INET  
Markets Group Call  
June 30, 2011  
Web-Conference Notes

I. Greeting from Professor Lochner  
a. The group was formed, with a majority of academics, as a bridge to connect individuals working in micro, macro, labor, finance, and development and discuss themes concerning markets and financing of human capital development  
b. Want to look at the micro and macro foundations and pinpoint constraints on the market

II. Professor James Heckman  
a. Spoke about the broader vision of INET and the Human Capital Development Group  
   i. Stressed that all of the categories within the various working groups are interrelated  
   ii. The research done should integrate into micro literature on decision making and what avenues there are for recalibration and addressing these issue pockets that the markets have not addressed

III. Robert Dugger  
a. Brief introduction into the Institute for New Economic Thinking and concentration of efforts on reforming early childhood education policies  
b. INET and its Application to the Markets Group  
   i. We are looking to see how/if we can finance early childhood education  
   ii. Returns to early childhood development  
      1. The research is out there—there are high return rates on early childhood development, yet we have not allocated enough resources to see how this research plays out on a larger scale.  
   iii. Develop New Talent  
      1. This group is designed to develop the rising talent in the field to have both academic and monetary support  
         a) Mainly post doctorates, graduate students, and assistant professors  
         b) INET can help give financial support to individuals whose research is not being connected in the main stream to receive this funding and help get published

IV. Performance Contingent Contracts (Rob Dugger)  
a. Regarding the issue of early childhood education, there has been a broad market failure: high ROIs to early childhood education, but markets are not responding properly  
   i. Is there really failure?  
b. Social Impact Bonds  
   i. Kauffmann—PAES  
      1. PKSE: prekindergarten for at-risk children could reduce special education costs  
         a) Obstacle is the upfront costs that public school systems face  
            i. Pre-k costs can run up to $10,000/year  
         b) Answer: social impact bond, or the PKSE  
            i. Performance contingent contract where the investor (philanthropist) gives the school/org, etc the funds to provide at-risk students the prekindergarten education they need to enter school “ready to learn”  
            ii. Program would also provide families with mentors
iii. The money spent on these kids reduces costs that would be incurred if these students were sent to special education programs that can cost up to $20,000/year

iv. These returns are within a 24-36 month period

c) Has the potential to reduce special ed costs by nearly 100%
   i. We want to see if this can be captured and replicated on a larger scale
   ii. For every 18/100 that would go to special ed, there is a reduction to 2.5/100 students that need to enroll in special education programs after implementing these programs

2. This raises the issue of data acquisition
   a) Currently testing the idea to see if it is feasible
   b) Done as a non-profit matter
   c) Create a model using the capital allocated by philanthropic advisors

3. Long Term Payoffs (Professor Lars Hansen)
   a) Are we forgetting the long term potential impacts?
      i. Consider:
         1. Better citizens
         2. Tax revenue
      ii. How do we measure these long term outcomes
      iii. The program only monetizes the reduction of special ed costs and may under-value these programs (e.g. reduced grade retention)

4. Cristina had some questions about what it is that achieves impacts (pre-k classes or the family mentors)
   a) Heckman responded that most programs provide a bundle of services and we don’t yet know what features of these programs are important

V. Logistical Matters
a. Website
   i. Create a reading list
      1. Have salient papers
   ii. Working papers from group members
   iii. Option for private member read-only use
      1. Allow members to get feedback from one another on current work
b. Open discourse
   i. Find ways to open up dialogue to what each member wants to gain and learn from one another
   ii. Build bridges and lasting professional connections
   iii. This is a broader group, not everyone is working on this issue for long extensive periods of time
      1. This group is a way to keep in touch about the work that is being conducted and keep members in the loop who are coming in and out of this topic→hub of information
c. Conferences
   i. When can we plan an in-person conference?
      1. December 15/16th?
   ii. Want to get together to discuss ideas
      1. Perhaps members should send suggestions for papers that can be discussed then
d. Want to be inclusive

e. More members from finance and development backgrounds would be welcome
f. Members in attendance: Meta Brown, Elizabeth Caucutt, Mariacristina De Nardi, Robert Dugger, Giovanni Gallipoli, Martin Gervais, Lars Hansen, Jim Heckman, Mark Hugget, Katja Kaufmann, Lance Lochner, Alex Monge-Naranjo, Michael Lovenheim, Miguel Palacios, Lee Price, Chris Taber (—apologies for anyone that was left off the list, call-in users do not have display names)