THE ECONOMICS OF EARLY CHILDHOOD DEVELOPMENT:
LESSONS FOR ECONOMIC POLICY

Rip Rapson, President of The McKnight Foundation
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Good morning. And thank you for coming today.

We owe the Federal Reserve a debt of gratitude for not only pursuing research, issuing a report, and holding this convening, but for trying in many other ways to promote the economic wisdom of investing in early childhood care and education. If you haven't seen it, the Wednesday edition of the *StarTribune* carried an article about Art Rolnick—a portrait of a cyclone of activity dedicated to advancing the debate about the importance of early childhood development. He and the Fed do our community a great service.

Throughout the year, I speak at all different kinds of events. Many are important, but few are groundbreaking. I count this gathering as one of those few. First, because it elbows its way into a debate about what this state's highest priorities ought to be, forcing us to face the dismal long-term implications of our shortsightedness about the well-being of the very youngest Minnesotans. Second, and perhaps more importantly, because it brings to the discussion table an entirely new set of voices—leaders from the business sector and other bottom-line pragmatists who approach this issue from the perspective of economic development.

This infusion of new analysis marks a major turning point. For a long while, early childhood care has been portrayed and treated largely as a family issue. In other words, it was the parents' responsibility to make sure their children got what they needed to be ready for success in school, and ultimately later life. It was their job to negotiate the highly competitive and expensive marketplace of childcare and early education, and to find ways to bridge the gaps. We all sympathized with them—especially those with few resources—but we didn't see the cords that tie their situation directly to our own lives, our society, and our economy. We didn't fully understand how closely their private struggles relate to public social and economic issues.

The research we'll talk about today makes those relationships shatteringly clear. No one is denying that families will always play an enormously influential role in readying their children for school and for life. But that's only part of a larger equation captured by these studies. An equation in which public and private policies and budgets play significant roles in determining how many of our children get the most fundamental chance to succeed.

This research and data broaden our vantage point, showing us that the loss of one child's potential as a family member is only a shadow of the loss of that child's potential as an educated, productive world citizen. We all suffer from that loss—not just philosophically, but practically, in both social and economic terms. Our businesses have one less skilled worker. Our communities have one less person to contribute time, energy, and money to sustain a high quality of life. Our state has one less citizen to engage meaningfully in public decision-making. There is one more adult at risk of getting "lost"—of not becoming self-sufficient, of not being capable of responsible parenthood, of straying into crime or requiring continuing public subsidy.

These considerations make clear enough that ensuring young children have a chance at success in later life isn't just a concern of families. We may be used to hearing this argument from moralists and communitarians, but we're not at all used to hearing it from economists and business executives. When we talk about the well being of infants and small children, we're not used to thinking of business productivity or state profitability or even public policies; and we're not used to talking about the rates of return or opportunity costs you'll hear about today.

Instead, those of use who ponder this issue are inclined to define early childhood care and education's benefits in social terms—as the *right* thing to do. After we hear today's speakers, however, I hope it will be clear that we also need to define it in economic terms—as the *cost effective* thing to do. Giving a good start to Minnesota's young children is a public investment that yields a whopping 12% rate of public return—much higher than other economic development strategies we've tried.

The power of adding an economic argument to the social argument for better, more comprehensive childcare and education shouldn't be understated. In these times of budget shortfalls and wrenching decisions about where to spend scarce resources, moving early childhood more into the black-white-and-red world of economic analysis may help both citizens and politicians better grasp its huge potential benefit to our pocketbooks, our businesses, and our communities.

Let me say a word about why I'm here.

The McKnight Foundation has had a long-standing interest in improving opportunities for kids and families. But that interest has become even more focused on children's early years as researchers have grown the science of early childhood development. That science has demonstrated beyond doubt that the quality of life for a child and the contributions he or she will make to society as an adult can be traced back to the first few years of life. From birth until five, as children undergo tremendous growth and change, support for the different kinds of learning they're experiencing makes all the difference. If they don't get it, they're often unsuccessful at school and left behind for the rest of their lives. And keep in mind that educational achievement has never meant more in terms of individual income than it does today. A worker with a college degree makes 60% more than one with a high school degree. A worker with a graduate degree makes 100% more. That gap is only going to increase over time. And those patterns are set in motion very early in life.

At the same time The McKnight Foundation's program interest was "zooming in" on the early years of a child's life, it was also "zooming out" into issues of how our broader metropolitan area can grow in a thoughtful, balanced way, enhancing this region's ability to attract and retain workers, businesses, and private capital.

One doesn't have to travel very far down the road of economic competitiveness strategy to see the web of connections with children, families, and childcare systems. For example, more than three-fourths of Minnesota workers with children under 14 use non-parental childcare. That means if childcare systems are inadequate, it causes problems in the workplace. Twenty-five percent of working parents in this state with children under five say that childcare problems have in fact prevented them from taking or keeping a job. Nearly a fourth of working parents say they have been late for work, left early, or missed work in the past six months due to childcare problems. All total, last year, unscheduled absenteeism cost small businesses an average of $60,000 and large companies an average of $3.6 million. You connect the dots.

Today's discussion will drive the point home—there's really no way to disentangle early childhood care and education from the roots of our economy. McKnight agrees and would take the assertion one step further—neither is there a way to disentangle early childhood issues from the very roots of our democratic society, a society almost synonymous with the word opportunity.

With an issue this critical to our economy and society, there's no way to avoid politics. Of the many difficult questions you are being asked to wrestle with today, perhaps none is more difficult than the question about our collective political will. What would it take to unite legislators, business leaders, school systems, city and county officials, parents, and citizens behind a scenario—and budget—that puts early childhood at the top of the public investment pyramid? You will hear several innovative proposals from participants and I hope will add your own ideas to the discussion.

One last thought before Art gives you an overview of the day. Foundations have long worked with the nonprofit sector in advancing social change. We've been their supporters and partners, and over the decades have achieved some amazing things together. But the world has grown too complicated and fraught with interrelationships for one sector to do much by itself. Today, nonprofits and foundations must work hand-in-hand with other sectors like business and government to help reach big goals. I can't tell you how gratifying it is to be able to participate in meetings like this—where those sectors are gathered with single-minded purpose. Looking around this room full of policy analysts, economists, educators, and corporate executives affirms my belief that these kinds of cross-sector collaborations hold our best hope for social change. Thank you for being part of this.

So I turn the podium over the inimitable Art Rolnick. Ballroom dancer extraordinaire. Author of the widely recognized standard work in the field: "The Debasement Puzzle: An Essay on Medieval Monetary Policy." Senior Vice President and Director of Research of the Federal Reserve Bank of Minneapolis. And, together with University of Minnesota President Bob Bruininks and former Congressman and Mayor Don Fraser, the most passionate and thoughtful advocate I know for improving the life chances of young children. Art Rolnick.