Testimony of
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on the subject of
“Examining the Powerful Impact of Investments in Early Childhood for Children, Families, and
our Nation’s Economy”
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Chairman Yarmuth, Ranking Member Smith, and Members of the Committee:

Thank you for the opportunity to appear before you today at this hearing on examining the powerful impact of investments in early childhood.

My name is Hilary Hoynes, and I am the Haas Distinguished Chair of Economic Disparities, Professor of Public Policy and Economics at the University of California, Berkeley where I also direct the Berkeley Opportunity Lab. For the past three decades, I have conducted and published numerous reports, peer-reviewed research studies and book chapters on poverty, inequality, and the short- and long-term effects of federal and state social safety net programs on families with children in the United States. I have studied tax programs including the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC) as well as benefit programs including Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF) and Special Supplemental Program for Women, Infants and Children (WIC). I am an elected member of the American Academy of Art and Sciences and the National Academy of Social Insurance. I serve as a member of the National Academies of Sciences, Engineering, and Medicine (NASEM) Committee on National Statistics. I previously served as a member of the NASEM Committee on Building an Agenda to Reduce the Number of Children in Poverty by Half in 10 Years and the Federal Commission on Evidence-Based Policy Making.

My testimony today discusses how the social safety net impacts children’s economic and health outcomes in adulthood. This speaks to the capacity of the social safety net to be an investment in children, and society more generally. My testimony draws primarily from research that I have conducted or reviewed.

Child Poverty in the United States

In 2019, after a long and robust economic recovery, 9.1 million American children lived in families with income below the poverty line. Overall, 12.5 percent of children were poor, higher than the poverty rate for all persons (11.7 percent).¹ These calculations report the Supplemental Poverty Measure, published annually by the U.S. Census Bureau, and capture the

percent of the population in poverty after social safety net transfers (in cash, tax, and in-kind) are accounted for.

As shown in Figure 1, the risk of child poverty is not shared equally across the population. Black and Hispanic children are more likely to be poor than white children, children living with one (or no) biological parents are more likely to be poor compared to those living with two biological parents, and children living with parents with lower education levels are at higher risk of being poor.

![Figure 1: Child Poverty by Parental Characteristics](image)

Source: NASEM (2019). The report uses the Supplemental Poverty Measure for 2015 and benefit payments are adjusted for underreporting.

Figure 2 shows that rates of child poverty in the U.S. have declined considerably since 1965. There are two important forces that lead to poverty reduction. First, trends in child poverty vary with economic cycles, rising in recessions and falling in expansions. Notably, child poverty fell sharply during periods of strong real wage growth in the 1990s and the late 2010s.  

Additionally, child poverty rates vary with changes in the size and structure of the social safety net. For example, the expansions of the Earned Income Tax Credit in the mid 1990s led to substantial reductions in child poverty.

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2 For analyses of the relationship between labor market cycles and child poverty see Bitler and Hoynes (2016) and Bitler, Hoynes and Kuka (2017).

3 Hoynes and Patel (2018) and Hardy, Hokayem and Ziliak (2022).
Effects of Child Poverty

On average, children who grow up in poverty experience worse outcomes in adulthood compared to children who grow up in higher income families. We see this across a wide set of outcomes including physical and mental health, educational attainment, labor market outcomes, and risky behaviors and delinquency (Duncan, Ziol-Guest, and Kalil 2010). However, these correlations do not necessarily reveal the causal impact of child poverty. Childhood poverty is also associated with other disadvantages that may be harmful to children, including low levels of parental education and living with a single parent, ineffective schools, and neighborhoods with poor environmental conditions (e.g., Currie et al., 2013).

Understanding the causal (as distinct from correlational) impact of childhood poverty on adult outcomes is essential for determining which policies will be effective at improving these later life outcomes.

The costs of child poverty extend beyond the families themselves to the broader economy. This occurs because child poverty results in less education and worse health, in turn reducing adult earnings as adults; it also increases crime. The NASEM report “Roadmap to Reducing Child Poverty” (of which I was a member) reviewed the evidence on the macroeconomic costs of child poverty. We concluded “there is considerable uncertainty about the exact size of the costs of child poverty. Nevertheless, whether these costs to the nation amount to 4.0 or 5.4 percent of GDP—roughly between $800 billion and $1.1 trillion annually in terms of the size of the U.S. economy in 2018—it is likely that significant investment in reducing child poverty will be very cost-effective over time” (NASEM 2019, p. 90).
Short Run Effects of the Social Safety Net on Child Poverty

Congress has already made investments in reducing child poverty through the current social safety net. For families with children, the social safety net consists primarily of tax credits (the Earned Income Tax Credit (EITC) and the Child Tax Credit (CTC)) and in-kind benefits including food and nutrition programs (e.g. Supplemental Nutrition Assistance Program (SNAP), Special Supplemental Nutrition Program for Women, Infants and Children (WIC)), housing subsidies and health insurance (Medicaid). A much smaller share of the social safety net for families with children takes the form of cash assistance that is not tied to work.

Current policies are effective in reducing child poverty, as shown in Figure 3. Tax credits – the EITC and CTC – have the largest anti-poverty impact on children and are estimated to reduce child poverty by 5.9 percentage points. SNAP has the second largest anti-poverty impact for children, reducing poverty by 5.2 percentage points. Supplemental Security Income, Social Security, and Housing Subsidies also have sizable impacts, reducing poverty by 1.8, 2.2, and 1.8 percentage points respectively.\(^4\) Cash welfare (Temporary Assistance for Needy Families) raises very few children out of poverty. Taken together, government tax credits and transfers reduce child poverty from 25.5 percent (no taxes or transfers) to 13.6 percent lifting 8.7 million children (including 2.7 million white, 2.1 million black and 3.0 million Hispanic children) out of poverty (Trisi and Saenz 2021, calculations for 2017).

\(^4\) These figures are from NASEM (2019) and adjust for underreporting of benefits in the Current Population Survey.

Figure 3: Effects of Safety Net Programs on Child Poverty

![Figure 3: Effects of Safety Net Programs on Child Poverty](image)

Source: NASEM (2019).
Compared to other countries the U.S. spends less on reducing child poverty. Figure 4 shows that countries vary considerably in the amount of safety net aid to children. The figure shows that the U.S. provides less aid to families with children as a share of GDP (0.6 percent) than most of the 37 OECD countries represented here. The figure also illustrates that spending more on family and child benefits is associated with lower child poverty rates. The U.S. appears in the upper left of the graph, with lower spending on child and family benefits and higher child poverty rates.

**Figure 4: Child Poverty Rates and Public Spending on Families in OECD Countries**

![Figure 4: Child Poverty Rates and Public Spending on Families in OECD Countries](image)


**Long-Term Effects of the Social Safety Net on Children**

A large body of social science research examines how the social safety net affects family and child outcomes in the long term. As I summarize below, there is convincing evidence that providing more support during childhood leads to significant improvements in health, education, and labor market outcomes in adulthood. This evidence makes a clear case that the social safety net for children is an investment that can pay back benefits over the longer term, both to the children as they move through their lives as well as to society and the economy as a whole.

To identify the causal effects of these programs on outcomes, researchers use both experimental (e.g. randomized control trials) as well as nonexperimental evidence. The nonexperimental research uses a variety of “natural experiments” such as policy reforms and expansions to identify the effects of the programs. For example, programs such as food stamps and Medicaid started in some parts of the country earlier than others. We can compare the life trajectories of those who had access to programs as children with those of their
contemporaries or near-contemporaries who did not. Another approach uses expansions of programs to compare those who received more or less access to a benefit.

Supplemental Nutrition Assistance Program (SNAP)

A large number of studies estimate the long-term effects of SNAP (previously called Food Stamps) by taking advantage of the staggered roll-out of the Food Stamp program across counties between 1961 and 1974. My research finds that access to SNAP during pregnancy leads to healthier births, reducing the incidence of low-birth weight by 7 percent for white births and 5-11 percent for black births (Almond, Hoynes, and Schanzenbach 2011). My research also finds that access to SNAP in early childhood leads to better health in adulthood. In particular, individuals with access to food stamps in childhood had dramatically reduced risk of metabolic syndrome (including obesity, high blood pressure, heart disease, and diabetes) in early to mid-adulthood (Hoynes, Schanzenbach and Almond 2015). In another study, I find that access to food stamps in early childhood leads to increases in completed education, earnings, neighborhood quality, and home ownership as well as reductions in poverty, mortality and incarceration (Bailey, Hoynes, Rossin-Slater, and Walker 2020). Other researchers have found similar results (e.g., Bitler and Figinski, 2018, find that access to food stamps in early life leads to increases in earnings in adulthood).

In all of these long-term studies, it is evident that the longer a child has access to food stamps, the greater the gains in adulthood. In many of the SNAP studies, the benefits are particularly effective between conception and age five, suggesting that early childhood may be a particularly productive window for nutritional inputs.

Another set of studies estimates the impact of SNAP using policy variation in the 1990s. East (2020) finds that SNAP access before age five improves the child’s parent-reported health in adolescence. She also finds that SNAP reduces school absences, doctor visits and hospitalizations, all of which are suggestive of long-term benefits. This finding is replicated in my own work where we use variation in the local “purchasing power of SNAP” and find that childhood exposure to food stamps leads to fewer school absences, lower food insecurity, and more preventative health care (Bronchetti, Christiansen and Hoynes 2019).

Below I discuss how to put these results together to measure the benefits of SNAP relative to the costs.

Earned Income Tax Credit

There is also strong evidence on the long-term effects of the Earned Income Tax Credit, a refundable tax credit paid to workers with low levels of earnings. To identify the causal effects of the EITC, many studies leverage the large expansion of the credit in 1993; other studies use the introduction of the EITC in 1975 or other expansions in 1986, 1990, and 2009.
First, parental access to the EITC during pregnancy leads to increases in health at birth, including an increase in average birth weight (Strully et al. 2010). My research finds that a $1,000 induced increase in after-tax income due to the EITC leads to a 2-3 percent reduction in low birth weight births (Hoynes, Miller, and Simon 2015). Others find that the EITC leads to improvements in maternal health, including reducing the incidence of risky biomarkers such as measures of inflammation, high blood pressure, elevated cholesterol and improving mental health, suggesting an income pathway for a reduction in stress (Evans and Garthwaite 2014).

Second, researchers document that the EITC leads to improvements in test scores of children. Dahl and Lochner (2012, 2017) find that a $1,000 increase in family income due to the EITC leads to an increase in combined math and reading test scores by 0.04 standard deviations. Chetty, Friedman, and Rockoff (2011), find that $1,000 in income due to the EITC leads to a 0.06-0.09 standard deviation increase in test scores.

Third, studies show that exposure to the EITC leads to an increase in the probability of completing high school, college attendance, and higher employment and higher wages in early adulthood (Bastian and Michelmore 2018). Manoli and Turner (2014) find that $1,000 in EITC payments in the senior year of high school leads to a 2-3 percentage point increase in college attendance. Additionally, Agan and Makowsky (2018) find that the EITC reduces female criminal recidivism.

A recently published study examines the effects of tax benefits in the first year of life on later life outcomes. Using children born just before versus just after the January 1 birthdate cutoff for child-related tax benefits, they find that additional benefits in the first year of life lead to improved math and reading test scores, a higher likelihood of high-school graduation, and increases in young adult earnings (Barr, Eggleston and Smith 2022).

**Cash Assistance**

There are also studies that examine the long-term impacts of cash assistance.

Duncan et al. (2011) synthesize data from several randomized control trials of state welfare reform policies in the years prior to federal welfare reform and find that an additional $1,000 increases student achievement by 0.05-0.06 standard deviations.\(^5\)

Researchers have traced the effects of casino openings among the Eastern Band of Cherokee Indians in North Carolina on long term outcomes. The tribe initiated “per-capita payments”—a sort of universal basic income provided to tribal members. One study found that additional income during childhood led to improvements in educational attainment and a reduction in criminal activities, with no adverse impact on employment (Akee et al. 2010). Another study found that the cash transfer led to more parental investment and

\(^5\) These results come from pooling data across randomized experiments across U.S. states (and one from Canada) where one group received the welfare reform program and the other the pre-existing AFDC program.
positive interactions between the parent and child, and beneficial impacts on children’s emotional and behavioral health and personality traits during adolescence (Akee et al. 2018).

Aizer, Eli, Ferrie and Lleras-Muney (2016) examine the long run effects of the Mothers’ Pension program, the earliest cash support program for families with children in the U.S. (available in some states prior to the 1935 Social Security Act which created the AFDC program). They combine data from military records, death records and state historical censuses and find that receipt of cash assistance increases educational attainment by 0.4 years, extends length of life by 1.5 years, and reduces the probability of being underweight for men by half.

**Medicaid**

Medicaid provides health insurance for low income Americans. In the late 1980s and early 1990s, expansions in Medicaid led to increases in coverage for pregnant women and children. Research studying these policy expansions reveal that Medicaid has significant benefits in the long term (see review by Currie and Duque 2019). Several studies show that Medicaid during pregnancy and childhood leads to improved health outcomes in young adulthood (Currie, Decker and Lin 2008, Wherry and Meyer 2016, Wherry et al. 2018, Miller and Wherry 2019). Additionally, the benefits extend to the next generation – children of mothers who had more exposure to Medicaid during pregnancy themselves go on to have healthier infants (East, Miller, Page and Wherry, 2022). The benefits are not limited to health. One study shows that Medicaid in childhood improves performance in school (Levine and Schanzenbach 2009). Several studies show that Medicaid coverage during childhood leads to increases in educational attainment and earnings in adulthood (Brown, Kowalski, and Lurie 2020, Miller and Wherry 2019, Cohodes et al. 2016).

Using the introduction of the program in the 1960s, researchers find that childhood exposure to Medicaid reduced adult disability and increased labor supply (Goodman-Bacon 2016) and reduced high blood pressure, diabetes, heart disease, and obesity (Boudreaux, Golberstein, and McAlpine 2016) measured up to 50 years later.

**Policymaking recognizing benefits and costs**

Overall, the research conclusively establishes that additional resources to low-income children improves a wide range of adult outcomes. Higher income during childhood leads to improvements in educational attainment, labor market earnings, family income and health, and reductions in criminal activity.

To evaluate the impacts of social safety net policies requires analyzing the benefits of the policies relative to the costs. In addition to the research on the benefits of these policies discussed above, we also have research on the costs of these programs. In fact, until the last decade almost all economic research on the social safety net focused on quantifying the costs with little attention to the benefits (Aizer, Hoynes, and Lleras-Muney 2022).
The main cost of social safety net programs is the benefit payments and administration costs (the direct costs). There are also indirect costs of providing the benefits including the costs of changes in economic behavior (e.g. earnings, employment, income) that result from delivering the benefits to the parents, as well as the from the taxes needed to fund the programs. Other indirect costs may include impacts on marriage and fertility.

The research on cash and in-kind assistance programs shows modest, but non-zero, effects on employment (Moffitt 2003, Moffitt 2015). However, not all labor supply effects are created equally. Policies that deliver income with large changes in net wages—either positive (through use of steep phase-ins such as with the EITC) or negative (through use of steep phase-outs such as with the original AFDC program)—lead to larger changes in employment than policies that deliver income with small changes in net wages (such as the gradual phase-out of the EITC). However, even with the pre-welfare reform AFDC program with phase-out rates between 66 and 100 percent, “the work disincentives of the program have little effect on the size of the caseload itself” implying even in the absence of the AFDC program, most women would have earnings below the eligibility threshold (Moffitt 1992, p. 17). With respect to incentive effects regarding marriage and fertility (another source of potential indirect costs), the results are weak: “The failure to find strong [cash] benefit effects is the most notable characteristic of this literature” (Moffitt 1992 p. 31, also see Ziliak 2015).

In summary, we can quantify both benefits and costs of social safety net programs targeted at children. And we can put them together to compare the benefits relative to the costs.

The research summarized above provides strong evidence for the benefits of the social safety net for children: additional resources in childhood lead to improvements in adult outcomes. Clearly this is good for the children and their families. But it is also good for society. Why? Because higher earnings and income in adulthood translate to higher future government tax revenue. Improved health and reductions in criminal activity translate to lower future government spending. Thus, the social safety net is an investment that can pay back benefits over the longer term, both to the children and their families as well as to society and the economy as a whole.

The headline results show a large rate of return on investment:

- In my research, we find that access to SNAP from conception to age 5 yields $56 of benefits to the families for every dollar of government net (direct and indirect) costs.
- The net cost of the EITC to taxpayers in the short run is 17 cents for every $1 of direct program costs. Incorporating the long run benefits, the program completely pays for itself (Bastian and Jones 2021).
- Medicaid for pregnant women and infants fully pays for itself in the long run (Hendren and Sprung-Keyser 2020).
More generally, Hendren and Sprung-Keyser (2020) study more than a hundred policies and find that programs targeted towards children have large returns, some paying for themselves entirely in the long run.

An important challenge in this work is that the costs are easy to quantify and are incurred early, at the time of program delivery. Benefits, on the other hand, take time to emerge. This is particularly problematic in the presence of fixed budgetary windows. CBO scores policy proposals “to assess the effects on the economy of “major” legislation that Congressional authorizing committees approve, and to incorporate those effects into the agency’s 10-year cost estimates.” The CBO score includes predictions about “how federal outlays and revenues would change if legislation was enacted and fully implemented as proposed—compared with what future spending and revenues would be under current law.”

While this approach takes into account the direct and indirect costs of the program, the 10-year cost window rules out consideration of the long-term benefits. This can lead to short-term thinking that ignores the investment aspect of these programs.

**Looking forward: Investments in Children and our Economy**

Policies adopted in the 1990s led to significant changes in the social safety net with a dramatic shift in focus from income support toward work-based assistance. Consequently, the distribution of households receiving assistance moved away from the poorest households, towards the near poor as shown in Figure 5 (Hoynes and Schanzenbach, 2018).

![Figure 5: Government Spending on Children, Share by Family Income, 1990–2015](source)


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Against this backdrop and in light of the evidence on the investment effects of the social safety net, it is instructive to consider the 2021 expansion of the Child Tax Credit (CTC) enacted as part of the American Rescue Plan (ARP).

The ARP included a temporary, one-year expansion of the CTC. The CTC is one of the federal government’s central policies for delivering economic support to families with children. However, prior to the ARP expansion, and again now, given that those provisions expired, the poorest third of children receive either no credit or only a partial amount because receipt is limited to those who meet a minimum income test.\(^7\) The 2021 CTC expansion increased the per child payments (from $2,000 per child to $3,600 per child if under age 6, or $3,000 if ages 6 to 17) and removed the income test thereby extending the CTC to the poorest children. The payment also shifted to a monthly schedule, so almost all families with children received half the credit for 2021 in monthly installments between July and December 2021, the balance being paid when families filed their tax returns in early 2022.

Real-time surveillance has examined the impacts of the CTC on poverty, household spending, food insecurity, and employment. Research from the Columbia University Center on Poverty and Social Policy shows the powerful impact the CTC expansion had on child poverty: lifting 3.7 million children out of poverty by the time of the final monthly payment in December 2021. Using the Census Pulse Survey and other sources, research shows that families have used the funds to support basic needs including food, rent, and school clothing, as well as paying down debt.\(^8\) Several studies show that the expanded CTC led to dramatic reductions in food insufficiency.\(^9\) The existing evidence finds no impact on employment\(^10\), though it is possible that people may react differently to a long-term policy than to a short-term policy.\(^11\)

Overall, the CTC expansion is projected to cut child poverty by about 40 percent (Acs and Werner 2021). Much of this poverty-fighting impact of the CTC expansion comes from extending eligibility to include the poorest families. Based on the evidence summarized above, the increase in income from the expanded CTC is expected to generate gains long past childhood—higher education and earnings, better health, less criminal behavior—yielding a long-term fiscal payoff. Research from the Columbia University Center on Poverty and Social

\(^7\) Collyer, Sophie, David Harris and Christopher Wimer. 2019. Left Behind: The One-Third of Children in Families Who Earn Too Little to Get the Full Child Tax Credit. Columbia University Poverty & Social Policy Brief, 3(6), May 13.
\(^8\) See Karpman et al. 2021, Perez-Lopez and Mayol-García (2021), Pilkauskas and Michelmore (2021), and CLASP (2021).
\(^9\) Parolin et al. (2021).
\(^10\) Karpman et al. (2022).
\(^11\) Several studies have used existing evidence on elasticities to simulate the predicted effects on employment yielding a range of estimates. Goldin, Maag and Michelmore (2020) predict small effects on labor supply while Corinth et al. (2021) predict larger effects on labor supply. Bastian (2021) predicts effects in between these two other studies and concludes that if extended, the expanded CTC would still lift more families with children out of poverty than the previous version of the CTC and earned income tax credit (EITC) combined.
Policy predicts that the long-term *net cost* to taxpayers of the expanded CTC is 16 cents for every $1 of new benefits.\(^\text{12}\)

**Conclusion**

In sum, the social safety net for families with children represent *investments* in the human capital of children, not simply transfers to adults. The returns to these investments, like that of investments in human capital and infrastructure, can only be properly measured over the entire lifetime of the recipients and should be comprehensive in nature, including gains to educational attainment, labor market outcomes, health, and other aspects of human wellbeing.

Thank you, and I look forward to answering any questions you might have.

Works Cited (and not in footnotes):


Center for Law and Social Policy (2021). “The Expanded Child Tax Credit is Helping Families”


