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Federal Reserve Economist Connects ABCs and ROI to Economic Development

Research shows that investing in early childhood development brings up to a 16 percent real return

Richmond, Va—Preschoolers may be the smallest members of our community, but research is now indicating they have a bigger impact on our regional economy than anyone expected. That's according to Minneapolis Federal Reserve Economist Rob Grunewald who has been studying the issue and the importance of investing in early childhood programs.

"Research has shown that investment in early childhood development programs brings a real (that is, inflation adjusted) public return of 12 percent and a real total return, public and private, of 16 percent," explains Grunewald. "Early childhood education benefits taxpayers through reduced need for welfare assistance, increased income tax revenue, less burden on the criminal justice system and fewer children needing remedial education services."

Grunewald, who travels across the country speaking with communities, will be in Richmond on October 13 for a special breakfast meeting with local business and community leaders to talk about his research and the opportunity the Richmond Region has to impact its future by recognizing the importance of investing in early childhood programs. The event, "ABCs & ROI: What Economists Say About Investing in Pre-Schoolers" is presented by The Greater Richmond Chamber of Commerce, United Way of Greater Richmond & Petersburg and Voices for Virginia's Children who work together in conjunction with the Early Child Development Coalition.

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ABCs & ROI, continued

“While many of us may have heard this message in social service, health or education circles, the difference in Grunewald’s and the Federal Reserve’s delivery of the information is the messenger itself,” says Greater Richmond Chamber of Commerce President Jim Dunn. “The Federal Reserve is our nation’s central bank, not a human services, child advocacy or education agency and Grunewald is an economist, not a medical professional, politician or social worker. The truth is we can’t afford to ignore his message.”

The breakfast meeting is just the first step in beginning a dialogue with the business community,” says Youth Matters Director Lynn McCashin. “Our goal is to spark discussions about ways we can improve and fund changes to our system and then walk away with direct actions we can take to make them happen. We are not going to give up until change happens.”

“Although the results from investing in early childhood development will be less visible and likely less immediate than those of conventional economic development tools, there is no contest. Unlike subsidies to companies, this is an economic development tool that really works,” says Grunewald. “I am unaware of any other economic development effort that has such a public return, and yet early childhood development is rarely viewed in economic development terms. Research has shown that government involvement in private business is, at best, a zero-sum game, and many times the returns are actually negative.”

Grunewald gained national prominence through his study “Early Childhood Development: Economic Development with a High Public Return.” He also conducts regional economic research and co-authors the Minneapolis Federal Reserve’s “Beige Book” report on current economic conditions. In addition, he writes articles on the regional economy and other economics and banking issues for the fedgazette and The Region, two economics and banking periodicals published by the Minneapolis Federal Reserve.

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EDITOR NOTE: Reporters are welcome to attend the meeting on Wednesday, October 13, 2004 7:30 A.M. at The Virginia Historical Society, 428 North Boulevard. Grunewald is available for phone interviews and will be available after the breakfast.

ABCs & ROI, continued

Greater Richmond Chamber of Commerce

Since 1867, the Greater Richmond Chamber of Commerce (www.grcc.com) has taken the lead to enhance and institute change in the Richmond Region, making the region an ideal location for businesses to prosper. The Chamber is a catalyst for business development and the voice of business in Greater Richmond. We embrace a regional approach to opportunities and issues; inclusion of all businesses and individuals who have a stake; and the belief that business will thrive in a healthy community with exceptional quality of life. Together with the creative minds in our community, the Chamber has initiated and implemented programs and services that have made significant advances to our region's economy. The Chamber, a not-for-profit business membership association with more than 2,100 members and a professional staff of 40, is a bold business leader that works to ensure that Greater Richmond is easy to love. Hundreds of volunteers serve on committees and task forces under the leadership of the Board of Directors. For more information, visit us at www.grcc.com or call 648-1234.

ABCs & ROI, continued

GRUNEWALD BACKGROUND

Rob Grunewald
Regional Economic Analyst
Federal Reserve Bank of Minneapolis

Rob Grunewald conducts regional economic research and co-authors the Minneapolis Fed's "Beige Book" report on current economic conditions. He also writes articles on the regional economy and other economics and banking issues for the *fedgazette* and *The Region*, two economics and banking periodicals published by the Minneapolis Fed. Grunewald regularly speaks to business, community and school groups about the Federal Reserve and the regional economy. He co-authored "Early Childhood Development: Economic Development with a High Public Return" (January 2003), an economic policy paper, which has been featured in the media, legislative hearings, and seminars in Minnesota and several other states.

Grunewald is also responsible for economic education projects, including the Economics Challenge, a national quiz-bowl competition for high school students. He sits on the Advisory Board for the Academy of Finance of St. Paul Public Schools.

Grunewald joined the bank in 1993 and holds a bachelor's degree in economics and religion from St. Olaf College in Northfield, Minn.

PUBLICATION

Rolnick, Arthur & Grunewald, Rob. "The University of Minnesota as a Public Good." *The Public Research University*. University Press of America: Lanham, Md., 2003. pp. 87-102.

ABCs & ROI, continued

QUOTATIONS BY ROB GRUNEWALD

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"Studies show that high levels of education are consistent with strong economic performance. And recent research on educational performance finds that the best way to invest in human capital is to start well before children reach kindergarten."

"During the first few years of life a child undergoes tremendous growth and change. If this period of life includes support for growth in cognition, language, motor skills, adaptive skills and social-emotional functioning, the child is more likely to succeed in school and later contribute to society."

"While all children can benefit from a high-quality ECD program, benefits to the public are highest when the programs reach children from the poorest families. Children living in poverty often enter kindergarten lacking fundamental reading or language skills, these children begin at a disadvantage and they never catch up. They are destined for low-skill, low-paying jobs, and many will experience trouble in school and with the law - costs that all of society bears."

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"The costs of not investing in early childhood education are just too great to ignore."