

# The macroeconomics of pre-schooling: Simulating the effects of universal early childhood education on the U.S. economy <sup>[1]</sup>

NIEER Working Paper

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## AVAILABILITY

Paper in pdf <sup>[2]</sup>

## Abstract:

This paper uses a general equilibrium macroeconomic model for the U.S. to estimate the economic consequences of a large-scale, publicly funded early childhood education program. Such large scale or universal programs will have general equilibrium effects affecting many sectors of the economy. For example, ECE allows parents to work, so households should increase labor market participation; but if large numbers of mothers enter the labor force average wages will fall; and if ECE is publicly funded, income tax rates may rise and so reduce labor supply. The net effect on economic output is therefore ambiguous, and it may differ over the short and long run depending on how labor supply elasticity changes. In addition, large-scale programs may generate spill-over effects as one worker's human capital influences another worker's productivity. Using the general equilibrium macroeconomic model, the authors of this report are able to study the many sectors of the economy affected by preschool through a simulation of such a program.

**Region:** United States <sup>[3]</sup>

**Tags:** economics <sup>[4]</sup>

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