

Mini-Grant Funded Research

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The Effect of Educational Vouchers on Academic and Nonacademic Outcomes

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School vouchers are one of the most hotly contested policies for improving the educational opportunities of disadvantaged students. Academic literature on the effect of vouchers has focused primarily on student test scores. Although test scores are a valuable outcome, parents and school administrators understand that some of the most desirable effects of education are on behaviors not captured by these tests, such as generosity, patience, and self-confidence. This research provides new data and evidence on the effects of educational vouchers on both test scores and these other nonacademic behaviors.

Our research uses data from The Children's Scholarship Fund of Toledo (CSFT), a privately run voucher program in Ohio. In 1998, nearly 2,500 families, all of whom qualified for free/reduced lunch, applied for these vouchers. The Children's Scholarship Fund of Toledo awarded more than 1,000 scholarships by lottery. Because CSFT randomly chose the scholarship winners, we can use unsuccessful applicants as a comparison/control group for the scholarship winners. Having a comparison group allows us to avoid the problem that voucher users may differ from other students in unobservable ways.

Our preliminary results show that winners' test scores are about 10 percent higher than unsuccessful applicants, that voucher winners are about twice as likely to attend private school after receiving the voucher, and that parents of voucher

winners are much more likely to be involved in their children's educations.

To measure the nonacademic behaviors of patience, generosity, and self-confidence, we use behavioral experiments with real financial consequences. In each experiment, students were given initial endowments of toy store gift certificates. We then allowed students to make decisions with real consequences. In a separate room, we simultaneously conducted identical experiments with the students' parents but offered cash instead of gift certificates. Within these experiments, we find that voucher winners are less confident and give larger amounts to charities. In our preliminary results, we also find only a small correlation between the children's and their parents' decisions.

An Empirical Analysis of Bargaining with Voluntary Transmission of Private Information

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Asymmetric information is a leading explanation of bargaining failures that result in costly disputes. These disputes include strikes and expensive trials or arbitration proceedings. In the context of civil litigation, Shavell (1989) has shown that the informed party to a dispute has an incentive to voluntarily reveal her private information if she has a strong case. When information can be revealed credibly and costlessly, Shavell finds that all disputes settle prior to trial. We empirically test Shavell's result with an experimental bargaining game. When we allow for costless and credible transmission of private information, we find that 80 percent of plaintiffs with strong cases reveal their information and that there is a significant reduction in the dispute rate. We also consider a "cheap talk" treatment in which transmitted information is not credible. In this treatment, we find (contrary to theory) that transmitted information is not totally ignored, but (consistent with theory) there is no drop in the dispute rate for any group of plaintiffs.

Our experimental design consists of a two-type version of the Shavell model. Plaintiffs have either a strong case or a weak case, where the dispute resolution mechanism can be thought of either as a civil trial or as a simple form of conventional arbitration in which offers do not affect the arbitration outcome. We choose parameter values such that in the absence of information transmission, theory predicts that weak plaintiffs settle and strong plaintiffs proceed to trial. Our results in this baseline experiment generally conform to the theory.

When information transmission is possible, theory predicts that plaintiffs with strong cases will voluntarily reveal their private information, and as a result their cases will eventually settle. In our experiment, almost 80 percent of these plaintiffs reveal their private information. For all plaintiffs with strong cases, the dispute rate falls from 87 percent under the baseline to 48 percent in the treatment. For those plaintiffs with strong cases who reveal their private information, the dispute rate drops to 35 percent. Another important prediction of the theory is that silence is interpreted as having a weak case, and this is clearly supported by our data. Our experimental results give a fairly strong confirmation of Shavell's most important results, though some anomalies do emerge in the data.

Shavell's result is significant because it suggests which type of informational asymmetries would or would not be responsible for bargaining failure. In principle, evidence that can be credibly established to a court could also be credibly established prior to trial, though sanctions for perjury at trial may make it somewhat easier to do so in the courtroom. On the other hand, information on tastes (such as risk preferences) can be difficult to transmit prior to trial. Thus, asymmetric information on preferences is likely to persist even when opportunities for voluntary transmission of information exist.

Reference

Shavell, Steven. 1989. "Sharing of Information Prior to Settlement or Litigation." *Rand Journal of Economics* 20(2): 183-195.