

September 21, 2011

Joint Select Committee on Deficit Reduction
U.S. Senate
Washington, DC 20510

Dear Senator Murray, Representative Hensarling and Members of the Joint Select Committee on Deficit Reduction:

There is no question that we can and should cut the federal deficit. The question is whether we have the courage to think differently, to shed our biases, to stop doing things that do not work and to invest in things that do. America's legacy rests on your shoulders. It is in this spirit that I offer the following thoughts as to how we can reduce deficits and create lasting economic prosperity. America has a substantial skills problem. The quality of our workforce is not what it should be and it is not improving. Budget deficits are created in large part by deficits in the skills of our workforce.

Recent research explains the origins of skills and skill deficits. Deficits in skills in early childhood are perpetuated and magnified throughout life. Current policies fail to properly recognize the life cycle dynamics of skill formation. The United States invests relatively little at the starting point—in early childhood development—and as a consequence pays dearly for this neglect at every point thereafter. Our country will be unable to compete in the global economy if it does not address the increasing numbers of children who are not prepared for success in school, career and life.

If you seek to increase productivity and reduce deficits please keep these principles in mind:

- **Early childhood development deserves more resources, not less.** The facts are clear. Birth to age five are the critical years for developing the foundation of health, cognitive and character skills that produce better education, health and economic outcomes throughout life. Evidence shows that supplementing the family environments of disadvantaged children with early developmental resources is the most effective and cost-efficient way to promote productivity, boost lifetime wages and provide equal opportunity, greater achievement and stronger economic success.
- **Investments in quality early childhood development more than pay for themselves.** Concern over the costs of early childhood development programs is warranted, but should quickly evaporate when they are balanced with their returns. Quality programs such as the Perry Preschool Program cost close to the amount spent per child annually in secondary education in public schools. Yet, the rate of return for investment in quality early childhood education is 7-10% per annum through better outcomes in education, health, sociability, economic productivity and reduced crime. These returns exceed the rate of return of stocks over the period of 1945-2008. Early childhood investments pay dividends for the life of the child. Each dollar invested returns 60—300 dollars over the lifetime. These programs pay out immediately and over the life of the child through a reduced burden on the schools in remediation, through a reduced burden on the criminal justice system and through enhanced college attendance and workforce productivity.

In an era of budgetary stringency, it is important to prioritize expenditure—to ask that government programs pass rigorous benefit-costs tests and have high annual rates of return. Early childhood programs pass such rigorous tests. Apply these standards across all government programs and investments in early childhood education survive as cost-effective, productivity-promoting, and inequality-reducing.

- **We can gain money by investing early to close disparities and prevent achievement gaps, or we can continue to drive up deficit spending by paying to remediate disparities when they are harder and more expensive to close.** The argument is very clear from an economic standpoint: Either way we are going to pay. And, while we will have to pay for both for a while, there is an important difference between the two strategies. Rigorous empirical studies show that investing early allows us to shape the future, build equity, and reduce costs; investing later chains us to fixing the missed opportunities of the past—for which we will continue to pay far more.
- **Early childhood health is critical to reducing deficits.** If you want better economic outcomes, you need to promote health, specifically in prenatal and health care for infants and toddlers. Adult health outcomes derive from cognitive skills—understanding healthy lifestyles—and character abilities—having the self-awareness and impulse control to act in one’s own interests and those of society. The evidence clearly demonstrates that early childhood health is essential to building the foundation of cognitive and character skills that drive positive adult outcomes. Sick children do not learn as well as healthy ones. Childhood asthma alone is a major determinant of childhood failure in schools. Evidence shows that investing in early childhood health reduces adult disparities in poor health, depression, obesity and wages.
- **Invest money in quality programs.** Comprehensive and cohesive early childhood education systems are desperately needed to reduce social disparities and their attendant economic costs. Quality early childhood education programs support parents to develop the package of cognitive and character skills necessary for learning, education achievement and college and career success. The programs also assure that children receive needed health care and nutrition and assist parents in their role as their children’s first and most important teachers.
- **The federal government can and should incentivize the development of comprehensive state systems that focus on providing quality care for the children most at risk.** Not all at-risk children receive these essential services. They should. The majority of those fortunate enough to receive any services often get incomplete and disjointed developmental care, which is less effective for them and inefficient for taxpayers. Voluntary programs such as The Early Learning Challenge can help states build comprehensive, efficient and effective quality systems of programs that best serve the needs of their communities.
- **Expand upon proven models.** We need not reinvent the wheel on early childhood education, just get it moving. Models with long-term data and results, such as Perry Preschool and Abecedarian, should be replicated. Programs based on these models, such as Educare, show great promise.
- **Funding for an improved Head Start and Early Head Start, as well as the Child Care and Development Block Grant, is essential and should be used to spur public/private collaboration on program replication.** While there has lately been much debate about the effectiveness of Early Head Start and Head Start, it is imperative to continue funding linked to improving quality of delivery. Efforts currently underway to improve Head Start and Early Head Start should focus on increasing competition and quality among potential service providers, providing more access, streamlining intake procedures, using professionally trained instructors, improving curriculum and incorporating necessary child health services.

- **Collect, align and analyze data from cradle to college and career.** Access to short- and longterm data is critical to tracking the progress of children from birth through to college and career. Rigorous, replicated evaluation is necessary to improve programs and guarantee the highest return on investment.
- **Engage the private sector.** In an era of tight budgets, it is especially important to engage the private sector—to leverage funds, to bring into play the forces of competition and at the same time to promote diversity of values that is America. Building effective private-public policies will be important for sustaining and enhancing early childhood investments.

I wish the committee the best in its work.

Sincerely,

A handwritten signature in black ink, appearing to read "James J. Heckman". The signature is fluid and cursive, with the first name "James" and last name "Heckman" clearly distinguishable.

Professor James J. Heckman
Nobel Prize Laureate in Economics
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