

Ben S Bernanke: Early childhood education

Speech by Mr Ben S Bernanke, Chairman of the Board of Governors of the Federal Reserve System, at the Children's Defense Fund National Conference (via pre-recorded video), Cincinnati, Ohio, 24 July 2012.

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Thank you very much for the opportunity to address you today. I'm especially pleased as an economist and policymaker to discuss the importance of education to the success of our economy. At the Federal Reserve we spend a lot of time looking at economic data, such as production and employment. In doing so, we try never to forget that these seemingly sterile numbers are, in fact, reflections of the economic aspirations, opportunities, and well-being of millions of Americans. When individuals are denied opportunities to reach their maximum potential, it harms not only those individuals, of course, but also the larger economy, which depends vitally on having a skilled, productive workforce. As a result, we all have a stake in the essential work that you are doing for our children.

So how can we improve the opportunities for all children and give them a chance to succeed in our ever-changing, globalized economy? As the husband of a teacher and an educator myself, as well as a parent and former school board member, I know from personal experience that, for creating opportunity and changing lives, there is no substitute for a quality education. The research shows that effective educations lead to lower rates of poverty, higher lifetime earnings, and greater satisfaction on the job and at home. And specialists in economic development have identified educational attainment as a key source of economic growth and rising incomes in many countries around the world.

Although education and the acquisition of skills is a lifelong process, starting early in life is crucial. Neuroscientists observe that if the first few years of a child's life include support for healthy development in families and communities, the child is more likely to succeed in school and to contribute to society as an adult. Conversely, without support during these early years, a child is ultimately more likely to drop out of school, earn lower wages, depend on government programs, or be incarcerated.¹

Consistent with this research, early childhood education programs aim to nurture healthy development from the earliest years. Programs that provide enriched experiences for children and that also involve parents have shown to benefit children from all backgrounds, but they have the strongest influence on children from disadvantaged environments.² Importantly, state preschool assessments have shown that early childhood education programs make children better prepared for school, a precursor of future success.³

The benefits of early childhood programs are not just short-term in nature. Careful studies demonstrate that early interventions can have a positive effect on young children from low-income families that lasts well into adulthood. For example, analysis of one program showed that children who attended a high-quality half-day preschool program at ages 3 and

¹ See National Scientific Council on the Developing Child (2005), "Excessive Stress Disrupts the Architecture of the Developing Brain," Working Paper No. 3 (Cambridge, Mass.: Center on the Developing Child at Harvard University, Summer).

² See Arthur Rolnick and Rob Grunewald (2011), "The Economic Case for Targeted Preschool Programs," in Edward Zigler, Walter S. Gilliam, and W. Steven Barnett, eds., *The Pre-K Debates: Current Controversies and Issues* (Baltimore: Brookes Publishing), pp. 22–26.

³ See Vivian C. Wong, Thomas D. Cook, W. Steven Barnett, and Kwanghee Jung (2008), "An Effectiveness-Based Evaluation of Five State Pre-kindergarten Programs," *Journal of Policy Analysis and Management*, vol. 27 (Winter), pp. 122–54.

4 were, at age 40, more economically successful – for example, more likely to own their own homes – than nonparticipants in a control group.⁴ In other evaluations, long-term benefits were demonstrated for a full-day early childhood education program starting before age 1 and for a nurse-based home visiting program.⁵

Economically speaking, early childhood programs are a good investment, with inflation-adjusted annual rates of return on the funds dedicated to these programs estimated to reach 10 percent or higher.⁶ Very few alternative investments can promise that kind of return. Notably, a portion of these economic returns accrues to the children themselves and their families, but studies show that the rest of society enjoys the majority of the benefits, reflecting the many contributions that skilled and productive workers make to the economy.⁷

The Federal Reserve has long supported increasing educational opportunity for children, including the youngest. Federal Reserve Banks have published articles and convened community forums on early childhood issues. For school-age children, we sponsor financial literacy and economic education programs. For these programs, we make a special effort to reach schools with high proportions of minorities and lower-income children.

Many of you in the audience today are still in school or have recently graduated. Your hard work demonstrates that you understand the value of a good education for yourself. With your efforts and the efforts of others, I hope we will one day achieve the Children's Defense Fund's goal of a level educational playing field for all children.

I wish you all the best in your conference and in your work. Thank you.

⁴ See Lawrence J. Schweinhart, Jeanne Montie, Zongping Xiang, W. Steven Barnett, Clive R. Belfield, and Milagros Nores (2005), *Lifetime Effects: The High/Scope Perry Preschool Study through Age 40* (Ypsilanti, Mich.: HighScope Press).

⁵ See, respectively, Leonard N. Masse and W. Steven Barnett (2002), *A Benefit-Cost Analysis of the Abecedarian Early Childhood Intervention*, report (New Brunswick, N.J.: National Institute for Early Education Research, September); and Lynn A. Karoly, Peter W. Greenwood, Susan S. Everingham, Jill Houbé, M. Rebecca Kilburn, C. Peter Rydell, Matthew Sanders, and James Chiesa (1998), *Investing in Our Children: What We Know and Don't Know about the Costs and Benefits of Early Childhood Interventions*, report (Santa Monica, Calif.: RAND Corporation).

⁶ See James J. Heckman, Seong Hyeok Moon, Rodrigo Pinto, Peter A. Savelyev, and Adam Yavitz (2010), "The Rate of Return to the High/Scope Perry Preschool Program," *Journal of Public Economics*, vol. 94 (February), pp. 114–28; and James J. Heckman, Rob Grunewald, and Arthur J. Reynolds (2006), "The Dollars and Cents of Investing Early: Cost-Benefit Analysis in Early Care and Education," *Zero to Three*, vol. 26 (July), pp. 10–17.

⁷ See Heckman and others, "Rate of Return"; and Heckman and others, "Dollars and Cents," in note 6.