

The Impact of Charter Schools' Entry on Traditional Public Schools: New Evidence from North Carolina

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Abstract

Although school choice programs have played a key role in public education reform in the United States for years, the impact of competition between schools on student achievement remains unclear. This study analyzes the effects of introducing charter schools on students at neighboring traditional public schools. Unlike prior work, which estimates the effects at the school level, I examine the impact of charter schools at the grade level by exploiting the fact that charter schools expand their grade ranges over time. By focusing on gaps in grades between charter schools and traditional schools, I define *direct impact* on traditional-school students in overlapping grades and *indirect impact* on those in non-overlapping grades. Using student-level panel data from North Carolina, this study shows that the entry of charter schools does not induce any significant indirect impact but generates a positive and significant direct impact on student achievement. Distinguishing between the two distinct impacts and considering both traditional-school and charter-school students, my study finds overall positive effects of introducing charter schools. I also show such overall effects would have been underestimated by 85% in previous studies, since they identify the impact of charter school entry at a moment when the direct and indirect impacts are likely to be mixed. Finally, I argue that the direct impact consists of student sorting effects and competitive effects and, by controlling for unobserved peer characteristics, demonstrate one-quarter of the positive direct impact is driven by the former while three-quarters result from the latter.

JEL classification: I21, H4; *Keywords:* School choice; Charter school; Peer effects

Media coverage: Marginal Revolution, "How much do charter schools really matter?"

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