

**The Devil is in the Details:
How the Effects of School Choice Depend on
Parental Information about School Quality**

Philipp Stützle

Abstract:

The incentives that are created by school choice depend on many factors. Among these is the information about school quality that is available to parents. To analyze the effects of such information, I set up and calibrate a computable general equilibrium model in which (a) parents can choose among public schools and (b) schools can choose their level of effort. Then I run simulations for three types of information policy: (1) no official information published (2) pure output measures from standardized tests (3) output measures that control for student input. I compare the resulting effects on sorting and school effort.

Pure output measures are a commonly published information type in school choice programs. Differences in these measures have been shown to be largely driven by differences in student inputs like ability and socio-economic background. School productivity is thus hard to identify from pure output measures and therefore unlikely to be rewarded based on such information.

In my simulations, pure output measures lead to a school choice behaviour that is best described as “follow the good peers”. School effort is lower than in the case of output information that controls for inputs. Depending on parental information in the absence of official sources, school effort can even be lower than in the case without official information. Thus, if the goal of a school choice program is to increase school effort, it might be better to provide no information than to publish the common but misleading pure output measures.