Interview with Art Rolnick:
The Moral Investment: The Economic Returns to Early Childhood Education

By Ingrid Stegemoeller

Following its inclusion in President Obama's 2013 State of the Union address, early childhood education has received a growing amount of national attention. Dr. Art Rolnick spoke with *The Review* about the economic case for early childhood education, the socioeconomics of accessing quality education, and promising practices around the nation. Dr. Rolnick was the senior vice president and director of research at the Federal Reserve Bank of Minneapolis from 1985 to 2010. He is the co-director of the Human Capital Research Collaborative at the University of Minnesota, where he received his PhD in economics. He is also a board member of the Minnesota Early Learning Foundation and Ready 4 K. He is the author of the TEDx talk "The Economic Case for Early Childhood Development."

Georgetown Public Policy Review: What is the economic case for early childhood development?

Art Rolnick: We have had four longitudinal studies, all independent from each other. The Perry Preschool study is the most famous, and the methodology doesn't get much better because it was a randomized control study, and the control group didn't get a high-quality program. The program group got master's-level teachers five days a week and a lot of home visits. We have data on these kids that went for 30 years—actually now, 40 years—and we compared the two groups. These were all kids from vulnerable families, families in poverty, and we compared the kids who received these high-quality programs [to those who did not]. Years later, you find that there are a bunch of metrics: things like they needed less special education, they were less likely to be retained in the first grade, they were more likely to be literate by the sixth grade, graduate, get a job, pay taxes. And the crime rate between the two groups goes down 50 percent. So all we did is we took that data, and we did a cost-benefit.

We knew the cost of the programs in today's dollars was roughly $20,000 for a two-year program for three- and four-year- olds. We asked what was the return on that investment, and, when we calculated the benefits, we found there are benefits starting fairly early because you save money on the need for special education, you save money on the fact that your kids aren't retained. There are money savings to the community because these kids grow up to get better jobs than they would otherwise, pay better taxes. And of course the drop in the crime rate—the cost of crime is enormous. So we simply calculated the return on the investment, which you can do with that kind of data. We got a double-digit rate. We actually got an 18 percent overall annual rate of return on that investment, which is enormous. If the private sector saw an investment that was returning 18 percent, it would not go unfunded for very long.

In a nutshell, that's the economic case. This is a really good public investment. I use the word public because most of these benefits (not all of them, but most of them) are community-wide benefits: having more productive workers, less crime, that adds to the welfare of everyone. It's critical to get kids off to the right start. The economic research is also very consistent with the neuroscience research, which says something like 70 percent to 80 percent of brain development occurs in these foundation years: prenatal to 5. So it's also very consistent with another independent line of research.

GPPR: Given this research and the understanding of the great return on investment, why is it that the United States doesn't sufficiently invest in early childhood development, particularly for the kids and families who need it the most?

AR: The families that need it the most are poverty families, kids born in poverty. They have very little political clout in this country. They don't have a lobby, they can't threaten to leave, it's long term, their parents generally aren't engaged politically, so there's really nobody to speak for the cause, or very few people. Those who are speaking for this investment are not well organized; they're not organized as well as the farm industry, or the steel industry, or public schools. Low-income families just don't have that kind of political clout, and it's the type of problem that's pretty invisible. And the bad outcomes occur many years later, particularly with crime. So it's something we can easily politically put off, and that's what's happened despite all this research.

GPPR: With your leadership, the University of Minnesota recently received a federal Investing in Innovation grant for $15 million to implement the Child-Parent Center education program, one of three federal grants Minnesota has received recently to focus on early education. What can you tell us about the process you went through to get these grants?

AR: We started out with our first essay, making an argument that this is the best public investment you can make: providing high-quality early education services to vulnerable families, starting as early as prenatally with home visiting (a voluntary parent coaching program). We made a proposal: a home visiting nurse and a scholarship. So we took the research, and in our second essay we proposed that the way you do this in the real world is provide these resources directly to parents because parents are such a critical part of the educational environment for these kids. We were the only ones making this kind of proposal. We called it a market-based approach because we weren't just sending our kids to Head Start; we were starting them early—prenatal, making sure they started healthy—and then allowing the parents to choose high-quality programs. So we started a four-star rating system, and our scholarships have to be used at a four-star program.

We made this proposal in our second essay, and, as a result of that proposal, some business leaders here in the Twin Cities created an organization called the Minnesota Early Learning Foundation, and we put this proposal into practice. We raised $20 million privately. We took a neighborhood in St. Paul, a very low-income neighborhood, and now there are 650 families that receive mentors—home visiting nurses, starting prenatally. And the children, when they're three and four, they get a scholarship. That pilot proved very successful, and, as a result, the state of Minnesota got three grants. One was a Race to the Top grant, for $45 million, to replicate what we did in St. Paul in Minneapolis, in a Native American reservation and in a rural community.

Then one of our most at-risk neighborhoods in Minneapolis, which is focusing on early childhood, got a $28 million Promise Neighborhood grant. The i3 [Investing in Innovation] grant was our third grant, and that went to the Institute that the Federal Reserve and the University of Minnesota created. My co-director is a gentleman by the name of Arthur Reynolds, and Arthur is famous for the work he did in Chicago on the Child-Parent Centers, and that's an age 3 to grade 3 program, so it's early education tied into a high-quality kindergarten through grade 3 program. That i3 grant is a replication grant—to replicate what was done in Chicago in Saint Paul—tied into the scholarship model.

GPPR: Could you talk about the value of grants such as the Investing in Innovation Fund (i3)?

AR: I think they're working, and I think it's making a statement. The i3 grant is a way of making a statement that it's time that we seriously consider investing into our most vulnerable kids, because we know how to do this. We know how to make significant progress on the achievement gap. We know how to ensure that kids start school healthy and ready and succeed in school and life.

The grant also allows us to innovate in the sense that we can start doing things that nobody has done before. For example, coordinating the early education programs and the kindergarten through third grade programs to make sure their curricula align, to make sure the teachers are coordinating, to make sure we don't drop the ball. One of the criticisms of this field is the fade out effect: you can do a great job with early education, but once you get to third grade kids who were in early education programs are doing no better than kids who weren't. There's some truth to that if they go to dysfunctional kindergarten through third grade programs. But if kids are going to quality kindergarten through third grade programs, we're showing that no, you can virtually close the achievement gap by maintaining that kind of quality that you started in the early education foundation.

GPPR: Are there other areas in the country that are doing particularly well in promoting early childhood development?

AR: I think there's some momentum now for early childhood. I think this research is getting publicized enough that we're seeing some major new successful efforts. In North Carolina, you can go back a number of years, when former Governor [James] Hunt helped make great strides. Florida, under Governor Jeb Bush, passed what I would say was historical legislation for that state about early childhood. In Colorado, Governor [John] Hickenlooper, who was formerly the mayor of Denver, passed some really amazing legislation on early childhood, I think it was a sales tax to fund a universal pre-kindergarten program for four-year-olds in Denver. But now he's pushing it as governor. I think Virginia is looking at some very innovative ways of promoting early childhood, and Massachusetts is another state. Michigan just announced a major initiative on early education. So states are starting to pay attention to this, we're making some headway. We have a long way to go, though.

GPPR: When did you first become interested in early childhood policy and programming, and what was the spark?

AR: As director of research, we would reach out to the local community, partly because our job was to take local information on the state of Minnesota, on the ninth Federal Reserve District, which included four other states in the Midwest and bring that economic intelligence to Washington every six weeks. So I was out in the community a lot, and there was a group that formed about 20 years ago that would meet once a month for lunch, invite business people, academics, media people, to learn more about the economy. That was my agenda; to learn as much about the economy and the people in the economy as I could.

And it just so happened we invited a man who was the executive director of an organization called Ready for K. I'm listening to his talk, and he's promoting early childhood education. But there was no economics behind it; he was basically making a moral argument that we should help these kids out, especially our most vulnerable kids who are challenged in school right from the beginning. I told the executive director that they should somehow be making an economic case for what they are doing, and I thought they probably could. As I now tell people, that was my mistake because they agreed with me, they asked me to come on the board to do the research. I tried to explain that my expertise was pre-Civil War banking and I knew absolutely nothing about early childhood education. But the founders of this organization, former governor of the state Al Quie and a former mayor of Minneapolis Don Fraser started calling me up and recruited me, essentially. It was hard to say no to these guys.