The effects of generalized school choice on achievement and stratification: Evidence from Chile’s voucher program

Chang-Tai Hsieh
University of Chicago and NBER

Miguel Urquiola
Columbia University and NBER
- Developing world: Great strides in educational *quantity*; less so in *quality* (Hanushek and Woessman, 2007; Vegas and Petrow, 2007)

- Friedman (1955) looms large in economists’ thoughts on addressing this:
  - Noted potential inefficiencies in the public sector
    → Vouchers to shift students into private sector; force public sector to improve

- No country has taken this idea more seriously than Chile
Prior to 1981, Chile had three types of schools:

1) Fiscal or public – suppliers of last resort, very limited student selection
2) Unsubsidized private – “elite”, expensive schools
3) Subsidized private – mainly catholic, more extensive student selection

The 1981 reform had two key components:

- Decentralization: Public schools were transferred to municipalities
- Financing: Public and subsidized private schools funded by vouchers

→ By 2003:
- 45% of all schools are private
- 36% are private voucher
- In urban areas, these shares are 62 and 48%, respectively
- Many private schools are secular, most operate for-profit
What should we expect such a reform to do?

(A) Raise *average achievement*  
(Friedman, 1955, Hoxby, 2000)

(B) Lead to *stratification* or *sorting*  
(“the poor going to school with the poor, the rich with the rich”)  
(Epple and Romano, 1998; Urquiola and Verhoogen, 2007)

Hsieh and Urquiola (2003,2006) suggest that in fact it:

- Led to massive sorting (middle class exit from public schools)
- Did not raise average achievement

( Specifically, in markets in which the private sector grew more:
  - Average achievement did not improve faster or slower
  - Public school achievement fell as “best” students exited  )
- Caveat 1: Identification is difficult in this context
- Nonetheless, results consistent with “aggregate”/international evidence:
  
  ![Graph showing median test scores comparison between 1970 and 1990 across countries.](image)
  
  (Similar lack of improvement in national tests)

- Caveat 2: Vouchers might have still raised average welfare:
  - Many parents value the ability to use subsidized religious schools
  - Schools might have emphasized spending on inputs parents value more
  - Politics—The basic system was never changed
Academic impact

- Prompted other work (e.g. Gallego 2007, Auguste and Valenzuela, 2006)
  - supported the results on stratification
  - disputed those on achievement

- Nonetheless some sort of consensus emerged; e.g., comment by Gallego on a paper summarizing these findings (forthcoming in *Economía*):

  “… the paper highlights the key finding that the system in Chile has not fulfilled its implicit promise of increasing quality and has had a positive impact on stratification. I agree with these two stylized facts.”
Correlated political/policy events:

- In the last election, both (right-leaning and left-leaning) candidates endorsed the need to address educational quality and equity/stratification

- A recent high level political accord sets the framework for eventual adoption of:

  1) An increase in the value of the voucher
  2) A change in the voucher’s design such that it is higher for poorer children
  3) Constraining subsidized schools’ ability to select students (through grade 6)
  4) The creation of a “Superintendency” for education
In affecting policy, this paper certainly did not work in isolation. In fact, its impact was likely very limited when contrasted with:

- Chile’s commitment to disseminating data on school performance
  - Showed persistent lack of improvement

- Student protests (that took place for perhaps unclear reasons)
  - Conjecture: Stratification may have something to do with citizen dissatisfaction

- Looking forward:

  - The impact of the current reforms on achievement/stratification is difficult to predict
  - Chile: enormous courage in educational experimentation and reform; Less courage in evaluating educational interventions