

One-Page Summary:

1. Introduction

Education, perseverance and motivation are all major factors determining productivity, both in the workplace and beyond it. The family is a major producer of these skills, which are indispensable for successful students and workers. Unfortunately, many families have failed to perform this task well in recent years. This retards the growth in the quality of the labor force. Dysfunctional families are also a major determinant of child participation in crime and other costly pathological behaviors. On productivity grounds alone, it appears to make sound business sense to invest in young children from disadvantaged environments. An accumulating body of evidence suggests that early childhood interventions are much more effective than remedies that attempt to compensate for early neglect later in life. Enriched pre-kindergarten programs available to disadvantaged children on a voluntary basis, coupled with home visitation programs, have a strong track record of promoting achievement for disadvantaged children, improving their labor market outcomes and reducing involvement with crime. Such programs are likely to generate substantial savings to society and to promote higher economic growth by improving the skills of the workforce.

2. Human Capital and Economic Performance

Both the quality and quantity of the labor force are not keeping pace with the demands of the skill-based economy. The workforce is aging, and it will not grow in the near future as Baby Boom retirements put great stress on the fiscal system. Labor force quality, as proxied by education, has stagnated and has already reduced American productivity growth. Moreover, the U.S. labor force skills are poor. Over 20% of US workers are functionally illiterate and innumerate. They are a drag on productivity and a source of costly social problems.

3. Crime

Criminal activity is a major burden for America, costing almost \$1.3 trillion per year and \$4,818 per person. Although crime rates have fallen recently, this decline came at a great price. A large fraction of our population is in prison and spending on the justice system is still growing. Enriched early childhood programs appear to reduce future crime, and in the long run they are the least-cost, most effective way to reduce crime—far more effective per dollar than additional expenditures on police or incarceration.

4. The Importance of Cognitive and Noncognitive Abilities in Economic Life

A series of studies conducted by the military has shown that cognitive ability is very important in explaining the differences in job performance, and it has confirmed that it is very difficult to close these gaps with training. However, other types of ability matter. Studies of GED recipients—who have the same cognitive ability as ordinary high school graduates, but perform like dropouts in the labor market—suggest that traits like perseverance and motivation are also important. Heckman, Stixrud and Urzua show that noncognitive ability is key for explaining much of ordinary human behavior like schooling, smoking, crime and early pregnancy.

5. Gaps Open Up Early: Evidence On Enriched Preschool Programs

The best documented study of interventions directed toward children in low-income families with long term follow-up found that participants experienced increased achievement test scores and high school graduation, and decreased grade retention, time in special education, crime and delinquency, though there are important differences by the sex of the child. Extending the program to all of the 4 million children under 5 who are currently living under the poverty line would yield an estimated private net benefit of \$118 billion for boys and \$161 billion for girls. For the general public, the estimated net benefits are \$780 billion and \$24 billion, respectively.

6. The Case for Early Intervention

Early environments play a large role in shaping later outcomes. Skill begets skill and learning begets more learning. Early advantages cumulate; so do early disadvantages. Later remediation of early deficits is costly, and often prohibitively so, though later investments are also necessary since investments across time are complementary. Evidence on the technology of skill formation shows the importance of early investment. At current levels of public support, America under-invests in the early years of its disadvantaged children. Redirecting additional funds toward the early years, before the start of traditional schooling, is a sound investment in the productivity and safety of our society.