

## 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, with the poor now being served by ‘low-cost’ private schools. 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 explores policy options for intervening in and improving them. The unit discusses 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 also explores 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 penetrations of private schools in the world and has been a focus of academic study and policy experimentation to improve private schools.

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; and
- Offer examples of how to alleviate education market failures and support these examples with empirical evidence.

### Lectures

1. [Education markets \(preliminaries\)](#) (Jishnu Das, Georgetown University)
2. [The education landscape](#) (Jishnu Das, Georgetown University)
3. [Understanding policy responses](#) (Jishnu Das, Georgetown University)

## Required Readings

- Andrabi, T., Bau N., Das, J. and Khwaja, A.I. 2022. Heterogeneity in School Value-Added and the Private Premium. RISE Working Paper Series. 22/116. [https://doi.org/10.35489/BSG-RISEWP\\_2022/116](https://doi.org/10.35489/BSG-RISEWP_2022/116)
- Andrabi, T., Das, J. and Khwaja, A. 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: <https://www.youtube.com/watch?v=cvOHvrXxcV0&t=10333>

## Further Readings

- On Education Markets:
  - Andrabi, T., Bau, N., Das, J., Karachiwalla, N. and Khwaja, A. 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>
  - Andrabi, T., Das, J. and Khwaja, A. 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, T., Das, J., Khwaja, A., Ozyurt, S. and Singh, N. 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>
- On the Private School Premium
  - Patel, Dev and Justin Sandefur. A Rosetta Stone for Human Capital. CGD Working Paper. <https://www.cgdev.org/publication/rosetta-stone-human-capital>
    - Blog: <https://www.cgdev.org/blog/rosetta-stone-comparing-test-scores-around-world-and-across-global-income-distribution>
- On Public Private Partnerships in education (generally)
  - Mauricio Romero, Justin Sandefur, Beyond Short-Term Learning Gains: the Impact of Outsourcing Schools in Liberia After Three Years, *The Economic Journal*, Volume 132, Issue 644, May 2022, Pages 1600–1619, <https://doi.org/10.1093/ej/ueab087>
  - Patrinos, Harry Anthony; Barrera-Osorio, Felipe; Guaqueta, Juliana. 2009. The Role and Impact of Public-Private Partnerships in Education. © World Bank. <http://localhost:4000/entities/publication/f89e9dde-fe8d-5737-b414-108c4f35540c>
  - Romero, Mauricio, Justin Sandefur, and Wayne Aaron Sandholtz. 2020. "Outsourcing Education: Experimental Evidence from Liberia." *American Economic Review*, 110 (2): 364-400. DOI: 10.1257/aer.20181478
    - Ungated working paper version: <https://www.cgdev.org/publication/partnership-schools-for-liberia>

- On Vouchers (specifically)
  - Epple, D., Romano, R., & Urquiola, M. (2017). [School Vouchers: A Survey of the Economics Literature](#). *Journal of Economic Literature*, 55(2), 441-492.
  - Karthik Muralidharan, Venkatesh Sundararaman, The Aggregate Effect of School Choice: Hsieh, Chang-Tai and Miguel Urquiola. The effects of generalized school choice on achievement and stratification: Evidence from Chile's voucher program, *Journal of Public Economics*, Volume 90, Issues 8–9, 2006, Pages 1477-1503. <https://doi.org/10.1016/j.jpubeco.2005.11.002> (ungated version: [http://www.columbia.edu/~msu2101/Hsieh-Urquiola\(2006\).pdf](http://www.columbia.edu/~msu2101/Hsieh-Urquiola(2006).pdf))
  - Evidence from a Two-Stage Experiment in India , *The Quarterly Journal of Economics*, Volume 130, Issue 3, August 2015, Pages 1011–1066, <https://doi.org/10.1093/qje/qjv013>
  - Pedro Carneiro, Jishnu Das, Hugo Reis; The Value of Private Schools: Evidence from Pakistan. *The Review of Economics and Statistics* 2022; [https://doi.org/10.1162/rest\\_a\\_01237](https://doi.org/10.1162/rest_a_01237) (ungated working paper version: [https://doi.org/10.35489/BSG-RISE-WP\\_2022/091](https://doi.org/10.35489/BSG-RISE-WP_2022/091))
  - Romero, M. and Singh, A. 2022. The Incidence of Affirmative Action: Evidence from Quotas in Private Schools in India. RISE Working Paper Series. 22/088. [https://doi.org/10.35489/BSG-RISE-WP\\_2022/088](https://doi.org/10.35489/BSG-RISE-WP_2022/088)
- On Regulation and State Capability:
  - Härmä, Joanna. Ensuring quality education? Low-fee private schools and government regulation in three sub-Saharan African capitals. *International Journal of Educational Development*, Volume 66, 2019, Pages 139-146. <https://doi.org/10.1016/j.ijedudev.2018.10.007>
- On Parent Choice
  - Stephanie Simmons Zuilkowski, Benjamin Piper, Salome Ong'ele & Onesmus Kiminza (2018) Parents, quality, and school choice: why parents in Nairobi choose low-cost private schools over public schools in Kenya's free primary education era, *Oxford Review of Education*, 44:2, 258-274, DOI: 10.1080/03054985.2017.1391084

## Supplementary Resources

- CGD blog on low cost private schools: <https://www.cgdev.org/blog/low-cost-private-schools-what-have-we-learned-five-years-dfid-rigorous-review>
- Testimony to UK Parliament by Joanna Harma and Pauline Dixon on low-cost private schools: <https://parliamentlive.tv/Event/Index/7dc4112b-76b7-4fd4-8b5b-8fb8aaf30a5d>
- The RISE Podcast: Jishnu Das on School Choice, School Quality, and 'Zombie Schools' in Pakistan: <https://riseprogramme.org/podcast/jishnu-das>
- The Seen and Unseen podcast episode with Karthik Muralidharan (an epic tour of the entire Indian education system, with a section on private schools starting at the 2:45:00 mark). <https://seenunseen.in/episodes/2020/8/9/episode-185-fixing-indian-education/>
  - Partial transcript: <https://www.notion.so/Podcast-Highlights-Karthik-Muralidharan-in-The-Seen-The-Unseen-Episode-185-Fixing-Indian-Educa-83355a25af9441fdb108b15003f4b298>