



# Investing in Disadvantaged Young Children Is Good Economics and Good Public Policy

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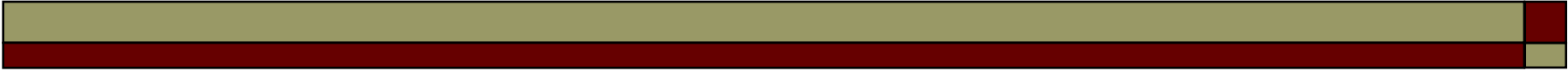
Testimony before the Joint Economic Committee  
Washington D.C., June 27, 2007

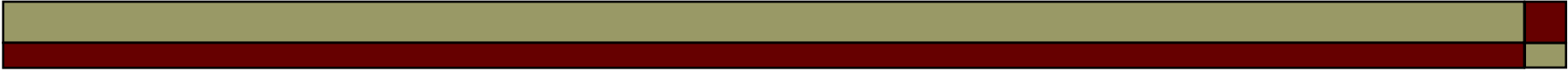


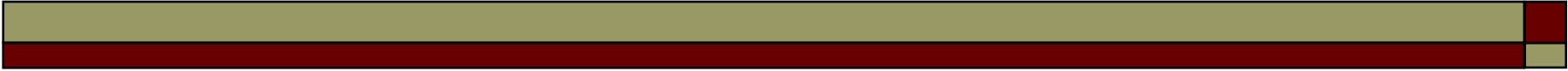
## The Argument in a Nutshell

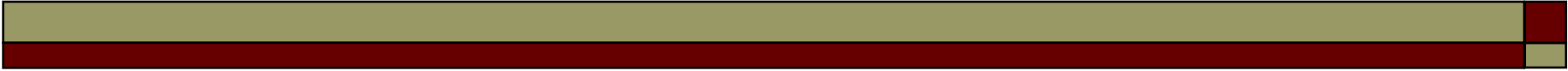
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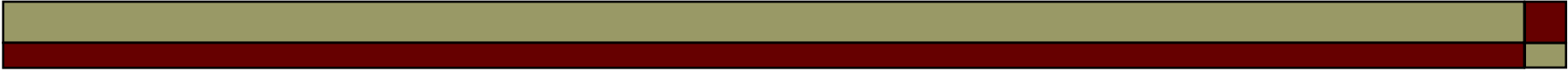
- I. Many major economic and social problems such as crime, teenage pregnancy, dropping out of high school and adverse health conditions can be traced to low levels of skill and ability in the population.
- II. Ability gaps between the advantaged and disadvantaged open up early in the life of the child.
- III. Life cycle skill formation is dynamic in nature. Skill begets skill; motivation begets motivation. If a child is not motivated and stimulated to learn and engage early on in life, the more likely it is that when the child becomes an adult, it will fail in social and economic life. The longer we wait to intervene in the life cycle of the child the more costly it is to remediate to restore the child to its full potential.

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- IV. In analyzing policies directed toward children, we should recognize the variety of abilities.
  
  - V. Much public policy discussion focuses on promoting and measuring cognitive ability through IQ and achievement tests. No Child Left Behind focuses on achievement test scores in the 4th grade, not looking at a range of other factors that promote success in school and life.

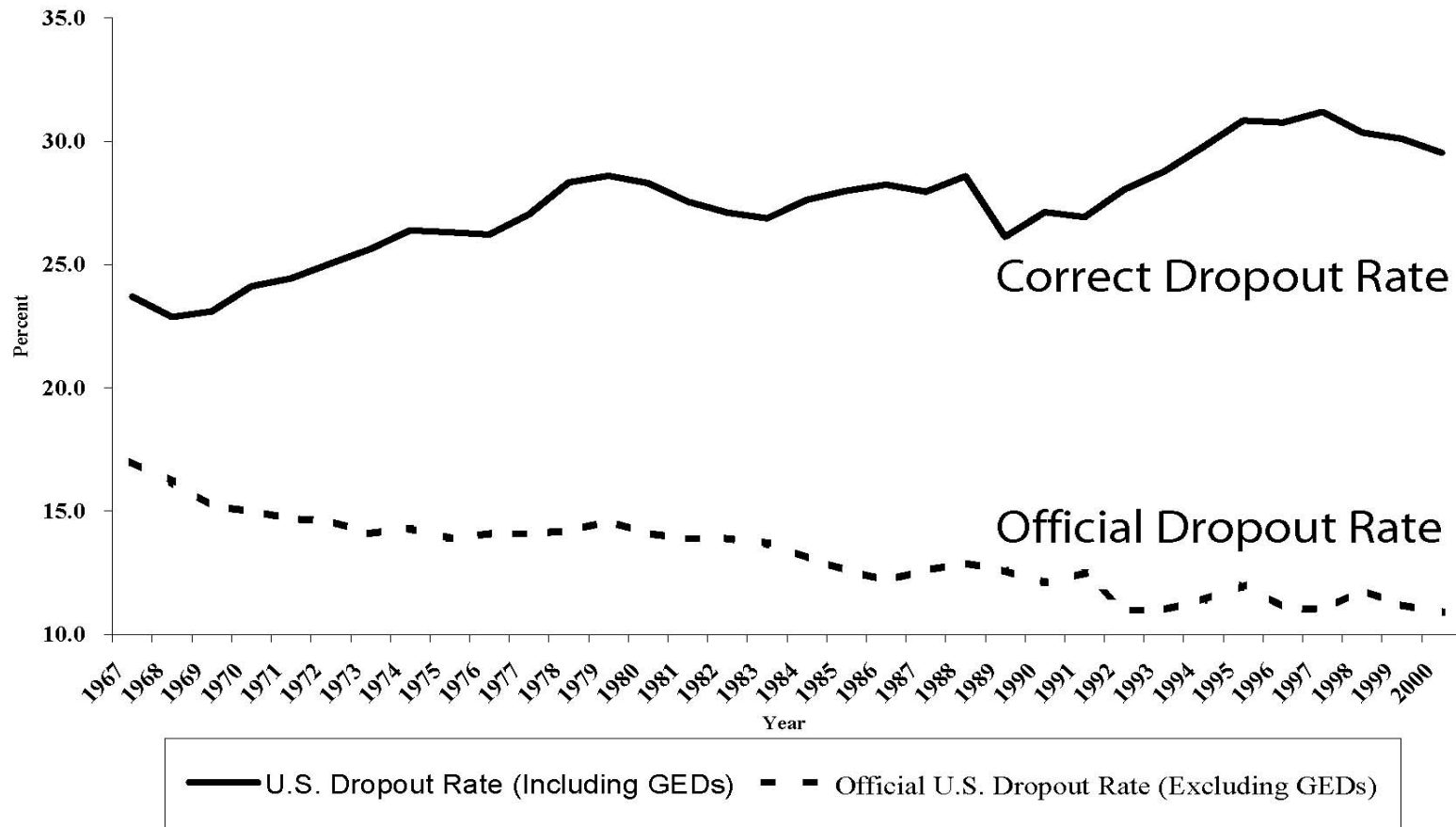
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- VI. Cognitive abilities are important for socioeconomic success.
  - VII. But socioemotional skills, physical and mental health, perseverance, attention, motivation, and self confidence are also important for success in life.
  - VIII. Motivation, perseverance and tenacity feed into performance in society at large and even affect scores on achievement tests.

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- IX. Early family environments are major predictors of cognitive and socioemotional abilities, as well as crime, health and obesity.
  - X. This observation is a major source of concern because family environments in the U.S. and many other countries around the world have deteriorated over the past 40 years.
  - XI. Experiments support a large body of non-experimental evidence that adverse family environments promote adult failure.

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- XII. If society intervenes early enough, it can affect cognitive and socioemotional abilities and the health of disadvantaged children.
  - XIII. Early interventions promote schooling, reduce crime, promote workforce productivity and reduce teenage pregnancy.
  - XIV. These interventions are estimated to have high benefit-cost ratios and rates of return.

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- XV. Early interventions have much higher returns than other later interventions such as reduced pupil-teacher ratios, public job training, convict rehabilitation programs, tuition subsidies or expenditure on police.
  - XVI. A major refocus of policy is required to understand the lifecycle of skill and health formation and the importance of the early years.

# Figure 1: The American High School Dropout Rate is Increasing



Source: (1) The National Center for Education Statistics Digest of Educational Statistics, 2001, Tables 103 and 108; (2) NCES, Dropout Rates in the United States, 2002



## Table 2:

# Comparisons of the Costs of Different Investment Strategies Investing young vs. waiting and remediating in adolescence

Disadvantaged Children: First Decile in the Distribution of  
Cognitive and Non-Cognitive Skills at Age 6

Mothers are in First Decile in the Distribution  
of Cognitive and Non-Cognitive Skills at Ages 14-21

	Baseline	Changing initial conditions: moving children to the 4 <sup>th</sup> decile of distribution of skills only through early Investment	Adolescent intervention: moving investments at last transition from 1 <sup>st</sup> to 9 <sup>th</sup> decile
High School Graduation	0.4109	0.6579	0.6391
Enrollment in College	0.0448	0.1264	0.1165
Conviction	0.2276	0.1710	0.1773
Probation	0.2152	0.1487	0.1562
Welfare	0.1767	0.0905	0.0968

40% more  
costly

Figure 9: Rates of Return to Human Capital Investment at Different Ages: Return to an Extra Dollar at Various Ages

