
Economic Policy Institute

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EARLY CHILDHOOD EDUCATION BOOSTS ECONOMY Programs Lift Earnings, Reduce Crime, Fight Poverty, Help Social Security

Investment in early childhood development doesn't just pay dividends in better academic performance: It has huge economic pay-offs, too. The Economic Policy Institute's new report, *Exceptional Returns: Economic, Fiscal, and Social Benefits of Investment in Early Childhood Development*, presents research and calculations that show how education programs for 3 and 4 year old children ultimately provide many financial benefits to local governments and taxpayers as well as to society in the form of higher earnings and reduced crime.

Author Robert Lynch, Chair of the Department of Economics at Washington College and an EPI research associate, finds high-quality early childhood development (ECD) programs contribute directly to higher employment and earnings, better health, less crime and poverty, greater government revenues, and higher levels of verbal, math and intellectual achievement for participating students. The report also points to the benefits of improving work skills and reducing poverty and crime that would ultimately strengthen the U.S. economy and its competitiveness in the global market.

Some of the major findings include:

- Providing poor 3 and 4-year-old children (20% of all 3 and 4-year-old children) with a high quality program would initially cost \$19 billion a year if started in 2005. But by 2050, the benefits would be more than double the cost and provide a net savings to government and taxpayers of \$61 billion (in 2004 dollars).
- Savings in crime reduction due to investments in ECD programs would total \$422 billion in the year 2050 (or \$155 billion in 2004 dollars).
- The increase in earnings due to ECD investments is estimated to amount to \$107 billion (in 2004 dollars) or 0.43% of the gross domestic product (GDP) by 2050. These higher future earnings result from higher productivity of as much as a fifth of our future workforce and contribute to higher gross domestic product levels.
- The higher earnings can also strengthen government budgets at a time when the baby boomers' retirements are affecting funding for Social Security. ECD programs could offset about one-fifth of the projected deficits of the Social Security trust fund.

"Early childhood development not only improves the quality of life of millions of children, but it also provides relief to taxpayers and government budgets," said Lynch. "These programs can promote economic growth and, by reducing crime, they can improve the quality of life for all members of society."

Exceptional Returns calculates the benefits of investing in a high-quality, large-scale early childhood development program that targets all 3 and 4 year old children who live

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in poverty. Lynch finds strong benefits for future government budgets, the economy, and crime. For taxpayers, ECD program participants and society in general, good early childhood education programs produce at least \$3 in benefits for every dollar of investment and benefit-cost ratios for ECD investment have reached as high as 8.74 to 1.

Lynch identifies at least four ways taxpayers concretely benefit. First, public education expenses are ultimately lowered because ECD participants spend less time in school, in terms of fewer failed grades, and require less special education and other accommodations. Second, participants and families have markedly lower crime and delinquency rates, which reduces the need for government spending on the criminal justice system. Third, participants and their parents have higher incomes and contribute more in taxes. Fourth, participants and their families have lower rates of welfare usage, cutting government expense.

The report comes at a critical time, as the problem of childhood poverty is getting worse. In 2003, 19.8% of all children under the age of 6 – or one out of every five children – were living in poverty. This is up from 18.5% in 2002. Moreover, poor families are not as protected as they once were despite safety net programs such as food stamps and the Earned Income Tax Credit. For example, there are 8.4 million children without health insurance, and the real value of the minimum wage for working parents has been declining over the past decade. *Exceptional Returns* shows how proper investment can improve such a dire picture, Lynch said.

“We can reduce poverty and benefit the taxpayer if we make the proper investment in children from the beginning,” Lynch said. “This research demonstrates that early childhood education makes a significant impact well beyond the classroom.”

This report is being released simultaneously in over 40 states by local child advocacy and research organizations with the help of the Institute for America’s Future, Voices for America’s Children and the Economic Analysis Research Network (EARN) in order to draw attention to the benefits of investing in children in their early years. A list of state-level contacts can be found at the Institute for America’s Future website:

http://www.ourfuture.org/projects/kidsrept_groups.cfm

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