

## Early Childhood Education, Economic Development, and the Business Community

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I'm delighted to be here at the University of Miami as part of your program, "Investing in Florida's Future." For the purposes of addressing you today, let me explain that I'm wearing two hats. One hat is the Federal Reserve hat. The other is cochair of a commission on early childhood education for a 13-county area that encompasses metropolitan Atlanta. It turns out that a linkage can be made between my responsibility as an economic policymaker and my role leading the commission. I'll touch on that in a moment. The commission is a creature of the United Way of Metropolitan Atlanta. The purpose of the commission is to assess the pre-K education landscape in the Atlanta area and recommend a way forward.

The commission began its proceedings about a year ago and is now getting to the point of finalizing findings and recommendations. The commission will make recommendations to a number of stakeholders in the Atlanta community who have equity in the cause of early childhood education. Among those stakeholders, we have presumed, is the business community.

In my remarks today I will discuss the connection between the interests and capabilities of a metro area business community and investment in pre-K early childhood education as a foundational element of economic development.

### Defining pre-K early childhood education

Let me make clear what I'm talking about. Before I began the work of our commission I knew little about the specifics of pre-K education. So it would not surprise me if some of you aren't sure what this subject is all about.

I'm talking about broadly accessible center-based, professionally delivered, appropriately curriculum-centered education for young children starting as early as two and a half years old. That starting point is, today, mostly an aspiration. A more feasible focus would be on three- and four-year-olds. I am also talking about engagement of parents through the whole period from before birth to five years old, the age at which most children enter the formal kindergarten-to-grade 12 school system. Over this time span, advocates place special emphasis on the period from birth through two years old, when parents are the dominant influence on child development.

Let me also be clear what I am *not* talking about. Early childhood education, in my thinking, should not be confused with simple, low-quality day care. Of course, some element of day care comes with any structured effort for children of this age. But the most developed early education programs aim to develop the child's cognitive, social, emotional, and motor skill readiness for the start of formal schooling in kindergarten.

### Discipline applied to the work of the Atlanta commission

What I have just described evokes a variety of legitimate questions and reactions in some quarters. These range from skepticism that social investment in this sort of initiative will make much difference over time to indignation at the suggestion that many young children cannot achieve kindergarten readiness in the home.

In conducting the work of the Atlanta commission, we have been mindful of the full spectrum of natural doubts and reactions and have tried to adhere to some guiding principles—or disciplines.

We agreed to ground the case for further action and investment in empirical evidence.

We committed to making very concrete recommendations addressed to specific stakeholders.

We agreed to shape recommendations that will meet the test of practical feasibility, particularly where scarce funding resources are concerned. And in that regard, we have tried to apply the standard of measurable return on investment.

### Coverage of the commission

We began our commission's work with what we called our education phase. Over eight meetings, we were exposed to the neurology of young child development, the research on the economic development impact of early learning intervention, the current norms of quality in early education, and the practical experience of other cities and states in this field.

Among the more powerful presentations was that of Miami's David Lawrence. I'm sure most of you are aware of Dave's work here in Dade County and Florida. Dave emphasized that community leaders who are trying to advance the cause of early education must think of their efforts as a political and social movement. We're incorporating that notion into our commission's recommendations for Atlanta.

As I said earlier, the Atlanta commission is in the process of finalizing findings and recommendations, so I would be jumping the gun to declare where we'll come out. So for my remaining remarks I'd like to stick to the personal views I've arrived at over the last year.

I've concluded that there are common tradeoffs and decision variables that each community must confront. Therefore, the unique circumstances of communities will result in differing approaches. Each community must find its own model.

Each community must wrestle with and ultimately take a position on these considerations:

The target age and population of children to be addressed by funded programs. Is the focus four-year-olds, or three- and four-year-olds, all children, or underprivileged children?

The degree of programmatic engagement of parents, particularly in the prenatal stage and the early years.

The working definition of quality as well as the ways quality distinctions are communicated to parents. Indications of quality include curriculum content, teacher qualifications, child-teacher ratios, and physical set-up of classrooms.

The locus of movement leadership, recognizing that in most communities providers will be a diverse mix of private and public entities and individuals.

And, importantly, the money question. That is, the method and distribution of funding families' access to programs of measured quality.

In my view, the reality of the early education landscape in most locales is a public-private partnership, and this arrangement will be the case for some time. The private side of this partnership will include for-profit, not-for-profit, faith-based, and secular providers. Bringing common and rising quality standards to this diverse community of providers and injecting market mechanisms to ensure there are incentives to improve quality are central challenges.

### **Summary case for investment in early education**

I would like to connect the cause of early education to the business community—here in Miami, in Atlanta, or anywhere—but before doing that let me summarize the investment case.

At a high level, there is a compelling macroeconomic case for early childhood education as part of the education continuum. The contribution of education overall to labor productivity growth is estimated in various studies to be between 13 and 30 percent of total growth.

Research validates the claim that intervention early in life improves kindergarten readiness, performance in school, and later success in life as indicated by sustained employment, income, and health. Research further supports the claim that investment in early education for underprivileged, otherwise at-risk children yields the highest return. Some of this return accrues to the individuals as they advance through school and through adulthood. Some return accrues to society in the form of reduced public fiscal expenditure for remedial needs. The alternative to quality early education is to spend more down the road on criminal justice and social programs to treat a whole range of problems including school dropouts, teen pregnancy, crime, public health, and adult illiteracy.

In a recent speech, Federal Reserve Chairman Ben Bernanke cited the body of research in support of early education. He said this research "documented the high returns that early childhood programs can pay in terms of subsequent educational attainment and in lower rates of social problems, such as teenage pregnancy and welfare dependency."

I know it sounds flippancy, but I believe we should view it as a pay now or pay later situation, with the costs of fixing problems associated with failed lives far greater than getting those lives started right at the beginning.

### **Business interests and business leadership**

Business communities across the country have recognized their interest in education in general and in the K-12 public school system in particular. In many major metropolitan areas, there is intense attention being given to fixing the public schools. I'd like to suggest that a second strategy is worth considering. Along with improving the K-12 public schools, improve the young students entering the schools. Kindergarten readiness is a legitimate concern. Being behind on day one, with odds against catching up, is a portentous handicap for a child.

I see a definite connection between efforts to improve early education and the long-term economic health of a city, county, or state. Business people understand that their enterprises will not prosper in an environment of rampant social problems, shaky public sector finances leading in all probability to rising taxes, and uncompetitive human capital.

It is the human capital aspect—the imperative to invest in and upgrade our human capital—that I consider the most profound link to the interests of the business community. I don't need to tell you here in Miami that we now compete in a global economy in which higher-order work—the best jobs—goes to the best educated and trained. We cannot wall ourselves off from this reality. Competitive human capital means productive employees, competent and responsive suppliers, and customers with money to spend.

I'm sure it is the case here in Miami, and I know it is the case in Atlanta, that the business community plays a decisive leadership role in moving vital community initiatives forward.

I've already described the likely persistent reality of a diffused landscape of early education providers, funders, advocacy groups, and interested actors. I believe you in the business community can contribute a great deal, especially your skills and understanding in the domains of financial disciplines like return on investment, business-model thinking, governance, and competitive market mechanisms.

I also believe business community leadership and advocacy—because of business's stewardship of the economic welfare of the community—is needed to sustain what David Lawrence wisely describes as a long-term movement. Investment in children in their earliest years for payback to the individual and community years later requires conviction grounded in confidence that the community can organize and execute a strategy in pursuit of a vision that will take time to mature.

I'll close with this thought: The national economy is now emerging from a very painful episode. As a central banker and economic policymaker, I see the recent financial crisis and recession as a wake-up call to think deeply about and then move ahead to build a foundation for sustained economic vitality. I consider early childhood education an important element of that foundation.

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