

The Business of Pre-K

[Emily Hanford](#)

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Some of America's most powerful business leaders are on their way to the resort town of Telluride this weekend. They'll be fishing and hiking in the steep Colorado mountains, and then they'll get down to business. What they want is to convince politicians to spend more money on early childhood education. Hedge fund managers, CEOs and chamber of commerce presidents may not seem like obvious advocates for the expansion of social programs, but they've become

perhaps the most enthusiastic and effective supporters of preschool. They see the issue in dollars and cents, and they're meeting in Telluride to hone their economic argument as government budgets tighten and policymakers face tough choices about what to fund. American RadioWorks' Emily Hanford has this story about how the support of business leaders is changing the debate about investments in education.

Rob Dugger is a partner with an international hedge fund in Washington, DC. Before that he was a lobbyist for the banking industry, and earlier in his career he was an economist at the Federal Reserve. Dugger knows a lot about finance and economics, and he's very worried about the future of the U.S. economy. "We are on a fiscal path which is unsustainable," he explains. "We've borrowed more than we can afford and spent more than we should and as a consequence, not invested as much as we should."

Dugger works in a handsome office building down the street from the White House. He's been concerned about the U.S. economy for a long time. His shelves are filled with books like "A History of Financial Crises" and "Restoring Fiscal Sanity." He says because the United States is running out of money to pay for many of the things we rely on, the nation needs to decide what's most important.

"What few resources we have," says Dugger, "we want to have them allocated in a way that is best long-term for the society, maximizes growth, gets our country back on its feet, maintains or gets us back to fiscal sustainability. What would do that?"

Dugger wanted to know what kinds of public investments have the biggest and most reliable returns. At first he thought about investments in energy innovation, health care and technology. But then he came across a collection of studies about early childhood education.

The oldest is the Perry Preschool Project. In the early 1960s, a group of children went to a preschool in Ypsilanti, Mich. Researchers kept track of them into adulthood and observed how they did compared to a group of their peers who didn't go to preschool. Forty years later, researchers had documented big differences. The preschool graduates were more likely to be employed, they made more money and they were more likely to own their homes. They were also less likely to be on welfare or report drug abuse. And perhaps the biggest difference of all: They were much less likely to get in trouble with the law. Add it all up, and the savings to society was huge. Two economists at the Federal Reserve took the data and converted it to a "real rate of return" - the kind of number you see on a 401K statement. The figure they came up with was 16 percent, more than twice the return on the stock market.

Rob Dugger saw that number and made an economic decision. Not spending money on preschool, says Dugger, is "like walking down the street, seeing \$100 on the sidewalk, and saying I don't need that; in fact, I'll just step on it and walk on. It's absolutely wasteful and nuts!"

And that is how hedge fund manager Rob Dugger became one of the nation's biggest advocates for preschool.

Dugger is at the U.S. Chamber of Commerce in Washington, addressing an overflow audience in the building's biggest room. It's the annual conference of a group he helped create. They call themselves "The Partnership for America's Economic Success" (PAES).

The Partnership for America's Economic Success was created by businesses and foundations, including the Pew Charitable Trusts, which runs it. The goal is to document the economic impact of proven investments in young children. People have come from as far away as Alaska for the conference.

There's plenty of material to take home: reports, pamphlets, charts and graphs. All of this data is one thing that attracts business people. They also like investing in little kids because they don't like many of the expensive programs aimed at teens and adults. It's more cost-effective to prevent problems than to fix them, says businessman and philanthropist J.B. Pritzker.

"It makes intuitive sense to business people," he says, "and it turns out many business people have tremendous influence in the political process. So, if we could bring those two things together, we can really advance the cause here."

Indeed, making the case for kids based on economics has transformed the politics. "Kids' programs need very sharp elbows," explains the partnership's director Sara Watson, "and we see the economic data as providing a new set of arguments for children's programs that we've never had before." Economic data, she says, allows advocates to talk about children's programs and GDP growth "in the same breath," instead of relying on moral arguments.

But the economic argument doesn't work for everyone. Elaine Zimmerman is with the Commission on Children in Connecticut. Her office did focus groups to see what people think of the economic argument, and she came to the conference to report that it works for business people, but it doesn't really work for parents. Parents, she says, "don't want their child turned into a savings plan."

A note of caution, perhaps, for a movement that's gaining speed and traction. State government spending on preschool has reached an all-time high of more than \$3.7 billion. And now PAES wants increased investment in other areas of early childhood, from health to housing. But director Sara Watson admits making an economic case for every program will be tough.

"There are some investments in children we should make that will never show a positive rate of return, but we have to do them," she says, "so we want to be careful that we do not set too high of a bar."

Part of the problem with arguing for investments in children is it takes a long time to see the payoff. Hedge fund manager Rob Dugger says we live in a world where people are focused on the quick return. He believes many of his colleagues in business and finance understand the folly of that, and they're eager, especially now, to make more investments for the future. He'll be making the case to them this weekend in Telluride