

# **School Competition and Efficiency with Publicly Funded Catholic Schools**

David Card  
UC Berkeley

Martin Dooley  
McMaster University

Abigail Payne  
McMaster University

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## **Abstract**

The province of Ontario has two publicly funded school systems: secular schools (known as public schools) that are open to all students, and separate schools that are limited to children with Catholic backgrounds. A simple model of inter-system competition predicts that incentives for effort are higher in areas where there are more Catholic families who are relatively uncommitted to one system or the other. We measure the willingness of Catholic families to switch systems by studying the effect of school openings on enrollment at nearby schools in the competing system. The results suggest that families in rapidly growing areas have the weakest attachment to a particular system. We then relate student test score gains between 3<sup>rd</sup> and 6<sup>th</sup> grade to measures of potential cross-system competition. We find that competition for Catholic students has a significant effect on test outcomes in both systems, particularly in fast-growing areas. Our estimates imply that expanding competition to all students would raise average test scores in 6<sup>th</sup> grade by 6-8% of a standard deviation.

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