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## Endnotes

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37. There are at least three reasons why parents might not invest what might be considered an optimal amount in their children's early development. First, there could be an information problem – parents may simply not understand the scale of the benefits that arise from investing in a child's early years. Second, the benefits that accrue to parents (and the child) from early years' investment are less than the total benefits derived by society at large. In economic terms, there are 'positive externalities' (ie extra benefits over and above those derived by the parent and child) that accrue from the early years investment. Thirdly, there may well be credit constraints that inhibit the parent's ability to invest in their child's early development (ie they may simply not have the funds – or the ability to borrow – to invest in their child's early development). These 'market failures' arguably provide an 'efficiency' rationale for the public sector to intervene in the early years development of children
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39. Overall, evaluations with a longer-term follow-up are associated with the largest benefit-cost ratios, because they could include measurements at older ages of outcomes that more conveniently translated into monetary benefits, such as educational attainment, earnings, and criminal behaviour (Karoly et al., 2005). This finding indicates that the benefit-cost estimates from the various economic evaluations of ECD interventions are very likely to be underestimated, since not all benefits could be translated into monetary values
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54. There is also a potential equity issue here as large public subsidies for higher education can actually have a redistributive effect from low to high-income households. This is because children from disadvantaged backgrounds are significantly less likely to participate in higher education than those from higher socio-economic groups
55. These estimates are discussed in Appendix B to this main report
56. The Audit Commission report 'Against the Odds' also found significant cost savings from low cost early interventions that are targeted at reducing young people not in employment, education or training. For example, the study found that providing support to teenage parents resulted in a saving of £180,620 over a ten year period, and similarly supporting someone with learning difficulties could save £60,157, over ten years
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64. This will be extended to all disadvantaged two year old children from 2012-13

