

# Voices From The Heartland

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## Building Blocks of Economic Development

By Richard Barnes, Ph.D.

The preschoolers in our communities are really holding the building blocks of economic development in their tiny hands. A growing amount of research suggests that investment in early childhood education programs yields high returns when it comes to economic growth. Studies have shown that for each dollar invested in quality early childhood education programs, more than \$17.00 will be returned to society by reducing expenditures on unemployment, welfare, and crime.

Art Rolnick writing in the *Fedgazette*, a publication of the Minneapolis Federal Reserve System states, “Early childhood development programs are rarely portrayed as economic development initiatives, and we think that is a mistake. Such programs, if they appear at all, are at the bottom of economic development lists for state and local governments. They should be at the top.”<sup>1</sup>

In 2005, there were more than 44,279 children from birth to four years of age in Lake and Porter Counties in Indiana, yet only a small percentage were involved with early childhood education programs.

### Investing in economic development initiatives

Discussion continues on the best strategy for investing in effective economic development. Cities, regions and states are locked into an on-going competition to attract new industries and new businesses. Public incentives in the form of tax abatements and subsidies are given as companies move from one geographic location to another in response to the economic carrots in front of them. Such programs are always costly, but not always effective in creating new and better jobs for the area. For the most part, this is a “zero-sum” game where

jobs are not created but only relocated from one part of the country to another.<sup>2</sup>

### Strong educational programs and commitments to education have a stabilizing effect on local economies.

Investment in early childhood education is also good for the existing adult work force. As investors and corporations take note of local initiatives in early childhood education, current workers profit from additional business activity as corporations

relocate, driving up the wages for the existing labor pool. Strong educational programs and commitments to education have a stabilizing effect on local economies.

The link between educational quality and economic development is becoming increasingly clear. Communities will not be able to attract high-tech knowledge based industries if their public schools are not offering the best educational programs and graduating bright, creative individuals. In order for companies to be successful and profitable, they must have a labor pool that is well educated, literate and easily trained. Toyota, making a decision to build an \$800 million assembly plant in Canada, commented that workers in Canada were better educated and more easily trained thus reducing operating costs to the company.

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<sup>1</sup> Rolnick, Art, and Rob Grunewald. March 2003. “Early childhood development: economic development with a high public return.” *FedGazette*, Minneapolis, MN: Federal Reserve Bank.

<sup>2</sup> Grunewald, Rob, and Art Rolnick. June 2005. “Early childhood development on a large scale”, *FedGazette*, Minneapolis, MN: Federal Reserve Bank.

### Population of Preschool Children 0 to 4 yrs

Indiana Counties	Preschool 0-4	Rank in Indiana	Percent County	Percent State
Lake	34,811	2	7.1	6.9
Porter	9,468	9	6.0	6.9
Totals	44,279			

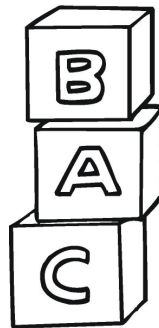
2005 Census Estimates

### The cost of retraining steel workers

When the steel industry in Northwest Indiana began to decline, Dr. James Heckman, an economist and a college professor, began looking at the economic impact of programs that would provide job retraining for the steelworkers who would soon be forced to find employment elsewhere. His conclusions were disheartening as he realized the difficulty and problems associated in teaching older workers new job skills and the high economic cost of spending money to retrain workers who would soon retire. Heckman found that such job retraining was not cost effective because, "it was more difficult for the steelworkers to learn new skills at a later age, and because there were fewer years to recoup the cost of retraining."<sup>3</sup>

Dr. Heckman's study of steelworkers led him to question other areas that would foster human capital, where meaningful investments could be made and its importance to the economic development in a given geographic area. While investment in older workers was not economically efficient, Dr. Heckman began to look at investment in the very young—the preschool children. He adds, "A large body of research in social science, psychology, and neuroscience shows that skill begets skill; that learning begets learning. The earlier the seed is planted and watered, the faster and larger it grows."<sup>4</sup>

"On a purely economic basis," Dr. Heckman noted, "it makes a lot of sense to invest in the young." His important work on fostering human capital culminated in receiving the Nobel Prize in Economic Science in 2000. Dr. Heckman is



presently the Henry Schultz Distinguished Service Professor of Economics at the University of Chicago.

### The Perry Preschool in Ypsilanti, Michigan

During the 1960's, the High/Scope study of the Perry Preschool program followed 123 low-income children who participated in the Perry Preschool program in Ypsilanti, Michigan. That program consisted of a daily classroom session of two and half hours. The children were three and four years of age, and classes were held each morning. The program also included weekly afternoon home visits to each mother and child that lasted one to two hours each week.

The High/Scope study tracked the development of children who participated in the Perry Preschool program. When they reached the age of 27, investigators were able to locate 117 of the 123 Perry Preschool individuals who were then interviewed as part of a longitudinal study.<sup>5</sup>

Looking at children from low-income African-American families, the findings were impressive—

- A higher percentage of the Perry students (65 percent) graduated from high school compared to the control group (45 percent)
- Perry students were less likely to be placed in a special education program
- Perry students had higher achievement scores at age 14 than those in the control group
- At age 27, the number of Perry individuals earning \$2,000 a month were four times greater than the non-participants
- Perry students were twenty percent less likely to be arrested five times or more than those individuals not in the Perry group

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<sup>3</sup> "Invest in the Very Young". 2000. Publication of the Ounce of Prevention Fund. Irving B. Harris Graduate School of Public Policy Studies. Chicago, IL: University of Chicago.

<sup>4</sup> Heckman, James J. 2006. "Investing in disadvantaged young children is an economically efficient policy." Proceedings on *Building the Economic Case for Investments in Preschool*. New York, NY. Jan 10, 2006.

<sup>5</sup> Barnett, W.S. 1996. Lives in the balance: Age-27 benefit-cost analysis of the High/Scope Perry Preschool Program. *Monographs of the High/Scope Educational Research Foundation*, 11, Ypsilanti, MI: High/Scopes Press.

## Anniversary

**T**his year we proudly celebrate **Heartland Center's 20th anniversary**. In 1987 the Chicago Province of the Society of Jesus and the Diocese of Gary joined efforts and a new apostolic venture began. Throughout the years we have remained true to the two key dimensions which were the original emphasis of the project—transforming social structures and working in solidarity with the voiceless and powerless.

To date, Heartland Center has published 29 reports. The topics have included poverty, abortion, aging, migration, the Black population, the Hispanic population, health trends, and many more. Along with the six newsletters we send out each year, our publications offer an understanding of the reality in which we live.

We also serve as the Office of Peace and Social Justice for the diocese. One of our roles is to manage the Indiana Catholic Conference (ICC) network for the region. Working with concerned voters, we strive to influence the legislature to pass bills that reflect the public policy voice of the Catholic Church. Another responsibility is the partnership between the Diocese of Gary and Haiti. Through the partnership people living in impoverished conditions have been helped by the projects we support: an agriculture project, an orphanage for children with AIDS, and education programs that provide scholarships and teacher training.

As our mission statement says, we work to construct a more just and human society. The support of our friends is the key to Heartland Center's continued existence. If you have already responded to our appeal this year, we are very grateful. If not, **a response card and postage-paid return envelope are enclosed. Please help us continue our work.**

## Thank You

Every one of our friends is important. As stated above, our existence depends on the financial support of people who believe in our mission. We are very grateful for everyone's help. We take this opportunity to acknowledge Heartland Center's current corporate sponsors. Their contributions to Heartland Center are a demonstration of their care for the community.

- **Centier Bank**
- **Citizens Financial Bank**
- **First Financial Bank**
- **Harris**
- **NIPSCO**
- **Peoples Bank**

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It was estimated by the High/Scope investigators, that the public return on each dollar spent at the Perry Preschool yielded \$17.01 in benefits to the community and to the individual as the real rate of return. Later, a 2003 report of the Minneapolis Federal Reserve noted, “We estimate the real internal rate of return for the Perry School program at 16 percent. ‘Real’ indicates that the rate of return is adjusted for inflation.”<sup>6</sup>

**Early childhood education and disadvantaged children**

Recognizing that each child is important and should have an equal chance to succeed in life, regardless of the family environment is a moral position that reflects a belief in equality and fairness. More often than not, the success of the individual child is based on the status and background of the parents.

<sup>6</sup> Rolnick, Art, and Rob Grunewald. March 2003 “Early childhood development: economic development with a high public return”. *FedGazette*, Minneapolis, MN: Federal Reserve Bank.

Early childhood education has been shown to have benefits for the individual long into adulthood. It is one of the most important elements given to the individual that enables them to break the bonds of poverty and enter the world with greater skills and higher self-esteem.

When a community makes a commitment to provide early childhood education programs to its very young, it is an investment in the future of their society and reaping the benefits of an improved quality of life for everyone. ❖

The author of *Building Blocks*, Richard Barnes Ph.D., is assisting Heartland Center in project development. Dr. Barnes has a varied, extensive history in the academic and practical aspects of the social and corporate environment. He received his doctorate in sociology from South Dakota University; has served on staff at many universities including Boston College and The University of South Dakota; and was the CEO, owner and founder of numerous businesses. Dr. Barnes served as State Representative, District 11, South Dakota. He and his wife, Carole, are residents of Gary, Indiana.