Consequences of Sorting for Understanding School Quality

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This Paper

Does Quality or Selection Generate the Benefits of School Choice?

1. Use new lottery data to evaluate a school choice program in Massachusetts.

2. Estimate a rich model of treatment effect heterogeneity using a new application of empirical-Bayes.

3. Document Roy-type selection on observables by correlating observed heterogeneity with the application behavior of students.

Roy-type selection $\implies$ Lottery estimates of quality are not externally valid.
There is an emerging body of evidence documenting a causal link between educational interventions, test scores, and economic outcomes. (Almond and Currie, 2011; Chetty et al., 2011, 2014; Deming et al., 2014; Dobbie and Fryer, 2015; Angrist et al., 2016)

Recent work uses randomization in the school assignment process to better identify and understand differences in educational quality. (Angrist et al., 2013; Dobbie and Fryer, 2013; Deming et al., 2014; Abdulkadiroglu et al., 2017; Angrist et al., 2017)

This is a high stakes statistical endeavor.
Do Lottery Designs Identify Average Quality Differences?

Problem: Comparing students across schools in observational data is confounded by ability and family income.

Solution: Compare school choice lottery winners to losers.

Implicit Assumption:

Causal Increase $\iff$ Average Benefit is Higher $\iff$ Linear Constant Effect
Inter-district Choice Mechanism

In Theory:

- “Extra” seats offered to out of district students.
- Local school board may vote to opt-out.
- When over-subscribed, seats must be allocated via lottery.
- Sending district pays receiving district $5,000.
- Receiving district not required to provide transportation.

In Practice:

- Seat determination is at the total discretion of administrators.
- First-come first-serve is common even when demand regularly exceeds supply.
- Every district gives some form of sibling preference.
- Modal lottery conducted by a secretary picking names out of a hat.
\[ y_{it} = \alpha + \beta d_{it} + \delta_{t} + \gamma W_i + u_{it} \]
\[ d_{it} = \alpha' + \Pi Z_i + \delta'_{t} + \gamma' W_i + \nu_{it} \]

\( \beta \) identifies the average causal effect of moving to a more preferred district for lottery compliers at oversubscribed school choice districts that maintained and were willing to share high quality lottery records.

- Match scores increase by .19\( \sigma \).
- 14% more likely to be enrolled in an AP class.
- More likely to graduate and attend a 4 year college (weak evidence).
Consider a simple potential outcomes framework:

\[ y_i = d_i y^1_i + (1 - d_i) y^0_i = \beta_i d_i + \epsilon_i \]

A minimum definition of quality is:

\[ \beta = \mathbb{E}(\beta_i) \]

Thus a necessary condition for lottery estimates to be externally valid is that:

\[ \beta_i \perp d_i \]
A Test of Roy-selection on Observables

Let $\beta_i = \beta_k + v_i$. Then $\beta_i \perp d_i$ implies:

$$\mathbb{E}(\beta_k d_i) = 0$$

Except in the knife edge case where $\mathbb{E}(\beta_k d_i) = -\mathbb{E}(v_i d_i)$

**Problem**: Small sample; noisy procedure; many potential interactions.

**What about the non-experimental student data?**

Similar heterogeneity across samples should give us more confidence that lottery identified parameters are close to the local average heterogeneous effects of interest.
Correlation Between Experimental and Non-Experimental Heterogeneity
\[ \beta_k^s \equiv \beta_0 + \alpha_k (\hat{\beta}_k^e - \beta_0) + \delta_k (\hat{\beta}_k^n - \beta_0 - b_0) \]

- \((\alpha_k, \delta_k)\) are determined by correlation across samples and signal-to-noise ratio.
- Swap imprecise experimental variation for precise non-experimental variation.
- Converges to experimental estimand as experimental sample becomes large.
- When estimates are uncorrelated, system decouples into standard empirical-Bayes.
### Testing for Roy Selection on Observables

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<th>Take-up Indicator</th>
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<tr>
<td>Heterogeneous Effect</td>
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<td>(0.07)</td>
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<td>Heterogeneous Effect &lt; 0</td>
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<td></td>
<td>(0.03)</td>
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<td>Observations (students)</td>
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<td>Adjusted R²</td>
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Consequences for External Validity

Assume: $v_i \perp (d_i, \tau_i)$.

Then my results imply the following average treatment effects:

- **Treated**: $0.11\sigma$
- **Applicants**: $0.06\sigma$
- **Non-Applicants**: $0.02\sigma$

At most, 18% of lottery LATE is the result of quality differences.

**Benefits of Inter-district choice emerge from Roy-type selection**
Implications for Lottery Designs Within and Across Districts

**Within district** lottery designs and their observational counterparts are probably fine.

- More horizontal differentiation across districts than within.
- Consistent with recent work showing fall-back option matters.
  (Chabrier et al., 2016)
- Charter school impact is negative outside of urban areas in MA.
  (Angrist et al., 2017)
- Results are consistent with work on marginal versus average benefit.
  (Walters, 2018)

Generalizable quality is much harder to pin down.
Summary Results

Inter-district Choice:

- Raises math scores by $0.19\sigma$.
- Increases quality of coursework and probability of graduation / college attendance.

Roy-type Selection:

- Students who are negatively impacted are less likely to take up treatment.
- Selection drives a wedge between lottery parameter and school quality.
- LATE is almost entirely the result of Roy selection.

Cross-sample Empirical-Bayes:

- New method for using non-experimental data to increase precision.
- Useful for estimating rich heterogeneous effects models in noisy designs.