School choice

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School choice : origin & definition

Friedman (1955) *The Role of Government in Education*

“The general trend in our times toward increasing intervention by the state in economic affairs has led to [...] an acceptance of whatever intervention [...] as natural and unchangeable.”

Friedman proposes vouchers (public money to subsidized education spending) for basic education (aiming for externalities and citizenship) and to fuel competition. Regulate religious school too.

In practice:

**limited vouchers** 10% of pupils in poor neighbourhoods: Colombia, USA.

**generalized vouchers** Chile, Sweden, France.

Economists leave the subject for a while to jurists and politicians, mainly about justice (race, gender)
Redefinition

Economists strike back, on labour spacial segregation: it might impact growth (through Solow models and Human capital) or aggregate utility. If diversity improves human capital production, it might be economically sound, and not only juridically fair.

Hoxby (2004)
“economists have worked on choice, their areas of ignorance and confusion have narrowed enormously”
Peers effect

Peers effect, if they exist, justify to regulate the school market to increase productivity. Equality is not the goal, it’s the global human capital.

Huge econometric issues: selection bias (social origin is correlated to peer effect as well as other aspect of human capital) and endogeneity: I impact the group that impacts me. How to estimate the peer effect net of my effect?
Empirical results.

**Zimmerman (2003)** Roommate effect (SAT scores) in US dorms, but stronger in humanities than in maths.

**Hoxby 2000** Strong peer effects (15% to 40% of mean increase transfers to each pupil).
Vouchers

Are vouchers a way to “liberate” school affectation and increase choice?

Epple & Romano (1998)

In practice, vouchers increase the private sector, the segregation and top pupils performance. Peer effect is more stratified, through “skimming” of poor background schools.
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Tracking:
peer effect or teacher’s attention effect?

Random trials: Duflo, Dupas & Kremer (2011)

Grouping pupils by level, improves everyone results (because teachers tend to focus on the best students, having a more homogeneous class is better for the worst) At least in Kenya in primary schools.
Busing

In Boston (Angrist & Lang, 2002)
Moving poor black students to white neighbourhood.
Mean level of the destination school drops but not much effect on white pupils results.
No clear conclusion on peer effects.

In Toulouse (France) this year also.
School choice deals with “simultaneously solving for three equilibria: equilibrium in the market for schooling, equilibrium in the market for housing, and equilibrium in the labor market (solving for the income distribution)”
General equilibrium

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- housing prices as indirect prices of education
- spatial segregation (assuming a rigid school map)
- justified by peer effects
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- housing prices as indirect prices of education
  ⇒ spatial segregation (assuming a rigid school map)
  - justified by peer effects
  - But social segregation also has other causes.
  - In practice, models suppose a lower interest for education by poor agents
Housing $\Rightarrow$ school choice

Housing segregation leads to school segregation
Through local founding (whether taxes or tuition fees)
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Through local founding (whether taxes or tuition fees)
USA: minimal public funding is mandatory. Fernandez & Rogerson (1998) estimate that an egalitarian funding would reduce inequalities and increase mean level.

Preference toward the private (Hoxby, 1994)

Competition from the private increases public education’s quality (and public teachers income).
Through skimming? Through market competition?
School choice

School choice and housing

General equilibrium

Empirical approach

Fack & Grenet (2008)

School map in Paris have an impact (net of neighbourbood) on housing prices, about 2% of the price much less than 20% that are estimated if you don’t use continuity breaks.