

## **Unit 9: Education Markets - A Systems Approach to the Private Sector**

Private schools have seen tremendous growth in developing countries in recent years, and now account for a greater share of enrollment than public schools in many urban areas. As they have expanded in number, private schools have ceased to only serve the rich, and low-cost private schools now serve all segments of the population including the poor. The private sector is therefore an increasingly consequential part of the overall education system.

Much of the academic and policy debate over the role of private schools in education has focused on comparing private vs. government schools, including contentious debates over which type of school is higher quality. In contrast, scholars have recently begun to articulate a systems approach to studying private schools. Under this approach, private and government schools co-exist within local education markets, and families make choices between these types of schools depending on the market structure. Within education markets, private and government schools are not best understood separately, but instead can only be understood together.

After introducing education markets, this unit will explore policy options for intervening in and improving them. The unit will discuss multiple kinds of market failures that, left unaddressed, lead to lower learning in all schools. For example, on the demand side, lack of good information on school quality leads families to make poorly informed decisions about where to educate their children (and allows the non-state market to charge higher fees). The unit will also explore questions around how private and government schools respond to the alleviation of market failures. For example, how is the impact of increasing funding to a single school different from increasing funding to multiple schools within an education market? And how do private schools respond to increased funding to government schools in their local market?

The unit will focus on education markets in Pakistan, which has one of the highest penetration of private schools in the world, and has been a locus of academic study and policy experimentation to improve them.

After completing the unit, students should:

- Understand the concept of 'education markets'
- Identify common education market failures, and their impact on school choice and learning
- Offer examples of how to alleviate education market failures, and support these examples with empirical evidence

## Required Readings

Andrabi, Tahir & Das, Jishnu & Khwaja, Asim Ijaz, 2015. "Delivering education : a pragmatic framework for improving education in low-income countries," Policy Research Working Paper Series 7277, The World Bank. <https://doi.org/10.1596/1813-9450-7277>

Andrabi, Tahir, Jishnu Das, and Asim Ijaz Khwaja. 2017. "Report Cards: The Impact of Providing School and Child Test Scores on Educational Markets." *American Economic Review*, 107 (6): 1535-63. <https://www.aeaweb.org/articles?id=10.1257/aer.20140774> [[Presentation](#) of unpublished long-term results at 2019 RISE Conference]

Andrabi, Tahir, Jishnu Das, Asim I. Khwaja, Selcuk Ozyurt, and Niharika Singh. 2020. "Upping the Ante: The Equilibrium Effects of Unconditional Grants to Private Schools." *American Economic Review*, 110 (10): 3315-49. DOI: 10.1257/aer.20180924 <https://www.aeaweb.org/articles?id=10.1257/aer.20180924>

Andrabi et al 2021. Crowding in Private Quality: The Equilibrium Effects of Public Spending in Education. Working Paper. <https://economics.ucr.edu/wp-content/uploads/2021/09/11-05-21-Bau.pdf>