Week 10: Market-based Reforms
Why Might Competition Lead to Better Student Outcomes?

• Technical or allocative inefficiencies in public schools
  – Public schools may be overly “bureaucratic” and “rule-bound” such that teachers cannot really teach in the most effective ways (Chubb and Moe, 1990)

• Matching hypothesis
  – There is a better match between school type/program and students and families
But, It’s Hard to Tell

• We shouldn’t conclude that schools are inefficient or there are poor matches based on average differences between types of schools
  – Differences in resources in the home or at school
  – Sample selection
  – Peer group

• Choice is difficult to measure
  – Depends on institutional structure and school and residential setting
Myriad Types of Competition

- Different forms of public school choice
  - Magnet and focus schools
  - Charter schools
  - Intra- and inter-district choice

- Public-private choice vouchers
  - Many argue that this is the only form of competition that will lead to real (positive) changes
Evidence on Choice

• Major focus has been on test scores (some evidence on high school graduation, college-going behavior & non-academic outcomes)
  – Non-experimental data: comparisons of public and private school students after adjustments for student & family background
  – “Quasi-experimental” data: Milwaukee
  – Actual voucher “experiments”
  – Competition in today’s educational marketplace
Results are Sensitive to Methodological Approach

• Who is the comparison group?
• What type of data?
• How do we adjust for student and family background?
• What are the school controls?
• What are our instruments?
Non-Experimental Evidence

• Results from studies of public and private schools are mixed
  – Depends largely on how researcher controls for selection bias

• Some evidence that Catholic school attendance raises probability of high school graduation, of enrolling at a 4-year college, and among 4-year college students, of attending a more selective college
What Can We Learn From Comparing Public and Private Schools? (Goldhaber)

- 3 step method to determine relative effectiveness of public and private schools and factors affecting parental choice
  - Estimate reduced form (probit) model of choice
  - Estimate public and private school achievement models that correct for sample selection (instruments: region and urbanicity)
  - Calculate student specific estimates of relative benefits and estimate structural choice model
Goldhaber’s Findings

• Controlling for family background, school resources, and sample selection, private schools are not found to be more effective than publics
  – Distinguish between individual and public policy implications: above finding doesn’t mean private schools aren’t a good buy for individuals in sample

• Parents seem to select schools on the basis of quality (value-added), but they also care about other school factors (e.g. demographics)
  – Suggests unfettered choice would lead to greater economic, and racial/ethnic segregation
“Quasi-Experimental” Evidence

• Conflicting results on student achievement
  – Witte (1997) finds no case where private schools outperform public schools
  – Green et al (1996) find little evidence of a private school effect for students in first two years, but a large private school advantage in years three and four
  – Rouse (1998) finds that students in choice school score about 1 to 2 percentage points higher in math than non-selected students, but results for reading scores are mixed.
Experimental Evidence

- Less worry about “unobservables”
- Existing experiments in New York City and Washington, D.C.
  - Higher parental satisfaction and achievement
- Limitations of experiments
  - Can’t infer outside of “treated” group
  - Must think about what the experiment is
  - Program may not have the same impact outside of experimental setting
  - The “why’s” matter
“Traditional” Forms of School Choice (Hoxby)

- Choices that exist today: choice of district through residential location & private schools
  - Hypothesis: schools and districts compete today, but there’s more competition in some areas than others
    - Difficult to directly estimate effects because of Tiebout sorting and endogeneity of districts & district/school decisions & private school location
  - Empirical strategy: choice is greater in metropolitan areas that have more districts (IV estimates necessary to account for endogeneity of district boundaries)
  - Findings: increase in competition (# of districts results in nirvana, but ...
A New Form of Choice: Charter Schools (Bettinger)

• Tremendous growth in charter schools: 300,000 students in over 1600 schools in 33 states (1999)
  – Charter schools may directly benefit those attending them and increase performance in neighboring publics (competition argument)
    • Endogeneity an issue in empirical estimates (IV strategy - instruments: state university ability to grant charters)
  – Bettinger finds no evidence that charters benefit either those attending them or those in surrounding publics (conflicts with Hoxby)
    • Model specification has major impact on findings
What About Actual Vouchers (Studies by Greene & Howell at al.)

- There exist a number of privately financed, small-scale voucher programs in urban areas
  - Small vouchers targeted toward low income students
- Oversubscription to programs allows for “gold standard” research methodology (experiment) that mitigates concerns about sample selection
- Consistent large positive (ES=.3-.5) test score findings (also positive effects on satisfaction) for private schools, but mainly for African-American students
But Things Aren’t Quite That Clear (Goldhaber)

• Some red flags from studies
  – Conflict with non-experimental results, gains only for African-American students, large swings in estimates from year-to-year (e.g. DC results show a swing of nearly a full standard deviation)
  – Strange results could be due to contamination of the experiment (e.g. non-random attrition)
    • Sample or response attrition

• Important caveats about generalization of finding: participation effects of schools and students, peer effects, scale issues
What is the Comparison?

Public School Quality

Private School Quality

A B C

da b c
Maybe Even the Threat of Competition Makes A Difference