in early 2007 referred merely to financing "one-third of ... unmet pre-school needs", but the

projected costs—according to the State’s Office of Policy and Management, \$18.8 million in fiscal year 2008 (which begins July 1, 2007) and \$44.9 million for FY 2009, with \$41.6 million over the two years specifically to *add* 4,000 State-funded ECE slots—imply that the governor has “high-quality” programs in mind. (The arithmetic suggests that the State outlay per slot is expected to rise from the 2006 level of \$7,101.) By the governor’s own rhetoric, it would take only \$83 million more to provide State spaces for *all* at-risk children who sorely need ECE.

For all the Governor’s laudable effort, she apparently has not bought into the compelling logic, and evidence, of ECE research. Whereas her ambitious education plan would entail several *billions* of dollars over five years, she is seeking only *tens of millions* of dollars for early childhood education. True, the governor’s Early Childhood Cabinet has recommended a cradle-to-3rd-grade early-education program as part of a broader early-childhood plan. So, Governor Rell is talking the talk, but her education plan does not yet walk the walk.

In fact, even when it comes to talk, the governor seems not to have fully comprehended the implications of the Heckman-led research. Contrast the chart and table discussed above with her remarks in a March 2007 speech before the Connecticut Business and Industry Association on behalf of her big education initiative:

Now, think of those [school] dropouts.

Think of those teen pregnancies. Think of those who never learned to read, write, or learn [sic] math. Think of the thousands upon thousands who have been left behind and who are still being left behind. Will they ever catch up? Is there any hope for them? What about those who follow them? Shall we give up on them? Shall we expect less of them?

No one would dispute the governor’s argument. Yet the primary focus of her multi-billion-dollar initiative is on remedial learning; only \$63 million is targeted at early childhood intervention.

In a sense, the billions for remediation in the governor’s education plan are a testimonial to one of Heckman’s findings: the high cost of *not* investing big bucks in those dropouts’ lives years ago, but instead waiting until adolescence to try and make up for missed opportunities. Far be it from me to deny remedial programs to those in need of them today. But why not triple the funding for ECE in the Governor’s initiative, increasing the size of her initiative to do so?

WHY DO WE PERSISTENTLY UNDERINVEST IN SUCH A GOOD THING?

If ECE is *that* good, one may wonder what everybody is waiting for. Are our leaders so dense that they willfully ignore such a good thing?

Perhaps, but more fairly (because politicians ought to be judged within the existing political system): There’s just not that much effective political support for ECE.

Theories of voter behavior and ample empirical evidence suggest that people vote their interests. Surely, one might argue, lower-income parents have an interest in increasing public spending on ECE. But do they *vote*? Not in the same proportions that middle-class parents do when their interest, K-12 public-school budgets, is on the ballot. And those same middle-class parents can afford to pay for private ECE, topped up with supporting inputs at home (books, challenging games, family trips, and the like). Why should they vote to increase their taxes to subsidize less-fortunate kids’ access to comparable goodies before they enter kindergarten?

Clearly, and who would gainsay it, the political clout behind State grants to towns trumps that behind State funding for early-childhood education.

I know! What about a major initiative for voter education, registration, and participation among Connecticut’s low-income citizens?

We persistently underinvest in ECE, because there’s little political support for public early-childhood investments.