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It's the thought that counts

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Author

Zimmerman, FJ

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1 **It's the Thought that Counts: A Commentary on Huang et al., "Impacts of Child**
2 **Development Accounts"**

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7 Frederick J. Zimmerman, PhD
8 Fred and Pamela K. Wasserman Professor,
9 Department of Health Policy & Management
10 Fielding School of Public Health
11 University of California - Los Angeles
12 Box 1772
13 Los Angeles, CA 90095-1772
14 fredzimmerman@ucla.edu

15

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19 **It's the Thought that Counts: A Commentary on Huang et al., "Impacts of Child**
20 **Development Accounts"**

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24 In 1949 the government of Finland began sending boxes to the parents of every newborn
25 child in the country.¹ The boxes have been given to every expectant mother in Finland
26 since, and now include clothes, diapers, a bib, and other essential supplies. The baby
27 can even sleep in the box itself. The purpose of distributing these boxes is to encourage
28 pregnant women to visit the doctor for prenatal care, and it works.² Finnish mothers
29 seek timely prenatal care at rates exceeding 97%, among the highest rates in Europe.³

30 Of course there are other incentives and facilitators besides Finland's maternity box, but
31 these incentives are typically less generous in Finland than elsewhere.² Finland's
32 approach is, however, the most concrete. The arrival of a box filled with baby clothes
33 carries a powerfully tangible sign that the baby is both real and a welcome member of
34 society.

35

36 The SEED OK approach also produces benefits, perhaps in a similar way. As the article
37 by Huang et al. in this issue of *Jama Pediatrics* shows, the distribution of \$1,000 529
38 accounts in children's names promotes improved social-emotional development at age 4,

39 presumably because of greater parental attention to their children.<<cite to Huang
40 article>> One thousand dollars is a nice, round number, and large enough to focus the
41 mind. But how important is the actual amount?

42
43 This policy derives from a literature that suggests that asset-holding can improve child
44 outcomes, in part by changing the attitudes and behaviors of parents.⁴ While there is an
45 obvious positive association between assets and child outcomes, the empirical evidence
46 testing whether giving poor people assets improves their children's outcomes is
47 promising, but somewhat mixed and not yet fully persuasive.⁵ Researchers and policy-
48 makers will accordingly be extremely excited to see a rigorous test of this approach in a
49 real-world setting.

50
51 One of the many advantages of a randomized design is to focus attention on the
52 intervention. Here what is involved is not only a transfer of assets, but also regular add-
53 on gifts and the annual account statement. This distinction is important: if only the
54 assets matter then adding more would presumably produce a larger effect; but if the
55 mechanism of action is instead through the reminders and add-ons, or through the signal
56 of inclusion that a major child-based transfer implies, then the specific amount is less

57 important, and the program could have a larger effect by enhancing these other,
58 inclusion-based components.

59

60 It is striking that so few people—only 15%—take advantage of the offer of an additional
61 \$100 in the form of a parent-owned 529 account. So while \$1,000 seems to matter, \$100
62 seems not worth the trouble. What’s going on here? Of course, there are some barriers
63 to signing up for the additional \$100, but even so, with such a small proportion of people
64 electing to accept the free \$100—and even fewer electing to accept the matching amount
65 by investing their own money—it is clear that real money is being left on the table.

66 Perhaps assets are not the only mode of action after all.

67

68 The SEED OK plan has an effect on child outcomes only among those who are at risk.
69 Children of parents with incomes greater than 200% of the poverty line experienced no
70 benefit, significant or otherwise. It may be that there was a floor effect in that children
71 of middle- and upper-class parents had few enough social-emotional problems to make
72 further reduction in these problems quite difficult. It may also have been that the
73 primary mode of operation of the intervention was not through financial incentives, but
74 rather through the social solidarity communicated through the \$1000 529 plan and other

75 gifts—a message that middle-class parents already get by other means. Participants
76 reported that the program helped them feel “a whole lot better” and gave them hope for
77 their children. In America, money talks, and there is no better message to send with
78 money than that a child is valued.

79

80 In Finland the emphasis is on babyhood—colorful clothes whose designs change from
81 year to year, a teething ring and a picture book—and this gift seems to celebrate infancy
82 as a stage in itself. The Oklahoma plan, by contrast, reflects the American cultural
83 emphasis on money and professional success.

84

85 Yet not all children will in fact go to college, nor would either individuals or the
86 American economy be well served if they did. Nationally only about 60% of children will
87 attend college,⁶ and only about 25% complete college.⁷

88

89 In this context it is striking that the SEED OK program is so narrowly focused around a
90 future outcome that will largely elude many of the participants—including so many of
91 those for whom the intervention seems to work most effectively. One can't help

92 wondering how parental interest in their children will evolve as some children do not
93 excel in school over time. Will the effect of the program be diminished or even reversed?
94
95 The Washington State Institute for Public Policy has produced a report reviewing the
96 costs and benefits of well-studied interventions in early childhood.⁸ They find 7
97 programs in which the social benefits exceed the costs by a wide margin, including 4 in
98 which the benefits to the taxpayers alone significantly exceed the costs. With additional
99 replication of the results presented by Huang, et al., some form of inclusion gift for
100 infants is likely to join this impressive list of evidence-based and cost-saving programs.
101
102 Yet this study leaves many important questions unanswered, such as what the method of
103 action really is, how long the effects will last, whether they are concentrated in one
104 subpopulation or are more general, how they can be enhanced and strengthened, and
105 whether there are other beneficial effects of the program beyond social-emotional
106 development. Far more work needs to be done. Yet here may be where the study makes
107 one of its most important contributions, for it demonstrates the enormous value of
108 subjecting social policy to the rigors of randomized trials.

109

110 Randomizing benefits—especially when the true effects of those benefits is uncertain—
111 would result in far more rapid improvements in social policy and social well-being at far
112 less cost than the current practice of universally implementing policies that are
113 politically popular, and only sometimes supported by strong evidence, much of it derived
114 from efficacy, not effectiveness, research.

115

116 At minimum what is known now, or at least strongly suggested by this well-conducted
117 trial, is that something about giving parents a \$1000 savings plan with a few other
118 goodies seems to help their children to develop well. While the mechanism isn't yet
119 clear, the general principle is established: parents respond well to a formal welcome of
120 their child. This response can be observed in the US as in Finland, and works whether
121 the welcome is in the form of money for future education or clothes for the baby.

122

123 As one recipient of the Finnish box put it, “This felt to me like evidence that someone
124 cared, someone wanted our baby to have a good start in life. It strengthens that feeling
125 that we are all in this together.”¹ Sometimes, indeed, it's the thought that counts.

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