



Speech at First Five Years Fund Reception

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I want to thank J.B. Pritzker as well as the other distinguished sponsors of this event. Many people in the room and the organizations they represent are tireless supporters of early childhood programs.

The argument for supporting supplements to the family lives of disadvantaged children is intuitive and part of the collective wisdom of society embodied in religious teaching and respect for family life. Yet social policy does not embrace this wisdom. American policy focuses on remediating the later-life effects of early disadvantage rather than on tackling problems at their source.

Early childhood programs for the disadvantaged are socially fair. They are also economically efficient. They have documented rates of return in the range of 7-10 percent, in excess of the historical rate of return to equity of around six percent. They promote productivity and reduce inequality. Further, for these programs there is no equity-efficiency tradeoff. In the long run, they satisfy the Obama rule of “Not one new dime to the deficit.” They reduce crime and eliminate burdens on schools and on firms looking for skilled workers.

How is this possible?

A large and convincing body of research in psychology, economics and neuroscience points to the importance of the early years in producing successful outcomes for advantaged children and in accounting for the social pathologies found among disadvantaged children. This research should cause us to rethink policies focused on human development.

We have come to understand that the accident of birth is a very substantial source of inequality in American society. Public policy should recognize this.

Consider the problem of rising income inequality. This is a problem that has its roots in disadvantage in early childhood. Unnoticed in recent discussions of income inequality is the growth in the percentage of American youth who are high school dropouts. Properly counted, the high school dropout rate is increasing.

This has produced growing polarization in American society – the percentage of people who graduate college is growing; so is the percentage of people who have dropped out of high school. This produces a shrinking middle class. Gaps in educational attainment have increased between majority and minority youth.

The growth in the high school dropout rate will produce serious problems in the future because crime, health, productivity, teenage pregnancy and drug use are all linked to education. More American workers in the future will come from minority populations



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where the high school dropout problem is acute and growing. A growing underclass reduces productivity growth in society. A large body of research establishes that investing in disadvantaged young children promotes educational attainment, improves the productivity of the economy, and at the same time reduces social and economic inequality.

It is possible to avoid the traditional equity/efficiency tradeoff because the early years of life exert a powerful influence over the rest of the life of a child. I am talking about the years 0-3 as well as the later preschool years 4-5. Children raised in disadvantaged environments are much less likely to succeed in schools and in economic and social life and are much less likely to be healthy adults.

The good news for policy makers is that there is strong evidence that early environments can be enriched and that society can offset, in part, the powerful consequences of the accident of birth. Let me summarize the argument for early intervention targeted toward disadvantaged Americans.

The Argument in a Nutshell

Many major economic and social problems in American society 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 society.

In designing policies to alleviate inequality in society, it is important to recognize the multiplicity of abilities. Both cognitive and noncognitive socioemotional skills (sometimes called “soft skills”) promote success in society at large. The soft skills are neither soft nor squishy. There is a lot of hard evidence on the importance of soft skills in economic and social life.

Current public policy discussions focus on promoting the cognitive ability that is measured by IQ and achievement tests. For example, the accountability standards in the No Child Left Behind Act concentrate attention on achievement test scores, not evaluating a range of other factors that promote success in school and later life.

Cognitive abilities are, of course, important determinants of socioeconomic success. But so are socio-emotional skills, physical and mental health, perseverance, attention, motivation, and self confidence. These capabilities contribute to performance in society at large. For example, problems with diabetes onset and control are largely due to defects in motivation and willpower.



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Ability gaps between the advantaged and disadvantaged open up early in the lives of children. Minority-white college-going gaps are not mainly due to high tuition or low parental income in the college-going years, but to the abilities fostered by families. The effects of family income on college enrollment decisions are very weak once analysts account for the abilities of children in their adolescent years.

Family environments of young children are major predictors of cognitive and socio-emotional abilities, as well as crime, health and obesity. 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.

The true measure of child poverty is the quality of parenting, not financial distress. There are substantial gaps in parenting across families. Experimental evidence on the effectiveness of early interventions in enriching the environments of children born into disadvantaged families shows that it is possible to offset the adverse family environments that harm children. If society intervenes early enough, it can raise the cognitive and socio-emotional abilities and the health of disadvantaged children. This evidence debunks notions of genetic determinism that are still widely held in many quarters of American society. High-quality early interventions promote schooling, reduce crime, reduce teenage pregnancy, foster workforce productivity, and promote adult health through multiple channels.

As social programs are currently configured, early interventions have much higher economic returns than later-life interventions for disadvantaged children that attempt to fix the damage of adverse early environments. This is true for such later-life interventions such as reduced pupil-teacher ratios, public job training programs, convict rehabilitation programs, adult literacy programs, tuition subsidies or expenditure on police. Without spending an additional dime, society can redistribute resources from current budgets for unproductive remediation programs towards early childhood programs and improve child and social welfare.

The evidence does not say that all later interventions are ineffective, that they cannot be improved, or that the schools should be shut down. But at current levels of practice, remediation is a very costly strategy compared to prevention.

Life Cycle Skill Formation is Dynamic in Nature

The technology of human capability formation informs us that the return to investment in disadvantaged adolescents is low. Returns are very high for investment in disadvantaged young children.



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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 society waits to intervene in the life cycle of a disadvantaged child, the more costly it is to remediate disadvantage. Similar dynamics are at work in creating child health and mental health. America needs to adopt a life cycle focus in designing and implementing its human capital policy.

We need to implement integrated policies that recognize that a common core of capabilities produce excellence in a variety of domains. We need to break down barriers across cabinet agencies that ignore the synergies in the production of capabilities across the life cycle. A comprehensive approach to fostering the skills that produce excellence is required to meet the challenges facing us.

Summary

A major refocus of policy is required to create a cost effective human investment strategy—one that is based on modern understanding of the way skills and health are formed over the life cycle. American policy should now recognize the importance of the early years in creating inequality in America, and in producing skills for the workforce.

There is no equity-efficiency tradeoff for interventions to improve the quality of the early lives of disadvantaged children. There is an equity-efficiency tradeoff for later life remediation efforts. Society can save resources later on by heading off problems by early interventions. Payoffs to these policies come early by reducing burdens on schools and the juvenile justice system. The policy pays for itself many times over. If society adopts a long-run point of view, it will implement early childhood programs that reduce deficits and produce substantial social payoffs.
