

Evaluation of Public Policies and Social Programs

Session 13: Scope, Displacement, Additionality & Crowd-Out

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1. Why evaluation scope changes the question
2. Displacement, additionality, and the right counterfactual
3. Apply a displacement framework to the proposed school
4. Paper presentation: neighborhood peer effects

Learning Objectives

By the end of today's session, you will be able to:

- Define the scope and counterfactual relevant to a policy decision
- Explain how displacement, substitution, and inframarginal effects alter incremental social benefits
- Recognize when a narrow evaluation misses effects elsewhere in the market or population
- Identify evidence that can inform displacement and additionality for the Astoreca proposal

Why Scope Decisions Matter

The same project, different questions

A new school can look valuable to its funder and much less valuable to society — without any arithmetic error.

- A funder may count the students enrolled and the expenses it pays.
- A social evaluation asks what would happen to those students, other schools, and taxpayers without the project.
- The answer depends on the population, geography, markets, and time horizon included in the evaluation.

Scope is part of the question, not a technical choice to hide in an appendix.

Scope levels



- A wider scope can include spillovers and market feedbacks — but may also reveal that some apparent gains are displaced from elsewhere.
- The core question is always: *compared with what would otherwise happen, and to whom?*

Displacement and Additionality

When are the seats genuinely additional?

If 600 students enroll in the new school, 600 enrollments are not automatically 600 additional educational opportunities.

- Some students may otherwise have attended a school providing a similar education.
- Others may otherwise have attended a lower-quality option, or no school at all.
- A student who switches schools may generate some gain — but the relevant benefit is the *incremental* gain relative to their alternative.
- Costs also matter: a new seat uses real resources even if it replaces an existing enrollment.

A simple displacement illustration

600 places; illustrative annualized values

Suppose a genuinely additional student yields \$12,000 of social benefit, while each new seat costs \$9,000. A displaced student's alternative is comparable in quality, so the incremental benefit of that seat is approximately zero.

- With no displacement: net benefit is $600(12,000) - 600(9,000) = \$1.8\text{M}$.
- With 30% displacement: only 420 places are additional; net benefit is $420(12,000) - 600(9,000) = -\$0.36\text{M}$.
- The verdict flips at 25% displacement under these assumptions.

What evidence would tell us about displacement?

- Waitlists, application oversubscription, and rejected applicants
- Enrollment changes at nearby schools before and after the new school opens
- Capacity utilization, class size, and whether other schools can replace departing students
- Student-level destinations and credible comparisons for who would have enrolled where

Do not overclaim

A student moving from one school to another is not automatically a one-for-one social loss. Compare educational quality, resource costs, congestion, and the counterfactual for both schools.

Applying Scope to the Project

Team task: define your evaluation boundary

1. Who is the decision-maker, and which alternatives are realistically available?
2. Which people and institutions are affected directly or indirectly?
3. What might be displaced, crowded out, or created in addition to what would otherwise occur?
4. What is the most useful evidence you can obtain before the final recommendation?

State a primary scope, then flag any important effect outside it.

What We Learned Today

- The relevant benefit is incremental relative to a clear counterfactual, not the gross number served.
- Displacement can erode benefits, but its magnitude and welfare implications require evidence.
- Scope determines whose costs and benefits enter the calculation; justify it explicitly.
- Better data on alternatives, capacity, and student destinations can turn displacement from an assumption into an empirical question.

Before Session 14

- Read the Session 14 materials on externalities and spillovers.
- Paper presentation: Bobonis & Finan (2009), neighborhood peer effects.

Paper Presentation (75–90 min)

Pedro Vergara, Victoria Rauseo & Paolo Vivanco

Bobonis, G.J. & Finan, F. (2009), “Neighborhood Peer Effects in Secondary School Enrollment Decisions,” *Review of Economics and Statistics*, 91(4)