

**Abstract**

Little is known about how competition affects child care centers' quality. This paper examines the impact of competition on the quality of Dutch child care centers. The results show that high density of child care centers in an area improves scores in quality assessment measures. The positive relationship persists when either the density of primary schools or births in the area are used to instrument the density of child care centers. The effects of competition are exclusive to child care centers that operate in a private market. Despite concerns about the parents' ability to distinguish between low and high quality child care, market competition in the Dutch child care sector appears to improve quality.