

the dismal science

Teach Your Children Well

The economic case for preschool.

By Joel Waldfogel

Posted Friday, May 25, 2007, at 7:36 AM ET

Softhearted people always advocate spending more on kids. But according to a [new and authoritative synthesis of available evidence](#), there's a hardheaded case for investing more in young kids over older ones.

In the United States, we've spent trillions of dollars over decades on K-12 schooling in the hopes of making young people more productive, or at least less criminally delinquent. The results have been mixed. About 20 percent of the American workforce is essentially illiterate (compared with 5 to 10 percent in Sweden or Germany), creating a major drag on our international competitiveness. And an astronomical 5.6 million adults in the United States have served time in state or federal prison, with 1.3 million there currently. Their incarceration, along with other costs of crime, costs us around \$1.3 trillion a year.

Why doesn't all our spending on education buy better results? Nobel Prize winner James Heckman of the University of Chicago and Dimitriy Masterov of the University of Michigan argue that by waiting until kindergarten, we throw money at kids when it's too late. Their evidence urges shifting educational spending to younger children.

The early investment is needed, the authors argue, to supplement the role of the family. Recent developments in neuroscience have shown that the early years are vital to cognitive development, which in turn is important to subsequent success and productivity in school, life, and work. Early-childhood nurturing has traditionally been the province of families. But families are deteriorating. Roughly one in six kids was born into poverty or single parenthood or both in 1970. In 2000, the rate was about one in four. What's more, almost 10 percent of children were born to unmarried teenage mothers in 1999; these kids tend to receive especially low levels of emotional and intellectual support and cognitive stimulation. They arrive at kindergarten cognitively disadvantaged, and the gap widens as they get older, eventually leading to early babies, lousy jobs, and elevated crime.

Heckman and Masterov look at a number of pilot programs in early-childhood education that have targeted high-risk kids in disadvantaged families, and studied them into adulthood. These programs are like [Head Start](#), only more intensive. For example, between 1962 and 1967, the Perry Project in Ypsilanti, Mich., provided two years of intensive preschool to a group of disadvantaged 3-year-old black children, chosen from an eligible pool by a coin flip. The program consisted of a daily session of two and a half hours and a weekly 90-minute teacher home visit. In today's dollars, it would cost \$10,000 per child per year.

Perry participants have been followed through age 40, and the program has shown substantial benefits in educational achievement and other social outcomes. Participants achieved greater literacy and higher grades, and they were more likely to graduate high school. Later in life, they were more likely to be employed—and to earn more—and less likely to be on welfare. They also committed less crime and had lower rates of teen pregnancy.

The authors estimate the rate of return for programs like the Perry Project to be a substantial 16 percent. While some of this payback accrues directly to the kids, in the form of higher earnings when they're grown up, about three-quarters of it goes to the rest of us in the form of lower crime and savings on prison spending. Heckman and Masterov compare the return from investing in preschool kids with the returns from lower class size in high school (smaller than the return to preschool) and to GED programs (smaller still). They propose that the return on investment declines with age, although they don't offer a ton of quantitative evidence on this point.

The big economic return for intensive preschool for disadvantaged kids has two implications. First, while many people advocate spending on these kids for reasons of fairness or justice, Heckman and Masterov make a different case. They're saying this preschool spending is a sound economic investment. Each dollar we spend on targeted, intensive preschool returns more than a dollar invested in, say, a pretty good mutual fund.

Many families already make this investment on their own, either by spending time with their kids or by purchasing high-quality child care. Why involve governments? Well, Heckman and Masterov show that if *your* kid goes to one of these programs, *the rest of us* get most of the benefit. Economists assume that even if parents of disadvantaged kids are rational and forward-looking—as if they didn't have enough to worry about—they will invest in preschool only to boost their kids' earnings and not to reduce crime and prison costs, which are borne by the rest of us. As a result, even conscientious parents will under-invest. So, Economics 101 tells you—granted, in an end-of-semester lecture that you probably skipped—that clearly this is a job for government.

The hardheaded case for Perry-like preschool extends beyond higher pay and reduced crime. Unlike many efforts to boost productivity—think trickle-down—this one would reduce inequality as well, by raising the incomes of the disadvantaged. Investing in preschools can also enhance international competitiveness. Much of the growth in American standards of living over the past half-century has flowed from our population's ever-increasing educational attainment. But for the generations born since 1950, the growth has stopped. The problem is not that a college education costs too much, but rather that many disadvantaged kids aren't academically ready for college when they finish high school. And Heckman and Masterov argue that it stems from the academic deficits they bring to kindergarten. If preschool whips them into shape, they'll be better prepared for all the other steps along the way.

A sales problem remains: These programs invade the traditional province of the family, and in Heckman and Masterov's conception, they would target disadvantaged populations

that are disproportionately minority. Wanted: a credible and sympathetic pitchman.
Paging Barack Obama.

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