Part I

INTRODUCTION AND OVERVIEW

Chapter 1

What Is the Child Care Problem?

Child care in the United States is a problem. This is the message of many newspaper and magazine articles and reports by think tanks, government agencies, and conferences. Depending on whom you ask, the child care problem endangers the well-being of children, causes financial hardship and stress for families, makes it next to impossible for low-income families to work their way off welfare, causes substantial productivity losses to employers, and prevents many mothers from maintaining productive careers in the labor force. What is the nature of the child care problem? Why does it exist? What is being done to solve the problem, and what more can and should be done about it?

This book addresses these issues from an economic perspective. The price, cost, demand, and supply aspects of child care fall naturally into the domain of economics. Other important aspects of child care, such as the determinants and consequences of the quality of child care, are considered the domain of developmental psychology and are generally ignored by economists. I believe that an economic perspective can contribute to an understanding of these issues as well, so a substantial portion of the book is devoted to issues of child care quality. I take seriously the perspective of developmental psychologists on child care quality: I use their measures of quality and discuss and critique their research.

This book is based on the results of my own research on child care over the past decade as well as that of others. Much of this research has been published in scholarly journals and is addressed primarily to an audience of economists. My purpose here is to synthesize these economic analyses of child care issues in the United States and present the research results in a way that is intelligible and useful to other social scientists and to non-academic readers. I hope that this straightforward and nontechnical economic analysis of child care is helpful to all readers in thinking about the child care problem and alternative solutions to it.

Most of the book is devoted to description and analysis: discussion of conceptual issues, models, data, and empirical results. I try to put aside the opinions and biases I bring to the subject and present the pros and cons of alternative ways of thinking about the issues. In the last chapter, I put forward my policy proposals on how to deal with the child care problem in the United States, being as explicit as possible about their social and economic objectives. These ideas are strongly influenced by the results of my research, but they also reflect my value judgments about the issues.

CHILD CARE PROBLEMS AND THEIR CONSEQUENCES

There are several commonly cited problems with child care in the United States: much of it is of low quality; some types of child care are unavailable; high-quality child care is expensive and in short supply; child care providers receive low earnings and consequently experience high turnover; consumers lack knowledge and awareness of important aspects of child care; and child care costs are a major barrier to escaping welfare for low-income families. Let's consider each of these problems in turn.

Low Quality

> *Child care at most centers in the United States is poor to mediocre, with almost half of the infant and toddler rooms having poor quality. Only one in seven centers provides a level of quality that promotes healthy development.*
>
> —Helburn 1995, 1

Suzanne Helburn (1995) and her colleagues measured the quality of care in a sample of four hundred day care centers by spending two to three hours observing rooms in the centers and rating them on the Early Childhood Environment Rating Scale (ECERS), a quality scale with well-established reliability (for a detailed description, see Clifford and Harms 1980). The quality rating scale covers a wide range of factors related to safety and health, facilities, materials, toys, developmentally appropriate activities, and interactions between staff and children. The results of this study, which appear to be reliable and have been widely cited, confirm in a systematic way what many child care experts have been saying for a long time: from a child development perspective, the typical day care center in the United States provides care of mediocre quality. A good example of the type of care that would probably be rated as barely adequate or mediocre was described in the *New York Times* on April 27, 1998:

> At the three Houston centers, workers seem to see their role more as managing children than interacting with them. If a child was not having a problem, not in need of feeding or diapering or nose wiping, no one was likely to engage that child. In one room at Educare recently, Shirley Arceneaux was responsible for 15 children, most of them recently turned 3. . . . Although it was noisy and some children wandered around aimlessly, there was no fighting and no crying. Mrs. Arceneaux monitored the group, reminding children

> who knocked things over to pick them up, and making sure they shared. But she never joined the play, or discussed what the children were doing . . . what child care experts call "teachable moments" were often overlooked.

What about the quality of other forms of child care? There is less information about the quality of family day care homes and relatives, but the available data suggest that on average quality is also low. In their study of the quality of about two hundred family day care homes and relatives providing child care, Susan Kontos and her colleagues (1995, 206) concluded: "Only 9% of the providers were observed to be providing good quality care, whereas 35% were rated as providing inadequate quality care. The remaining providers (56%) were rated as providing adequate or custodial quality care. . . . The vast majority of providers offering inadequate care are nonregulated (82%), and the relative providers are the largest group (46%)."

Why is the quality of child care so low on average in the United States? Do parents realize that their children are receiving low-quality care? Do parents use the same criteria to evaluate the quality of child care that child development professionals use? Should they?

We can gain insight into these issues by thinking of child care as a service that is bought and sold in "markets." As in the markets for most other goods and services, there is a wide range of quality available and higher-quality care generally has a higher price. Consumers of child care can usually find the quality of care they prefer *if* they are willing to pay the price for such care. Providers can offer high-quality care if they choose, incurring high costs but also commanding the high price that goes with such care, or they can offer lower-quality care, at lower cost, and receive a lower price.

Chapter 2 presents descriptive information on the quality of child care in the United States, and chapters 4 and 5 provide empirical analyses of the demand for and supply of quality in child care. The main findings of the analysis are that, despite wide variation in the quality of care available in most child care markets, the cost to providers of offering higher-quality care is not exorbitant. Nevertheless, child care is of low average quality in the United States because consumers appear unwilling to pay what is needed to cover the higher cost of higher-quality care.

The most important question about the quality of child care is how it affects the development of children. One authoritative review of the child development literature (Love, Schochet, and Meckstroth, 1996, iii) answers this question as follows:

> Extensive research in child care and early childhood education conducted over the past 20 years has clearly demonstrated strong, positive relationships between a variety of quality measures and various dimensions of children's development and well-being. Across a wide range of settings, from center-

> based care to family child care homes, research shows that higher levels of quality are associated with enhanced social skills, reduced behavior problems, increased cooperation, and improved language in children.

"Poor-quality care, more than any single type of program or arrangement, threatens children's development, especially children from poor and minority families" (Hayes, Palmer, and Zaslow, 1990, xii).

I discuss this research in detail in chapter 7. Much of it seems unreliable to me, and an inadequate basis for these conclusions, but there are a few studies that do seem reliable enough to support these claims. Thus, despite the overall weakness of the evidence, I am inclined to believe these assertions. The low average quality of child care and the harmful effect of low-quality care on the development of children provide compelling arguments that we should try to use public policy to improve quality in the child care market. However, identifying the existence of a problem does not guarantee that a viable public policy that could solve it can be found. Two problems stand in the way of identifying policies to improve the quality of child care. First, as pointed out by John Love and his colleagues (1996, iii), "At this stage in the evolution of research on child care quality, we do not know enough to be able to guide policy by specifying the point at which lower levels of quality are clearly detrimental to children's well-being."

Second, even if such thresholds of quality can be identified in future research, it is not obvious how to design policies to ensure that such thresholds are achieved. There is a large developmental psychology literature on how to "produce" high-quality child care, but as I argue in chapter 7, most of this literature is flawed. I present my own analysis of the "quality production process" and conclude that there is considerable uncertainty about whether the approach to producing high-quality care advocated by development psychologists will be successful if applied nationally.

Lack of Availability

> *Definite shortages [of child care] exist in specific areas; for infant and school-age care; for children with disabilities or for children who are ill; for children in rural areas; and for those who need care during non-standard hours.*
>
> —Raikes 1998, 10

> *The phones ring, the mothers plead and May-Roline Charles shakes her head as she flips through her list of available child care centers in Manhattan. "I can tell you right now there are no infant day care centers available for children under 2," says Mrs. Charles. . . . The state, which used to exempt mothers of children under 3 from work programs, narrowed that exemption this year to women with children younger than 3 months. For each parent who needs help, city rules require welfare caseworkers to find two openings in a licensed day care center or in the home of a professional*

> *baby sitter—known as a family day care provider—who has registered with the health department. . . . But finding these vacancies is another story.*
>
> —*New York Times,* April 14, 1998

Most observers do not believe that there are widespread shortages of child care in the United States, but these recent reports suggest that some forms of care are perceived to be difficult to find or are simply unavailable. Does this indicate a failure of the child care market? Are the laws of supply and demand suspended when dealing with the care of young children? A simple way to think about this issue in economic terms is to ask: "*At what price* is child care difficult to find or unavailable?" As the *New York Times* report illustrates, some "shortages" appear to be caused by government rules, a fact that will not surprise most economists. In this case, the government requires mothers of infants to join the labor force but probably does not provide enough reimbursement to cover the cost of expensive infant care. Economics textbooks are full of examples of the unintended consequences of government policies that impose restrictions on the behavior of market participants.

The High Expense and Short Supply of High-Quality Child Care

> *We now know how critical children's earliest years are to their development, but the type of care that optimizes early physical, intellectual and emotional growth is in short supply—and far beyond the reach of most families. It may be more accurate to say that, as a whole, we're just not willing to pay for quality.*
>
> —*Raleigh News and Observer,*
> November 24, 1997, "The Child Care Crunch" [editorial]

> *The lives of women like Mrs. Garrett are ruled by hard economic facts. "If my finances permitted, I'd love to stay home," said Mrs. Garrett, whose husband, Rod, works in a factory making hospital curtains. Her husband takes home about $250 a week. . . . When it comes to child care, Mrs. Garrett, who is 36, has almost no choices. She would like to put her children . . . in her church day care center and preschool, Holy Temple Christian Academy, but at $180 a week—$90 less than what most licensed day care centers in Fort Lauderdale charge for three children—it is beyond her reach.*
>
> —*New York Times,* November 25, 1997

High-quality child care is expensive to any low-income family. It is probably beyond the reach of most such families unless subsidized by the government. On the other hand, the great majority of families in the United States are not poor. They could afford high-quality child care as easily as they could afford a nice car. Chapter 4 analyzes how the price of child care, family income, and other characteristics of families influence the quantity and quality of child care they purchase. We do not yet have the data to accept or reject definitively the assertion that "we're just not willing to pay for quality," but the evidence strongly suggests that high-quality child care is not a high-priority item for many households.

Low Earnings and High Turnover of Child Care Providers

> *Across the country the quality of early childhood programs is being adversely affected by serious problems in recruiting and retaining qualified staff. For years, early childhood staff have subsidized the provision of early childhood programs by accepting compensation far below the value of their work.*
>
> —Willer 1987, 42

> *On average, workers in child care centers earn less than bartenders. How's that for having our priorities straight?*
>
> —*Raleigh News and Observer,* November 24, 1997, "The Child Care Crunch" [editorial]

Full-time teachers in day care centers (97 percent of whom are women) earn less than half the amount earned by other women on average: $14,506 versus $30,344 per year for those with at least a bachelor's degree in 1994.[1] One-third of all teachers in day care centers leave their jobs each year, a rate that is about three times higher than the average for all women. Family day care providers earn substantially less than teachers in day care centers, and unregulated family day care providers earn on average only $5,132 per year after expenses.[2]

Why are child care wages so low? Are coldhearted day care center owners making profits by exploiting women who would like to take care of children for a living? This would not explain why self-employed family day care home operators earn even less than day care center employees. Who is exploiting them? Basic economic reasoning suggests that there must be many women who are willing to take care of children for very low wages. Naturally, they would prefer higher earnings. But the fact that they are willing to supply their labor for such low compensation, despite the fact that higher-wage jobs are available in other sectors, suggests that there may be some nonpecuniary rewards to being a child care provider. Chapter 5 explores this issue by analyzing the supply of child care. The evidence shows that the willingness of many women to work as child care providers for low wages is indeed an important part of the explanation for low child care wages. Another important factor is a steady increase in the number of women who are willing to work in child care, possibly owing to increased illegal immigration of low-skilled women.

Consumers' Lack of Knowledge and Awareness of Important Aspects of Child Care

> *Child care, in fact, is not a perfect economic market; it is a mixture of family and marketplace services, paid and unpaid, about which consumers know relatively little because the children experience the child care—while their parents make the decisions.*
>
> —Mitchell, Cooperstein, and Larner 1992, 21

> *There is little public understanding of the importance of early childhood and the characteristics that determine quality programs for young children.*
>
> —Willer 1987, 42

These two studies portray consumers as doubly ignorant: they cannot tell the difference between low-quality and high-quality care if they see it, and they don't see it anyway because they just drop their children off and head to work. Is this a realistic view? Is consumer ignorance the underlying source of most problems in the child care market? If so, how can such ignorance be remedied so that consumers will make well-informed choices in the child care market? Chapter 8 presents an extensive discussion of the information problems in the child care market and the role that public policy could play in dealing with their consequences. My own proposal for dealing with information problems in the child care market appears in chapter 10.

Child Care as a Barrier to Escaping Welfare

> *I was told that they're only going to pay for child care for 12 months. There's a one year limit. All three of my kids are in child care. That would take more than half my income to pay. I'm going to have to stay home with my kids because there's no way I can afford to pay child care.*
>
> —working mother formerly on welfare, quoted in Fuller et al. 2000, 51

> *State child care subsidy programs are so underfunded that they cut off eligibility at family income levels far below what is allowed by federal law and what is needed by families—with the result that families earning as little as $20,000 a year for a family of three are not eligible for help in many states. . . . Yet even with low income cutoffs, many states face demand they simply cannot meet. As of January 1998 about half the states had to turn away eligible working low-income families or put them on waiting lists for help.*
>
> —Adams, Schulman, and Ebb 1998, 3–4

National data show that child care costs take up over one-quarter of the income of families in poverty who pay for child care (Smith 2000). And it is estimated that only 15 percent of children eligible for a subsidy under the main federal block grant to states for child care are actually receiving a subsidy (Administration for Children and Families 1999). How can welfare reform succeed in its goal of moving low-income families from dependence on cash assistance to employment in view of the high cost of child care? What are the consequences for children and their families of being squeezed off welfare while facing a strong risk of going without a child care subsidy? Is this really a child care problem, or is it a problem with the basic approach to welfare reform? I discuss these issues in chapter 8 and present my own views in chapter 10.

THE CHILD CARE PROBLEM: MARKET FAILURE

Most of the problems identified here can be summarized in one phrase: market failure. A market is said by economists to have failed when the amount of the service provided in the market is too low (or too high) compared to the amount that would be optimal from society's perspective. In this case, the market is providing too little high-quality child care and child care for infants, low-income families, school-age children, children who have disabilities or are ill, children in rural areas, and children who need care during nonstandard hours, or all of the above.

Either explicitly or implicitly, most non-economists and many economists assert that the child care market fails in some important ways, and that government intervention to improve the market is justified. Sometimes the assertion is explicit, as in this 1993 policy statement of the Child Care Action Campaign, "Child Care and Education: The Critical Connection":

> Child care is fragmented, poorly financed and hard to find. Its quality has declined over the past decade. Individual providers are isolated and do not see themselves as part of a common effort committed to achieving a national goal. Parents are faced with a confusing and chaotic array of choices. . . . There is neither a comprehensive system of governance for child care nor any reliable source of financing for it.

The New Republic was even blunter in its TRB column of November 17, 1997, "The Parent Trap":

> As one House Republican staffer put it, "This is the kind of stuff that drives Republicans nuts. Here's a huge problem that affects zillions of people where the market has been a complete failure. What are Republicans supposed to say? That everything's hunk-dory with day care?"

I would like to tell you that this book will resolve the question of whether and how the child care market fails, and that the remedies proposed here for where it does fail will be successful. Unfortunately, direct evidence for or against market failure is very difficult to find, since a failed child care market would be one that produces less than the socially optimal amount of the service. But what is the socially optimal amount, and how do we know that the market is failing to provide it? I present a considerable amount of evidence about the quantity and quality of child care that is actually provided in the United States. But neither I nor anyone else can present reliable evidence on the quantity and quality of child care that would be optimal from society's perspective, because there is no such evidence. There are plenty of *opinions* on this issue, including my own. The only claim that might be asserted with any degree of confidence is that the average quality of child care in the United States is probably too low relative to the social optimum. How much below the social optimum is anyone's guess (or opinion). This assertion is based on evidence on the impact of the quality of child care on the development of children (discussed in chapter 7). But even this assertion is controversial: it depends on one's view of how children *should* develop.

The main thesis of this book is that the child care market functions much better than is commonly believed. Shortages are uncommon, and those that do exist are often caused by government policy and are limited to small segments of the market. Child care workers receive low wages because they are willing to work for low wages, not because they are exploited by center owners or forced to subsidize consumers. If fewer women were willing to accept low wages to provide child care, then wages would rise. The main problem in the child care market is low quality. Child care quality is low on average because the market responds to the demands of consumers, and the average consumer demands low-quality care. That is, the average consumer is unwilling to pay enough for high-quality care to cover the cost of providing it.

If low-quality child care harms child development, and if the consequences of suboptimal child development are felt by society at large, not just by the parents who are unwilling to pay for high-quality care, then there is indeed a market failure. Similarly, if parents lack the information needed to recognize high-quality child care when they see it or to understand its benefits, there is a market failure. The failure in this case is not due to some defect in the *internal* workings of the child care market. For example, it is not caused by market power being concentrated in the hands of a few providers who are able to extract excess profits from consumers by restricting supply. Rather, it is caused by an *externality:* market participants—in this case, parents—either do not bear all of the costs of their child care decisions, or they make these decisions without understanding their consequences, or both.

In general, economists argue against meddling with the market itself to remedy a market failure caused by an externality or an information problem. Rather, they recommend providing appropriate information to market participants so that they can make well-informed decisions, and finding a way to internalize the externality by inducing parents to consider all of the consequences of the choices they make about the quality of child care. In chapters 8 and 9, I evaluate current child care policy from this perspective by asking how well it does in these respects. The proposals I offer in chapter 10 are based on my view that society should care about the quality of child care even if parents are unwilling to pay much for high-quality care.

A recurring theme in the book is the tension between two objectives of child care: facilitating the employment of parents and enhancing the development and well-being of children. Child care of mediocre quality may serve the former objective quite well and fail at the latter. The converse is true for high-quality child care. For example, high-quality preschools and Head Start programs often provide only part-day care and require parent participation. In principle, a given child care arrangement could serve both objectives, but in practice there is usually a trade-off, since higher-quality child care is more costly in both monetary terms and in the time input required of parents. A given amount of money spent on child care buys more hours of care if the care is of low quality than if the care is of high quality, resulting in a quality-quantity trade-off.

This tension between employment and child development also exists in U.S. child care policy. Some child care subsidies are explicitly employment-related: employment is required for eligibility, but there are few restrictions on the quality of care that can be purchased. Other subsidies are explicitly development-related: there is no employment requirement, but the child care must be of high quality.

This trade-off is especially stark in the case of child care subsidies targeted at low-income families. The central goal of the welfare reform of 1996 was moving low-income families off cash assistance welfare programs and into the workforce. This goal obviously cannot be achieved without child care, and welfare reform revamped child care subsidy programs for the poor and increased funding for them. It is notable that the reformed child care subsidy program, the Child Care and Development Fund (described in chapter 8), is almost exclusively employment-related, in line with the major goal of welfare reform. There are few restrictions on the quality of child care that can be purchased with subsidies, and there is no emphasis on improving the development of low-income children. Other government programs that provide child care for low-income children, such as Head Start and Title I-A of the Elementary and Secondary Education Act, are explicitly development-oriented. There is a very real sense in which every dollar devoted to an employment-related child care subsidy program is a dollar that is not available for a development-related child care subsidy.

I argue in the final chapter that employment-related child care subsidies are a misguided approach to child care policy. The main problems with the child care market cited earlier are related to quality, not employment. The market failure stems from low demand for quality, not from some inherent flaw in the ability of the market to provide the quality of care demanded. The remedy for suboptimal quality in the child care market is not an employment-related policy but a policy that deals directly with this problem. There is no getting around the trade-off in child care policy between facilitating employment and enhancing child development, especially for low-income families. Hence, I am very explicit about my recommendations: employment-related child care subsidies should be replaced with quality-related subsidies and information provision, both for low-income families and other families.

A ROAD MAP TO THE BOOK

Part I of this book provides an introduction and overview of the U.S. child care problem. As this chapter has made clear, understanding the child care market is central to my analysis, which begins with a description in chapter 2 of the main features of that market. It contains summary information on prices, quantity, quality, and the characteristics of consumers and providers in the child care market and documents the tremendous increase in the employment of mothers of young children in the last few decades.

This change has been the main cause of the dramatic expansion of the child care market in the United States. As the market has grown, it has increasingly shifted from unpaid child care by relatives and family to paid child care in centers and family day care homes. Nevertheless, the market remains predominantly "informal": over two-thirds of preschool-age children of employed mothers are cared for in homes rather than centers while the mother works. Despite the rapid growth of the child care market, the price of child care has increased at a modest pace. The supply of child care has grown rapidly, keeping pace with growth in demand and dampening any tendency for large price increases.

Chapter 3 presents economic models of the child care market and explains how economists think about the behavior of consumers and producers in a market for a service such as child care. Basic models of demand, supply, and price determination are described. The nature of equilibrium in a market in which quality matters is discussed, and the models are used to illustrate the consequences of government interventions such as subsidies.

I devote an entire chapter to economic models of child care because such models may be unfamiliar to non-economist readers. A useful model makes assumptions that simplify a problem in order to understand its essence. Without simplifying assumptions, models would be too complex to be useful, and without useful models, we might be able to describe a problem but we could not analyze it. The crucial questions about any model are whether the model is too simple and whether it provides useful insight. The models I describe in chapter 3 are not the only possible basis for analyzing child care. Other models could be constructed based on alternative assumptions, including models based on non-economic approaches to thinking about child care. I do not claim that the models in chapter 3 are "right," but I do believe they are useful.

Part II presents empirical analysis of the main aspects of child care: demand, supply, price, and the determinants and consequences of child care quality. Chapter 4 analyzes jointly the demand for child care and the supply of labor by mothers, since these two aspects of family behavior are closely related. This chapter discusses the results of empirical analyses of the effects of the price of child care, family income, and other family characteristics on the type, quantity, and quality of child care used by families, and on the employment of mothers.

One of the main findings is that a higher price of child care causes the quantity of child care demanded to decline. Consumers are moderately sensitive to the price of child care: a higher price of care leads to modest reductions in hours of care per week and in the use of paid child care. Another important finding is that consumers appear to view the quality and quantity of child care as substitutes: quality tends to be higher when quantity (hours) of care is lower. And consumer willingness to pay for higher-quality child care increases very little as income rises. The findings indicate that the employment decisions of mothers are not very sensitive to the price of child care, but that low-income mothers are more sensitive. Overall, the analysis suggests that on average consumers are unwilling to pay for high-quality child care.

Chapter 5 analyzes the supply of child care. Provider behavior in the child care market is analyzed, including the relationship between cost and quality and the effect of price on the supply of quality. The behavior of child care workers is analyzed in order to understand the causes of low wages in the child care market. The main findings are that both the quantity and quality of child care are quite responsive to increases in the price of care. An increase in demand that tends to drive up the price of care induces a substantial increase in the quantity of child care supplied, thus dampening any tendency for large price increases. The cost of improving the quality of care offered in day care centers is modest, given the current relatively low level of quality. Day care centers can and do improve quality when the price of care rises.

Chapter 6 analyzes the relationship between price and quality, using data from samples of day care centers and regulated family day care homes. The results indicate that the price-quality relationship varies substantially across states and even within states. In some markets, higher-quality care commands a much higher price than lower-quality care, while in other markets the relationship between price and quality is much weaker. On average, the price-quality relationship is relatively weak. This reflects consumers' low willingness to pay for higher-quality care.

Chapter 7 studies the determinants and consequences of child care quality. Literature from the field of developmental psychology on two important issues is reviewed: how does the quality of child care affect child development, and how does one "produce" high-quality child care? If government policy is to be designed effectively to improve quality in the child care market, we need to understand the benefits of high-quality care for children, and the inputs that are most productive in affecting quality. I evaluate the large literatures on both subjects and discuss my own analyses of some of these relationships as well. A main finding from my analysis is that group size and staff-child ratio do not have significant positive effects on the quality of child care. Recent training in early childhood education does have a positive effect on child care quality, but less recent training, education, and experience are not associated with child care quality. The other main finding is that child care quality is positively associated with child development.

In part III on child care policy, chapter 8 analyzes child care subsidy policy in the United States. Child care subsidies are an important part of government child care policy in the United States. It is important to understand the goals and rationales for the current child care subsidy system in order to determine whether it is sensible and how it should be reformed. One major conclusion of the chapter is that there is little sound basis for child care subsidies that are conditioned on the employment of the parents. The empirical analysis examines the effects of child care subsidies on employment and child outcomes. The results show that employment-related child care subsidies encourage the employment of mothers of young children. High-quality child care provided by subsidies that are not employment-related has beneficial effects on the development of low-income children, but there is little evidence on how employment-related child care subsidies affect child care quality and child outcomes.

Chapter 9 analyzes child care regulation policy, the other main type of child care policy in the United States, and the effects of regulations on aspects of the child care market: the regulated items, price, and quality. The evidence suggests that regulations have small effects on the price and quality of child care and on the wages and supply of child care workers. This low impact may be due in part to relatively lax regulations and lack of vigorous enforcement.

In chapter 10, I propose a new child care policy. I first summarize the lessons learned from the analysis in previous chapters and set out principles that I believe should guide child care policy. Child care policy should be made as rational as possible in light of what we know about how the child care market works. But child care policy inevitably reflects a set of values and opinions, and I try to make mine as explicit as possible. I then discuss the problems with existing child care policy in light of these principles. After discussing proposals for reform made by other authors, I finally present my own proposal: to provide both a child allowance that can be used to defray any expenses of families with children and a child care voucher that is worth more if it is used for higher-quality child care. I also propose a systematic effort to inform consumers of the benefits of high-quality child care and to assist providers in their efforts to improve quality.

My proposal represents a fairly radical shift in U.S. child care policy, away from employment-based subsidies and toward quality-based subsidies. I believe such a change is warranted, however, by the findings presented in this book and by the evidence that high-quality child care has important benefits for child development, especially for low-income children. I invite readers to give serious consideration to this proposal and to join the discussion of its political feasibility.