

G(NOT) VALUING CARE: A REVIEW OF RECENT POPULAR ECONOMIC REPORTS ON  
PRESCHOOL IN THE US

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ABSTRACT

Recently, a series of popular economics “Invest in Kids” (IIK) reports in the United States has called for increased investment in children’s early education. These national reports articulate a new concept, the “public finance value” of children, and argue for increased investment in preschool because of its positive impact on the long-term fiscal health of the nation. This paper analyzes the IIK reports from 2003-2006 to assess their attention to the multidimensional aspects of early care and education (ECE) in the US. Although the reports evaluate increased investment in preschool, they fail to recognize the need for a comprehensive system of ECE that includes support for childcare and the unpaid care and education provided by parents. As a result, the reports undervalue the contributions of women and of the ECE sector itself. Feminist economics offers a broader perspective that would help the IIK authors avoid conceptual traps and recognize the need for more comprehensive reforms.

KEYWORDS

Childcare, fiscal imbalance, economic development

**HEADER: (NOT) VALUING CARE**

INTRODUCTION

Advanced industrialized nations are giving increased attention to the importance of early care and education (ECE) services not only for child development but also for broader economic development in both the short and long terms. The Organisation for Economic Co-operation and Development (OECD 2005) recently published a report, entitled *Babies and Bosses*, which outlines the importance of ECE to parental labor-force mobilization and long-term economic prosperity. Historically, public investments in ECE have been higher in most Western European nations than in the United States. Among the OECD nations, the US stands out as the country that most heavily relies on private-market forms of care with the lowest public investment in ECE services: 0.5 percent of GDP in the US as compared with 2–6 percent of GDP in Europe (Sheila B. Kamerman 2001; Janet C. Gornick and Marcia Meyers 2003). Like the US, Canada, New Zealand, and Australia also rely heavily on private-market forms of care, but in each of these countries public investment is larger than in the US. More importantly, the debates in Europe, Canada, New Zealand, and Australia regarding the importance of ECE services are couched more broadly within a comprehensive perspective that includes attention to child development, parental labor mobilization, and long-term economic-development impacts ( Patricia Birch and Rosalie Rogers 2004; Canadian Council on Social Development 2004;

Enhancing Parents' and Other Carers' Choices [EPOCC] 2006; OECD 2006; Susan Prentice 2007).

The EU debate is not just about the long-term benefits to children but also about stress on parents, their role in the labor force, and the importance of unpaid parental care and parental leave (OECD 2005, 2006). In the US, by contrast, the political/economic debate has been more narrowly focused on the educational interventions of preschool and the public cost and revenue implications for long-term economic prosperity and intergenerational fiscal balance. The US debate has largely ignored the broader care needs of all children and their parents (Taryn Morrissey and Mildred E. Warner 2007). In developing countries, support for preschool has been growing – for example, in Argentina and Chile (Comisión Económica para América Latina y el Caribe [CEPAL] 2006) – but recognition of the importance of family care and the informal economy is fundamental to any discussion of care work and potential policy solutions (Lourdes Benería 2008).

Unlike most of its OECD and Latin American neighbors, the US has not ratified the United Nations' Convention on the Rights of the Child and does not support gender mainstreaming as a policy goal. The US economic prosperity argument is one means to get to a public perspective on ECE absent a rights perspective, but it does not lead back to a focus on the special challenges faced by women or a broader conception of care work itself.

Traditionally, care for children, the sick, and the elderly in the US was handled within the family, largely through unpaid women's labor. The rise of women's labor-force participation since the 1960s and the need for two incomes to provide a living wage

has eroded the unpaid army of women care workers. This commodification of care work and the limits to labor productivity in the care sector have contributed to the exploding costs of care services (William J. Baumol 2001). As the market-based provision of childcare services has grown, attention to the challenges of childcare supply has become more widely recognized in the US (Suzanne W. Helburn and Barbara R. Bergmann 2002; Joan Lombardi 2003). This commodification of care has allowed some policy-makers to see that the US is facing a crisis of care (Mona Harrington 1999). Although the majority of US mothers with children under age 1 work in paid jobs, and about 70 percent of employed mothers with children under age six work full-time (US Department of Labor, Bureau of Labor Statistics 2006), the US has not invested in building an adequate system of public preschool or market-based child care. As a result, the majority of children receive unregulated care from relatives, babysitters, or neighbors (Mildred E. Warner 2007, Jean Kimmel 2006).

Traditionally, research and policy on early childhood has been separated into two arenas: early education focused on preschool and child development and childcare focused on the care needs of working parents and their children (Morrissey and Warner 2007). The former is generally viewed by the public in the US as a positive investment in children's human development, while the latter is often viewed as a "necessary evil" that often has negative consequences for children (W. Steven Barnett 2004). A recent movement in the field combines these two arenas under the single ECE label, which recognizes that all children and families need both education and care that is developmentally appropriate (Jessica Brauner, Bonnie Gordic, and Edward Zigler 2004).

The economic importance of ECE has three major components: the human development and human capital impacts for children, the labor-force participation and career impacts on parents, and the role of the ECE sector itself in the regional economy (Mildred E. Warner 2006a). An ecological perspective that acknowledges the nested nature of child development in the family, neighborhood and regional economy, and society calls for a broader policy perspective (Louise Stoney, Anne Mitchell, and Mildred E. Warner 2006; Morrissey and Warner 2007). However, the US national-level debates have been primarily focused on preschool for 3- and 4-year-olds, and thirty-eight states have now implemented such programs (W. Steven Barnett, Jason T. Hustedt, Laura E. Hawkinson, and Kenneth B. Robin 2006).

Recent brain research showing the critical importance of early learning (Rima Shore 1997; Jack P. Shonkoff and Debra A. Phillips 2000), along with three long-term studies – Perry Preschool (Michigan), Abecedarian (North Carolina), and Chicago Parent Child – showing large positive public benefits to investment in preschool (for a review, see W. Steven Barnett and Debra J. Ackerman 2006), has led to increased interest in preschool from economists who have traditionally focused on economic development and fiscal policy. This article explores the extent to which that interest has addressed the challenges of early education as a part of the care economy in the US. Has it broadened economic policy to be more inclusive of care work? Has it acknowledged the special contributions of women? Has the research valued all elements of the care economy (both paid and unpaid, market and informal care)?

The analysis below focuses primarily on a set of national studies sponsored by the US-based Invest in Kids (IIK) working group to measure the long-term macroeconomic

benefits of increased investment in preschool. Bracketing a kick-off US conference in December 2004, the IIK commissioned working papers by economists and fiscal analysts at the national level to reframe fiscal analysis to show the generational imbalance of current fiscal policy and argue for greater investment in preschool for 3- and 4-year-olds. Laudably, these studies explore new ground by attempting to articulate the economic importance of preschool within the US context; however, they suffer from conceptual limitations in economists' ability to value care work, hence the title of this article – “(Not) Valuing Care.”

#### BACKGROUND: ECONOMISTS DISCOVER PRESCHOOL

The US national Committee for Economic Development (CED) made front-page headlines in 2002 with the release of its study, *PreSchool for All*, which argued that the nation should make a commitment to preschool for all 3- and 4-year-olds to ensure the future productivity and competitiveness of the US economy. Since that time, IIK working papers have measured such things as the “public finance value” of a child, and “fiscal and intergeneration imbalance” of current federal fiscal policy in the US (Jagadeesh Gokale, 2003).

According to its website, “The Invest in Kids (IIK) Working Group has two purposes: (1) determine the value of children and investments in children to future economic growth and job creation and communicate these findings widely; and (2) design politically feasible, economically effective and substantially private youth human capital development programs.” (Invest in Kids working group [IIK] n.d.). The group

meets regularly in Washington, DC, and its members include key fiscal and policy analysts from Washington DC think tanks, universities, and the financial sector.

Research sponsored by IIK makes several important contributions to the reconceptualization of the value of early education in the US. Traditionally, public investment in early education in the US has been limited to programs for poor children such as Head Start (a publicly financed preschool program for poor children), and more recently, childcare subsidies for low-income, working parents. These child care subsidies have grown by almost 300 percent since their inception under the US Welfare Reform in 1996 (Jennifer Mezey, Rachel Schumacher, Mark H. Greenberg, Joan Lombardi, and John Hutchins 2002). However, these programs are conceived as welfare and typically viewed as expenditures, not investments, in national fiscal analysis and congressional debates. The IIK does not address childcare subsidies for working parents in the US, but it does link preschool to long-term economic competitiveness and fiscal soundness. In so doing, the IIK has effectively reconceptualized expenditures on early education as investments, changing the sign from negative to positive in national fiscal debates. This is exciting and opens up the opportunity to have a new development-oriented economic discussion about the value of early education that can potentially reach beyond the narrow confines of political support for welfare programs.

### **Review of the IIK Economic Reports**

The first four IIK reports laid the basis for a fiscal approach by introducing the notion that children have a “public finance value” and thus expenditures on children could be considered investments. The second set of IIK reports looked more specifically at early

education interventions and their potential economic return. Both sets of papers focus on the impact of investments in children on the US economy, but share in common a narrow conceptualization of early education as preschool rather than the more comprehensive set of early care and education supports to children and parents.

The first set of IIK papers are most important for the conceptual ground work they lay for a public finance approach. The first IIK working paper by Jagadeesh Gokhale (2003) builds on an earlier analysis by Jagadeesh Gokhale and Kent A. Smetters (2003) conducted for the American Enterprise Institute,<sup>1</sup> in which the authors presented the concepts of fiscal imbalance and generational imbalance to show that the US's crises of Social Security and Medicare are greater than commonly understood (a fiscal imbalance of US\$44 trillion) and argued for personal accounts as one policy response.<sup>2</sup> Gokhale's paper for the IIK calculates the public finance value for US girl and boy children of today to show the differential burden each faces in meeting federal obligations estimated under different scenarios: increased taxes, reduced Social Security and Medicare benefits, or reductions in other federal programs.

The public finance value concept is really quite simple. Over the life-course of an individual, one moves from a dependent state, to an economically productive state, to a dependent state again. It is possible to track the flow of public investments in a person living in the US (for example, healthcare, public education, and Social Security), and returns that person gives back to the public till in the form of taxes from earnings. For most members of the US society, the flow to government is positive. The concern of Gokhale's paper is that the fiscal burden faced by today's children in the US is too large, estimated at US\$387,000 for males and US\$224,200 for females (the difference is due to

lower lifetime earnings and longer lifespan of females, which is described in more detail later) (2003: 4).

Adding to the analysis, Richard Toikka and Andre Neveu (2004) estimate the age-expected lifetime earnings for sixteen demographic groups of children in the US based on gender, race, ethnicity, and country of origin using data from 1990 and 2000. They estimate a total discounted lifetime earnings of US\$464,197 for the average 3 year old in the US in 2000 and argue that this is “disturbingly low compared with what newborn children may have to bear in lifetime net taxes” (Toikka and Neveu 2004: 8). William Gale and Laurence Kotlikoff take this intergenerational analysis a step further and show how current US federal budget trends – particularly the tax cuts and expanding entitlement expenditures for the elderly – “will hurt economic prospects for most of today’s children and all future generations” (2004: 1). In projecting outward, the paper shows a worsening budget squeeze, especially for children’s programs that are largely discretionary and argues for a pro-child US fiscal policy agenda that recognizes how deficits and tax cuts hurt children.

The final paper in this first set, by Robert Dugger (2005), chair of the IIK, outlines a ten-year plan for the working group. He connects investments in “youth human capital” to workforce quality and points out the challenge of getting politicians or business leaders to recognize the importance of investments that require a long payback period (2005:3). He presents data showing that children are US voters’ top personal and political priority, yet this seems to have little impact on fiscal policy.

The second set of IIK working papers focuses on the impact of different programmatic interventions – most notably preschool. James J. Heckman and Dmitriy V.

Masterov, review data from the few long-term US studies of returns on investment in preschool to show that “returns are highest for investments made at younger ages” (2004:23). Better school performance, higher graduation rates, lower crime, lower welfare usage, and higher earnings for the intervention group show that investments in early education have a long-term positive societal return. Heckman and Masterov pay particular attention to poor and minority children in adverse environments, as these demographic groups are the source of future growth in the US labor force. They extrapolate from two long-term, early intervention studies – Perry Preschool<sup>3</sup> and Chicago Parent Child – to show the private and public returns from extending similarly structured programs to all disadvantaged children. To complement the long term focus of Heckman and Masterov, Clive R. Belfield (2005) conducts a state level analysis focused on the medium term (school years) and determines that the benefits of making publicly funded preschool universal outweigh the costs.<sup>4</sup>

Three papers look beyond the primary IIK focus on preschool. Deanna S. Gomby<sup>5</sup> (2005) assesses the effectiveness of home visitation programs for teaching parenting skills, and Barbara Wolfe and Nathan Teft (2006) look at roughly 200 childhood interventions in the US and assesses their potential importance to economic growth.<sup>6</sup> Finally, Dennis Winters and Theresa Field (2006), attempt to measure the size of the infant, toddler, and youth economy and determine it is equal to US\$121 billion or roughly 1 percent of GDP.

Three related national organizations also researching the economic importance of preschool are important to mention, but they differ from the IIK papers by taking a broader, economic-development view. The most widely read is a paper by the Federal

Reserve Bank of Minneapolis, which applies internal rate of return analysis to the Perry Preschool study to argue that investments in early education, with returns at 12 percent to society at large and 4 percent to the participant,<sup>7</sup> have a higher return than most alternative economic development investments and should be a focus for US economic-development policy (Art Rolnick and Robert Grunwald 2003). The second, by the Economic Policy Institute,<sup>8</sup> compares returns from four early education initiatives that have been subjected to long-term analysis,<sup>9</sup> and shows that investing in a comprehensive, publicly financed preschool program for 20 percent of the poorest 3- and 4-year-olds would offset one-fifth of the deficits for US Social Security in the 2030–50 time period (Robert G. Lynch 2004). The third by the UpJohn Institute for Employment Research compares US investments in preschool with a business subsidy of similar cost by modeling costs and returns (in jobs and income). The paper estimates the long-term effects of high quality universal preschool (over seventy-five years) would boost the US's GDP by about 2 percent due to the increased labor supply and productivity of parents and children benefiting from preschool (social productivity effect) (Timothy J. Bartik 2006).<sup>10</sup>

All the national papers described above find positive returns on investments in ECE, both for children and for the US economy. But disturbingly, several of the papers fail to place children in the context of their families and communities. Most of the IIK papers focus on formal interventions – preschool for 3- and 4-year-olds. The wider system of ECE, that includes care from birth to age 13 in both informal (nonmarket) and market settings, is not acknowledged.

Failure to acknowledge the larger ECE system leads the IIK papers to policy prescriptions that are too narrow to address the multifaceted nature of the childcare crisis

in the US. The human-capital perspective evident in these papers focuses on formal early education but fails to address the broader care needs of both working parents and their children or to value childcare and household care that is outside the formal market. Orthodox economic thinking has also led to a focus on targeted interventions (preschool) when a more comprehensive approach that puts children in the context of family and community would yield higher returns (Morrissey and Warner 2007).

## INTELLECTUAL TRAPS: CONCEPTUAL, METHODOLOGICAL, AND ETHICAL

### **Valuing both family care and market care**

In the IIK-sponsored reports, attention is focused primarily on formal preschool for 3- and 4-year-olds. This is partly a reflection of the funding priorities of the Pew Charitable Trusts, a leading US foundation, which has chosen preschool as a priority area and is a major supporter of the IIK project.<sup>11</sup> The focus on preschool also reflects a human-capital argument that gives attention to the educational dimension but not the broader care needs of children and their families. Children in the US spend only a small portion of their time in formal institutional care (less than 12 percent according to Panel Study of Income Dynamics data analysis by Nancy Folbre, Jayoung Yoon, Kad Finnoff, and Allison Fuligni 2005), and time spent in preschool is only a small slice of that total. Most of children's time is spent in unpaid family care or with friends and neighbors (Warner 2007; Jean Kimmel 2006). When we consider the impact of investments to improve quality and access to ECE services, we must address both the preschool and childcare

(including family and paid care) portions of that system as most children spend part of each day in both (Nancy Folbre 2006; Taryn Morrissey, 2008).

Feminist economists have long recognized that inattention to care work is a major shortcoming of traditional economic analysis. Nancy Folbre (1994) has shown how household labor ceased to be counted as productive economic activity by the US Census almost a century ago. For the last hundred years, economists have divided the economy into two worlds – the formal economy, counted and modeled at the national and regional scale, and household production, which is uncounted and largely unvalued. More attention to measuring the household economy is found in developing countries where it is arguably a larger portion of the total economy (Lourdes Benería 2003). Although recognition of the informal economy in the US has led to a substantial blurring of the line between these two spheres, efforts to count economic activity are typically restricted to those activities that are commodified in a market context. But that is changing.

Around the world, increased attention is being given to measuring household nonmarket labor through time-use studies (Benería 2003; the Levy Institute and the United Nations Development Programme [UNDP] 2005). In the US, with the advent of the American Time-Use Survey (ATUS) conducted by the US Department of Labor, Bureau of Labor Statistics (2003), researchers have a clearer picture of labor time and can use this to value unpaid care in the overall economy. Although there is still wide debate about what value to assign to these non-traded household produced goods and services, there is wide agreement that they are a critical component of the real economy and need to be measured (Duncan Ironmonger 1996; Katherine G. Abraham and Christopher Mackie 2005). The US Bureau of Economic Analysis (US BEA), an agency of the US

Department of Commerce, has been doing this with satellite accounts according to the recommendations of a National Academy of Sciences panel on how to value nonmarket time. Building on research in Europe and developing countries, the US BEA used a quality adjusted replacement wage approach and found that including unpaid household labor would increase US GDP by 24 percent for 1997 (J. Steven Landefeld and Stephanie H. McCulla 2000). Folbre and Yoon (2008) have used the ATUS to estimate the value of women's childcare relative to their market work, showing that the real value to the economy of their care work is often larger than their actual market earnings. A conference sponsored by the Levy Institute and the UNDP (2005) profiled theoretical and methodological advances in measuring unpaid work. Recent economic analysis shows that labor time (from the ATUS) can be used to constrain national income accounts and develop shadow values for nonmarket care work without imputing with a replacement wage (James E. Pratt 2007).

US BEA economists caution that ignoring the contributions of the household economy has caused economists to overestimate economic growth, as the expansion in women's labor-force participation has been accompanied by a reduction in household production (Landefeld and McCulla 2000). The replacement wage approach allows analysis of behavioral changes such as the reduction in family care. These analyses show that the value of unpaid family work in the US has eroded relative to market wages over the last half century. Thus looking at family care in the context of market care is critical if we are to see the whole picture. In her review of time-use survey data across both developed and developing countries, Benería (2003) finds that women are responsible on average for more than 70 percent of childcare. In the US, despite some rise in father care,

women still bear the major childcare burden. So, ignoring the importance of family care also disregards the heavier burden borne by women.

Given these new methodological developments and the availability of the ATUS data, it is all the more surprising that none of the popular national economics reports (outlined previously) attempts to measure the value of family care time. The Gokhale paper (2003) implicitly values this negatively by assuming women make no contribution to public finance value when they are out of the formal labor market caring for children. A similar logic is behind the Toikka and Neveu (2004) paper that finds women's lifetime earnings and tax contributions are lower than men's.

The IIK paper by Winters and Field (2006) looks across the economy and attempts to measure the infant, toddler, and youth economy but excludes any measure of household work, and even fails to acknowledge the serious undercount of care work sectors in formal economic statistics (on which the report relies). The Winters and Field study stands in contrast to the more than 70 studies conducted at the state and local level by economic development teams looking at the regional economic importance of the ECE sector. A review of these state and local studies found that although they do not measure unpaid care, they do a better job of measuring the paid (formal and informal) care sector by using data from state licensing records and parent or provider surveys, and find 20–300 percent more paid ECE workers than reported in economic census data based on establishment reports (Mildred E. Warner 2006b). Rather than the simplistic “multiplier” used by Winters and Field (2006),<sup>12</sup> these state and local studies use standard regional input-output models to measure multiplier effects (Warner 2006b),<sup>13</sup> and argue for a

broad range of ECE services and workplace policies that would benefit children, parents and their employers.

### **Valuing women as parents and workers**

There have been substantial changes in the US household economy since the 1960s. Loss of the family wage, greater workload, and rising women's labor-force participation have intensified stress on children and parents, especially mothers (Gornick and Meyers 2003; Diane F. Halpern 2004). Given the business leadership of IIK, the absence of discussion about the increasing stress in the workplace and need for work/life policies<sup>14</sup> that support families in the IIK working papers is surprising. Across the US, employers are voluntarily instituting work/life policies to reduce worker stress. Industry human resource analysis shows such policies yield a positive return to a company's bottom line in the short term due to increased productivity and reduced employee turnover (Karen Shellenback 2004). Gornick and Meyers (2003) in their recent book, *Families that Work*, show how US workplace policy lags behind European nations.

The failure to value family care goes beyond neutral. The Gokhale (2003) paper values in-home care at zero and finds that boys are worth more to society precisely because they do not take time out of the formal paid labor force to care for children. Males pay more taxes into the system due to higher earnings from a longer productive work life.<sup>15</sup> Girl children, by contrast, are assumed to be absent from the labor force during some period of their economic life (presumably to care for children) and for these years, make no contribution to their public finance value. This makes the public finance value of girl children negative, precisely because of their role in providing unpaid care. In

addition, the authors assume baby girls and boys today will have the same career trajectories as the prior generation, despite the rise in women's labor force participation and in caregiving by fathers.

Heckman and Masterov (2004) also differentiate the public return by gender and find that the return on public investment in preschool for girls is less for society than for boys primarily because the incarceration rates for females are lower. Rolnick and Grunewald (2003) found fully 70 percent of the benefits of early education are from crime reduction.<sup>16</sup> Because the negative costs of crime are part of the public budget, reducing them has real, countable value in the economy. But the positive benefits of private unpaid care are not measured in government accounts; thus their value is unknown and uncouned. This may explain why no policy attention is directed toward relieving and supporting the private care role played primarily by women for their families. The negative public finance value of girls (found by Gokhale) is even more troubling when research has shown most of the gender gap in earnings is actually a mother gap due to time spent caring for family members (Ann Crittenden 2001; Halpern 2004).

While acknowledging the importance of investing in kids, the IIK working papers fail to recognize the private, unpaid investments made by families, and women in particular, in providing care to their children. However, one paper does acknowledge the problem of deteriorating family environments:

Adverse childhood environments explain a substantial part of the problems of schools, skills and crime in American society. It is especially problematic that poor environments are more common in the minority

populations on which America must depend for the growth in its future labor force. (Heckman and Masterov 2004: 2)

This failure to consider context and the multiple roles of parents – as care providers, educators, and workers – exhibits the blindness of orthodox economics toward care work and household labor in general. It is ironic that in studies designed to promote investment in ECE, the majority of that work remains unvalued and unseen.

In her book, *The Invisible Heart*, Nancy Folbre (2001) argues that care work provides the foundation for most economic life. But unlike Adam Smith's invisible hand, which though invisible, is widely recognized for its powerful role in market management, the invisible heart is widely ignored by economists. Based on love, reciprocity, and interdependence, the care portion of the nonmarket economy provides the foundation for the market. Folbre (2001) argues that public investments should be made in formal care supports to relieve overburdened family caretakers so they can do what public or market-based programs can't – love those for whom they care. Martha Fineman (2004) recommends that care be measured by its value to society and more public investment be made in supporting caregivers. A recent proposal by the New America Foundation argues that parents and businesses, as well as society, would benefit from greater workplace flexibility and public insurance to help workers balance paid labor and family responsibilities (David Gray 2006).<sup>17</sup>

**Universal versus targeted approaches: Implications for effectiveness and for citizenship**

The IIK papers take various approaches to the issue of targeting preschool investments to the poor or promoting universal access. The CED argues for *Preschool for All* (2002), and the Belfield (2005) and Bartik (2006) papers model the costs and benefits of universal preschool. However, the Heckman and Masterov (2004) and Lynch (2004) papers argue for a targeted approach that assumes that the potential returns on investment in children from poor environments may be even greater than for middle-class children. Targeting preschool only to poor children is a marked departure from the universal approach applied to K–12 public education – one of the only entitlements available to children in the US. It also runs counter to education research that shows that middle-class children also exhibit cognitive and social readiness gaps that can be successfully addressed through preschool programs (Karen Schulman and Steven W. Barnett 2005). It stands in bold contrast to European preschool programs, which are largely universal (Kammerman 2001; Gornick and Meyers 2003).

Furthermore, from both a political and an effectiveness perspective, US history has shown that universal programs, such as Social Security and public education, are more stable and effective in reaching the poor than targeted programs (Theda Skocpol 1995). Access to a universal free public education has been a widely held American value. One might think the focus on preschool would be linked to extending the model of universal free public education to early education. Many US states that have implemented preschool programs have supported the notion of universality (at least in principle if not in financing), and preschool expert Steven Barnett argues that the best way to reach the children who need it most is through a universal approach (W. Steven Barnett, Kristy Brown, and Rima Shore 2004). Indeed, both Oklahoma and Georgia, the two states that

have implemented universal preschool, have found the gains among middle-class children to be especially large because they are less likely to have been in quality preschool programs before (Gary T. Henry, Laura W. Henderson, Bentley D. Ponder, Craig S. Gordon, Andrew J. Mashburn, and Dana K. Rickman 2003; William T. Gormley, Ted Gayer, Debra Phillips, and Brittany Dawson 2005).

It is surprising that the IIK studies focus on preschool (ages 3–4), when experiences during the first three years of life may be more important for long-term development. Designing investments in the early years requires both formal out-of-home care solutions and support to caregiving by family members within the home. Addressing in-home care for younger children requires recognition of the role of parental care. The unpaid or informal nature of much infant and toddler care makes it more difficult for traditional economic analysis to address, as orthodox economic analysis generally ignores non-market care. Care for infants and toddlers in the formal childcare market is much more expensive than for preschool children. So an orthodox logic might argue for picking the low-hanging fruit – preschool – which is cheaper. This was the argument made in Canada for focusing on preschool instead of a full range of care for children from birth to school age (Gordon Cleveland and Michael Krashinsky 2004). The IIK argues that expanding investment in children is essential for future economic productivity, but it is not clear whether the recommended expansion in preschool would extend to entitlements for other services such as childcare and parental supports (for example, workplace policy and paid parental leave).

The IIK papers argue the consistent theme that the fiscal and generational imbalance caused by the US's Social Security and Medicare programs, which are

universal for the elderly, is too much for our children to bear. “[T]o pay for our current spending, male children born today will need to contribute at least US\$150,000 (in present-value dollars) more in taxes than they will receive in benefits; the burden for females is only about one-third as large because they have lower earnings and pay less in taxes” (CED 2006:16). To argue that the burden for females is lower than for males denies the higher care burden women face and their lower income earned as a result.

The focus on economic returns from preschool reflects a notion of human capital investment justified by economic contribution, but economic productivity arguments do not necessarily lead to an expansion of citizenship rights. Frank Nullmeier and Diether Doring (1995) distinguish between social justice in the family and society, which is based on actual needs (*Bedarfsgerechtigkeit*), versus social justice in the market, which is based on economic power and performance (*Leistungsgerechtigkeit*). Michael B. Katz (2001) has shown that the US shift toward more narrowly defined economic conceptions of citizenship (benefits based on work and an end to entitlements) is an attack on social citizenship in general. This stands in contrast to other European countries where social citizenship is more widely recognized (Gøsta Esping-Andersen 1990). In Canada, access to quality childcare is seen as a citizenship right, and policy-makers are suspicious of more market-based approaches (Susan Prentice 2007). In Latin America, the debate recognizes serious public finance limitations but tempers support for user fees by concern for social protection (Gøsta Esping-Andersen and Sebasti Sarasa Urdiola 2005).

### **The benefits and limits of a market approach**

By using an economic prosperity perspective to argue for increasing both public and private investment in preschool, the IIK has made an important contribution in showing the generational inequities of deficit spending and the unfair fiscal burdens by class and generation (Gale and Kotlikoff 2004). The Gale and Kotlikoff IIK working paper poignantly argues for a pro-child US fiscal policy agenda along the lines of Isabel Sawhill's 2003 book *One Percent for the Kids*. Related papers by Lynch (2004), Bartik (2006), and Rolnick and Grunewald (2003) explicitly argue for increased public investment by comparing economic-development investments in business subsidies with investments in preschool. The Lynch report shares the IIK working papers' concern with long-term fiscal balance, but its models positively link investments in preschool to solvency in the Social Security program. What binds all these papers together is the notion that expanded funding for children's programs is fiscally prudent for the US, especially in the long term.

The IIK is also working with private financiers to design a system whereby private investors could achieve a market return. The working paper by Dugger notes that the priority voters give to children "seems to have little impact on policy" (2005: 18), and in the US the "political arithmetic" (2005:15) will not support a solely publicly funded approach. Instead, the IIK's purpose is to "design politically feasible, economically effective and substantially private youth human capital development programs." (Invest in Kids working group n.d.).

The IIK in conjunction with private bankers has been exploring the design of systems to attract private financing (at market rates of return) for investment in the US's young children. They are exploring with Citigroup's college loan experts how to develop

private investment vehicles for preschool. “It is easiest for society to pay for early education if the expenditures of cash are coincident with the economic benefits of the education. Private initiative can make this happen most efficiently” (Paul Sheldon 2006). The challenge is to identify payback schemes that meet these criteria. How this payback would occur – from parents, from the children as they reach adulthood (as is the case with college loans),<sup>18</sup> or from state and local governments through savings in crime, welfare, and special education expenses – still needs to be worked out (Sheldon 2004).

Such proposals could generate private investment more quickly than public investment in the US has to date. Over the long term, the public sector would still bear the primary burden if payback is secured from state and local governments through some kind of bond mechanism. Local and state governments in the US commonly use bonds to finance one-time investments in physical infrastructure, but the kind of continuing investment needed in children seems less appropriate for a bond strategy. Financing increased investments now with higher taxes would better reflect the continuing nature of such expenditures, and be cheaper in the long run than paying back principal plus interest on bonds. Under the private finance strategy proposed by IIK, upper-income adults could win twice: first by lower taxes and deficit spending which pass debt on to the next generation, and second by earning a market rate of return on private investments in early education rather than financing this investment through increased taxes. US children would inherit the increased deficit, in effect being charged for the private investment in their early education.

When Nobel laureate Theodore W. Schultz (1961) first articulated the importance of human capital, he recognized that it had both public and private value. The IIK

economists looking at early education recognize these two components. But unlike a house where the finance value can be separated and sold on a secondary market separate from the physical asset, such separation is not possible for human capital. This creates a challenge to identify the appropriate role for private finance given that society no longer accepts notions of indenture or apprenticeships in which children would pay back investments in their education through their own labor.

There is a place for private investment in the ECE sector in the US, but it must be structured thoughtfully. Enthusiasm for market approaches to childcare should be pursued with caution. The childcare market is very complex. For example, efforts to promote quality through incentive-based reimbursement have led to creaming, and higher standards can force providers out of the formal regulated childcare market. Experts in the US childcare field have developed a catalog of financing alternatives (Louise Stoney, Anne Mitchell, and Harriet Dichter 2001), along with examples of how to apply state and local economic development and planning tools to strengthen the ECE sector (Mildred E. Warner, Shira Adriance, Nikita Barai, Jenna Hallas, Bjorn Markeson, Taryn Morrissey, and Wendy Soref 2004; Kristen Anderson 2006). A comprehensive financing approach would include private as well as public investment. Stoney, Mitchell, and Warner (2006) have outlined what the key elements of a comprehensive financing system should be. These include:

- Institutional support for ECE programs to ensure quality,
- Financial aid for families to ensure access to quality ECE,

- Workplace policies (for example, paid parental leave and flexible work schedules with full benefits) to ensure parents can pursue careers and have time to nurture their children, and
- Publicly funded infrastructure to ensure ECE professional development, program monitoring, consumer education, data collection, and employer education.

The US ECE system is a mixture of public and private programs. However, our focus on private, market-based provision is by default, not design. It reflects our unwillingness to invest and take collective responsibility for care. The US is an outlier when compared with other advanced industrialized countries, which recognize the limits to a market approach for a merit good such as childcare (Kamerman 2001). While European systems may have too much state control and are experimenting with increased market and parental involvement in ECE systems (Victor Pestoff 2004), in the US, we have too much market and not enough state investment. This leads to poor quality and inequitable access.

## CONCLUSION

The IIK is making an important contribution to the economic and political debate on early education by turning what has traditionally been considered welfare expenditure, and therefore a negative in national fiscal analysis, into a positive investment in productivity and economic development in the long term. This is a major and valuable contribution. However, they are falling into many of the intellectual traps that feminist economists have learned to navigate. The increased investment in children that the IIK proposes requires new paradigms for fiscal and economic analysis, and they are working

at those boundaries. But their failure to engage feminist critiques could undermine their cause. The way in which the IIK pays attention to gender difference by carefully modeling how girl children are worth less than boys – from a lifetime-earnings and public-finance perspective – is especially distressing given that no effort is given to model the unequal care roles girls and women play in society. The blindness with respect to the role of informal and unpaid care is disturbing, especially when some of the authors themselves acknowledge the critical importance of family environments. Other advanced industrialized countries (Kamerman 2001; Gornick and Meyers 2003; OECD 2005) give more explicit attention to the nested context of child development in family environments, workplace policy, and public policy.

The IIK's modeling work is quite exciting in that it pushes at the boundaries of traditional fiscal accounting by recognizing the investment value of expenditures on children. It opens the door for new public debates on the fiscal priorities of the US. However, economics requires close attention to the assumptions on which models are based. Formal preschool may be valued from a human capital perspective, but the broader system of childcare and parental home care is important to child development, parental labor-force mobilization, and the regional economy (Kimmel 2006; James E. Pratt and David L. Kay 2006; Warner 2006a; David L. Kay, James E. Pratt, and Mildred E. Warner 2007). Children are not atomized individuals but are nested in families; thus both economic models and policy must recognize that parents bear a dual role as caretakers and workers (Gornick and Meyer 2003).

The real problem in the US is a crisis of care made worse because its policies do not see the intersection between public and private care work. Harrington (1999) argues

the national reluctance to formulate family policy in the US stems from its support for the privacy of family and the notion that failures in care are moral failings, not structural problems in the economy. While the IIK studies present quality preschool as a solution to the problem of children's human capital development and the national fiscal imbalance, they are silent on the structural problems that create this crisis of care and the need for broader investment in childcare and parental supports.

The IIK papers have taken an important first step, but future work must address the gender bias in the analysis. Feminist economic insights have much to offer the debate. The complexity of the care economy requires attention to both market and household forms of care. The heavier burden faced by women and their special role in providing care work must be considered in economic models and policy scenarios.

Increasingly business leaders, economic developers, and planners are recognizing the importance of the childcare sector as a critical community infrastructure, but their emphasis extends beyond a narrow focus on preschool (Warner, Haddow and Anderson 2006, Warner 2006b). They recognize the need for comprehensive policy and economic analysis to address the crisis of care. This requires a look beyond just preschool to the broader system of care supports including childcare, the role of workplace policy, and regional economic development planning.

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## NOTES

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<sup>1</sup> The American Enterprise Institute is a conservative policy think tank in Washington, DC; its purpose is “to defend the principles and improve the institutions of American freedom and democratic capitalism – limited government, private enterprise, individual liberty and responsibility” (<http://www.aei.org/about/filter.all/default.asp>).

<sup>2</sup> These papers were part of a broader policy dialogue on the financial solvency and relative merits of privatization of US retirement entitlements, Medicare and Social Security. Efforts to privatize these programs by the Bush Administration in 2005 failed.

<sup>3</sup> Perry Preschool was a program in Ypsilanti, MI, during 1962–7 that served 123 kids (half in the intervention, half in a control group) and then followed them for the next forty years.

<sup>4</sup> Belfield uses actual costs per child of current state preschool programs and increases them for universal coverage (estimated at 70–80 percent take up). Benefit coefficients are developed from a range of studies and include attention to both long-term reductions in crime and medium-term cost savings for schools in reduced special education, grade retention, and school safety expenditures. Increased teacher satisfaction is one of the largest sources of benefits, accounting for one-sixth to one-third of the benefits across all the state models. However, Belfield provides no evidence that increased teacher satisfaction would result in declining teacher salaries, which are unlikely given the unionized nature of public schools.

<sup>5</sup> Although long-term analyses of home visitation programs in the US are few, Gomby finds that the effects on child development are small but positive. She cautions that only modest effects can be expected from such narrow interventions and that larger benefits

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occur when these programs are coupled with more comprehensive support to families such as improved access to formal ECE programs.

<sup>6</sup> Wolfe and Teft (2006) highlight a handful of US programs focused on preschool, job training, mentoring, health, and home visiting as potentially important for their economic contributions. However, lack of control groups and inadequate evaluation make it difficult to estimate economic impacts.

<sup>7</sup> Internal rate of return measures the yield of an investment in annualized terms. Rolnick and Grunewald's (2003) analysis based public returns on reduced crime and welfare usage, and based private returns on enhanced earnings in the labor force.

<sup>8</sup> The Economic Policy Institute is a progressive policy think tank in Washington, DC. Its mission is to "inform and empower people to seek solutions that will ensure broadly shared prosperity and opportunity." EPI's research focuses on "the economic condition of low- and middle-income Americans and their families" (Economic Policy Institute n.d.).

<sup>9</sup> Lynch conducted a meta analysis of the major long-term early education studies and reported considerable differences in cost benefit ratios among the studies: Abecedarian (3.78), Chicago Parent Child Center (7.14), Elmira Prenatal/Early Infancy Program (5.06), and Perry Preschool (8.74) (2004: 7–8). The ratio of government benefits to costs was even lower at 2.5 for Perry Preschool, 4.1 for Elmira, and 2.9 for Chicago Parent Child. Scholars have challenged US economists for basing projections of future benefits on such a limited research base (Helen Penn, Veronica Burton, Eva Lloyd, Miranda Mugford, Sylvia Potter, and Zahirun Sayeed 2006).

<sup>10</sup> At the state level, business subsidies provided positive returns in terms of jobs and income earlier (first half of the time period), but universal preschool provided higher

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returns over the long term. In net present value terms, they both increased the earnings of state residents by roughly US\$3 for every dollar spent on the program. At the national level, preschool investments returned US\$4 for each US\$1 expended as compared with business subsidies, which returned less than a US\$1 for each US\$1 spent due to spillovers across US states (labor and job mobility) (Bartik 2006).

<sup>11</sup> One of the reviewers suggested these authors might be “writing to specification” for the Pew Charitable Trusts. However, most of the studies reviewed here were only partially supported by Pew, if at all. The narrow perspective reflects IIK priorities. The Partnership for America’s Economic Success (PAES), successor to IIK, has expanded its focus to the 0–5 age group but still focuses primarily on the human capital benefits to children.

<sup>12</sup> Winters and Field take the proportion that children represent of the US population (6.8 percent) and use it as a “multiplier” to estimate the share children represent of the market for each economic sector. This measure has nothing to do with the intersectoral linkages that a real multiplier measures.

<sup>13</sup> Multipliers measure regional intersectoral linkage based on the purchases between all sectors in the economy as derived from input-output models. Multipliers are one measure of the importance of a sector. Childcare ranks high because most of the sectors’ purchases stay within the regional economy, meaning that the sector has few leakages. Analysis of input-output results across all fifty states found childcare multipliers were higher than those of retail and manufacturing sectors that are more typical targets for economic development policy (Mildred E. Warner and Zhilin Liu 2005, 2006).

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<sup>14</sup> Work/life policies are designed to help employees balance work and family responsibilities, and thus increase employee retention and productivity (Shellenback, 2004).

<sup>15</sup> Gokhale (2003:10–11) calculates the public finance value as lifetime taxes paid minus the present value of transfers received over the life course. For boys, this is estimated at US\$442,400 - \$232,300 = \$210,000. For girls, the estimate is US\$252,200 - \$256,600 = - \$4,400.

<sup>16</sup> These crime figures come from the Perry Preschool data, but there were no savings from crime in the Abecedarian findings – another of the famous long-term studies (Leonard N. Masse and W. Steven Barnett 2002), so one might question basing so much of the projected public benefit for the nation on crime reduction in a single long term study.

<sup>17</sup> The New America Foundation is a policy think tank that attempts to find common ground between conservatives and liberals by “invest(ing) in new thinkers and new ideas to address the next generation of challenges facing the United States.” (New America Foundation n.d.).

<sup>18</sup> This is an unlikely policy scenario as securitizing investments in 3 and 4 year olds to ensure their pay-back as adults would be a retooling of the nineteenth century concept of indentured servitude.