

A healthy society can have huge payoffs

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What's the most strategic investment a country can make in its economy?

You might get a lot of debate about that question, but for University of Chicago economist and Nobel Prize 2000 laureate James Heckman, the answer is pretty simple.

Investing in human capital - particularly in early-child development - can have a huge payback, Heckman said in an interview yesterday.

Potential returns are so attractive, it's a wonder more capital isn't directed that way.

Heckman will outline his views at the 13th annual edition of the Conference de Montreal, which begins Monday. He'll be part of a packed program during the four-day event, which bills itself as the The International Forum of the Americas.

But unlike the central bankers, corporate CEOs and institutional investors who will also be participating under the theme Succeeding Through Uncertainty, Heckman will be talking a lot about health.

The importance of early childhood is that by getting a head start on physical health, mental health and education, society can avoid huge costs down the road.

Potential benefits include a more productive work force, more productive schools and a health-care system that isn't saddled with repairing "damaged goods."

"People typically talk about health in terms of finding a cure for an adult disease," he said. "What this is more focused on is prevention, early detection and avoidance."

A lot of research is being conducted on the consequences of adverse early environments on health problems, depression, sociability and withdrawal from society.

Researchers are focusing on the benefits of early learning, problem recognition and character-building.

"The payoff is very interesting," Heckman said.

"We've estimated the rates of return at between 17 and 20 per cent for each dollar invested, which is not a small sum.

"There have been pilot projects, small-scale intensive programs that have been tried in places like Michigan, North Carolina and in Chicago with its Child-Parent Centre."

The latter program, at the pre-kindergarten level, is "one of the best examples of dramatic improvements, working through a city school system. It's got several thousand students per year and it's a pretty well-documented success."

But such programs require substantial upfront investment. Financing them is an

issue, given that returns don't show up for a long time.

"If you start building the life of a kid who is 3 years old, you're not going to harvest the full benefit until he grows into adult life. There will be some (immediate) savings in the school system and public health system but the biggest benefits will come later on.

"In the short turn, any one of these programs can look like it's running a deficit until you start collecting data down the line."

Another issue is tight fiscal constraints on the government, although Heckman notes that at the U.S. state level where such programs are often funded, budgets are now showing a collective \$1 billion surplus.

"We're at the level where if there was genuine support for these programs; we'd actually be able to fund them at a fairly adequate level."

Even so, Heckman believes a more promising route is to develop public-private partnerships that enlist the support of private philanthropy and corporations.

The role of government, he says, is not so much to put up the money but to look for creative financing vehicles and to help local communities develop their own programs.

Bringing in private corporations is not out of the question, either.

"The bottom tail of the labour force distribution is very poor in quality. You're getting people with high levels of illiteracy, and innumeracy and (other) difficulties.

"There are immediate gains (to corporations) that come from getting a more educated workforce."

Conference organizer Gil Remillard says this year's theme - Succeeding Through Uncertainty - reflects a basic dilemma in today's world.

"The global economy is growing at a very good pace," Remillard noted. But at the same time "there are a lot of major questions" surrounding the financial system, governance, trade and social policy.

One highlight Monday will be a luncheon presentation featuring three of the world's influential central bankers: Canada's David Dodge, Mexico's Guillermo Ortiz Martinez and Jean-Claude Trichet, president of the European Central Bank.

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