



Comments on the paper:

**“Helping Your Children Soar: Does Public Education Provision Affect Private Expenditure on Children?”, by Pei Gao, Yiqing Lü, Xin Zhouls**

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# Summary

- Studies how: **monetary parental investment in children**
- responds to: **changes in opportunity to access top schools**
- in **China**
  - Make use of a merger between 2 central districts in Shanghai with different educational resources
  - Difference-in-differences using another central district as a control
  - Results:
    - Parents spend more on children after the merger, but not more overall
    - Effect is stronger for cardholders who live closer to the old border, and
    - disappears for those who have adult children
    - Effect is stronger for poorer cardholders on extra-curriculum training expenditure and stronger for the wealthier cardholders on other child support expenditures

# Nature of the change in educational opportunity

- Before the merger, 2 districts:
  - Zhabei (ZB) = large central district with higher level of competition:
    - less top-tier schools per capita (10 per 10,000)
    - and higher admission score (~546)
  - And Jing'an (JA) = seen as the most affluent district in Shanghai (3.4 times smaller than ZB) , with lower level of competition:
    - more top-tier schools per capita (25 per 10,000) >> **Big difference!**
    - and lower admission score (~533) = 13 points or 2% lower >> **Small difference? (Or big?)**
- Seems that competition is about the same in JA and ZB before the merger
- Even if much more top schools per capita: means that average ability higher in JA (relatively more top students)
  - Consistent with data showing that JA is “richer” than ZB
  - (Under the assumption that same test for all districts to enter high school?)

# Nature of the change in educational opportunity (cont'd)

- After the merger:
  - Number of top-tier schools per capita shifts to ~20 per 10,000?? (ZB is 3.4 times bigger) >> increases a lot for ZB and decreases a bit for JA
  - Admission score for top-tier schools jumps to ~ 560
    - >> Increases for both JA and ZB, but more for JA (“the competition to get into top-tier schools in ZB became easier”?)
    - So competition increases more for JA, but also for ZB
- The paper presents the policy as one improving “the **perceived opportunity**” of entering a top-tier school:
  - Consistent with increase in number of top-tier schools per capita
  - Likely that this is what is **salient for parents**, in particular in the short-term: any data showing that this is the case? (maybe qualitative? Newspaper articles?)
  - But should be discussed more: part of the effect can be due to the increase in competition

## Comments on the method:

- Would be nice to see the DID graphs to allow checking for parallel trends and to show that the control group is not affected :
- I would focus mainly on the effect on parents who have children of pre-high-school age (ITT on everyone is not necessary)
- The control district is very close from the treated districts, so might be directly affected (maybe in the longer run though)
- Robustness checks: triple DID using parents of children already in high school
- Effect based on distance: use a more continuous variable?

# Comments on the results/interpretation:

- How does the expenditure on extra-curriculum training (EC) translate in number of hours after school for the kids?
  - Assuming the rich are not financially constrained in this sample, would not expect any effect if they already consume the maximum of what they want or the maximum doable for their kid
- Results:
  - No effect on total expenditure: on which expenditures do parents cut?
  - “Effect is stronger for poorer cardholders on EC expenditure and stronger for the wealthier cardholders on other child support (OSC) expenditures” >> Why??
  - Do parents of the same income level spend the same for their children after the merger in ZB and JA?
  - Do you see people moving in (or out) the treated districts because of the merger? (seems that you observe students flows)

## Comments on external validity:

- Who are the “poor”? (probably not very poor!)
- Are the parents of ZB (and JA) representative of the overall population of Shanghai? Probably not! > Expect different results for poorer parents
- All the results are short-term: this should be clearer in the paper: maybe the effect of the change competition would lick in in the longer run

## Other minor comments:

- The potential underlying mechanisms should be discussed in the introduction
- Timing: “suddenly announced on Sept 7<sup>th</sup> 2015” and “effective from Nov 2015”
  - School starts in Sept (I think), so effective for the next academic year?
- EC includes “ballet” for instance?
- Pop-Eleches and Urquiola (2011) find that students who attend higher-achievement schools receive less homework-related help from their parents than other children but AFTER entering the school, not before

## Comments on the conclusions one can draw from the results:

- Is it a good thing that expenditure on extra-curriculum training increases?
  - Increases more for the poorest: should reduce inequality
  - But could be negative for children well-being and in the long run on the labor market as can be detrimental for social skills (maybe China different from the US on this side?)
- Parents in ZB end up spending more money in EC: does it really lead to a higher probability of entering top-tier schools for their kids? (or at least to better schools?)