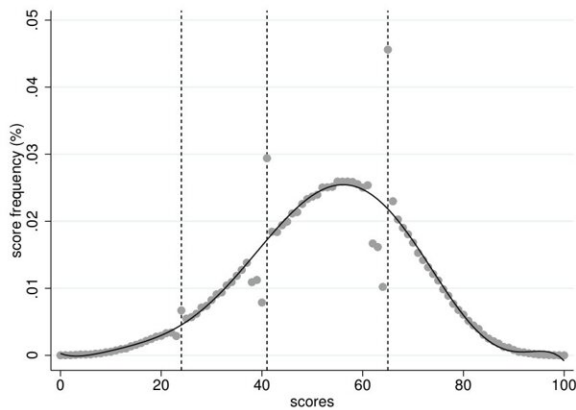
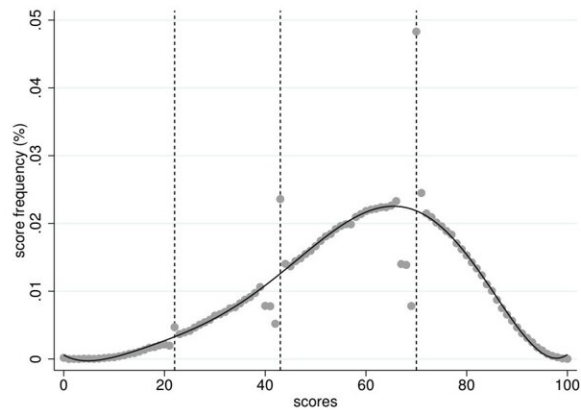


Grade inflation lures parents to new locations, inflating real estate prices

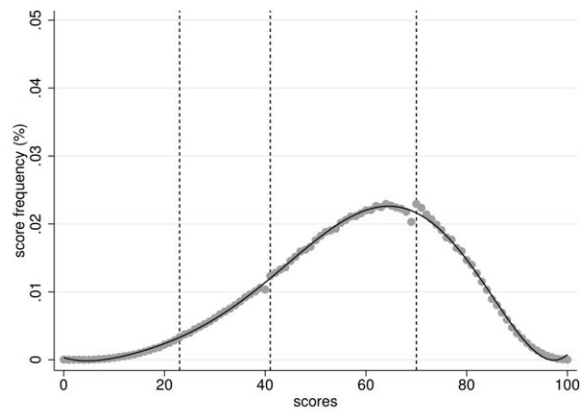
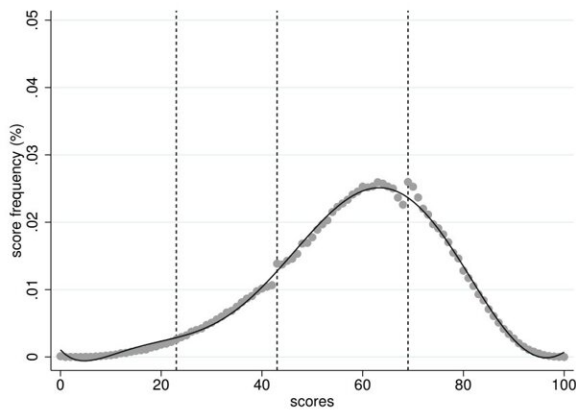
March 9 2023



Panel A. 2004



Panel B. 2007



Score inflation over time: English. This figure shows Key Stage 2 score distributions for English in selected years before (2004 and 2007) and after (2008 and 2011) the elimination of borderlining. The vertical lines are critical attainment cutoffs set in that year. The continuous line is a polynomial fit obtained excluding observations in the $[-3,1]$ windows around cutoffs. Credit: *School Performance, Score Inflation and Neighborhood Development (2023)*.

Research from the University of Maryland revealed how artificially inflated grades influenced housing prices near affected schools in London by thousands of dollars and spurred economic growth that led to gentrification. The study linked leniency by standardized test evaluators to inflated school grades that fooled parents into moving to school zones that they falsely believed were of better quality or enrolled higher performing children. As housing demand rose near schools with the most score inflation, so did real estate values.

This is the first study to show a direct cause and effect between inflated grades and economic changes to nearby neighborhoods.

The researchers also found that over decades, the influx of wealthier residents drew additional amenities such as shops and services, and paradoxically, led to tangible improvements in schools. The study will appear in the *Journal of Labor Economics*.

"Our study documents how misperception caused by score inflation can lead to the gentrification of local neighborhoods with a permanent change to house prices and the number of brick-and-mortar businesses catering to the needs of families," said Erich Battistin, a professor in the Department of Agricultural Resource Economics at the University of Maryland and lead author of the study.

Although Battistin focused on London schools, the results are relevant to the U.S. where [school choice](#) is affected by where children live, and score manipulation or score inflation has been cited in [school](#) district scandals across the country from Atlanta, to California, New York, and Texas.

Battistin analyzed multiple censuses that contained data on schools,

residential sales, neighborhood demographics, available goods and services and other characteristics on a block by block basis. By looking at a variety of data sets collected from 1991 to 2019, Battistin was able to see a direct, long-term effect of a grading policy called borderlining, which ended in 2007.

Borderlining allowed standardized exams of students who narrowly missed grade-level targets to be re-evaluated and bumped up to passing [grades](#) at the evaluator's discretion. Borderlining was meant to avoid unfair denial of grade promotions, but instead it led to overstated school achievement standards.

The researchers found that although assignment of more lenient evaluators was random, over time some schools "got lucky" with more frequent upward grade adjustments than others. The study showed that the schools that received the most upgrading saw an average home price increase of £5,827. (the equivalent of \$6,977 at current exchange rates).

In areas experiencing the fastest growth and where parents can choose between multiple schools, housing prices rose by £8,292 (\$9,928) near schools with the most upgrading.

"What we see is that parents target schools they believe have high-achieving kids, and are willing to pay a premium to live near these schools," Battistin said. "One would expect to see sorting in which wealthier parents locate where high-achieving kids are and, as a consequence, less affluent parents must locate in areas with low-achieving kids. Borderlining somewhat makes this sorting more difficult, because it artificially inflates parents' perceptions of the true proportion of high-achievers in some schools."

Further investigation of the data showed that, over time, as wealthier residents moved in to capitalize on the illusion of better schools,

amenities followed.

"Businesses follow the money," Battistin said. "Parents walk their kids to school, so as wealthier parents move into an area, coffee shops move in to serve those parents on the walk home. Supermarkets come and eventually delicatessens, and so on. The economic composition changes and you have a kind of gentrification, and it all starts with leniency by these examination evaluators which is unrelated to the underlying quality of schools."

Administrative records also revealed that as demographics shifted, schools put more effort into competing for students by investing in maintenance and beautification, and allocating more resources to achievement-oriented learning activities and academic curricula. The effects were larger in neighborhoods where parents had more opportunities to choose their children's schools.

"It was a bit of a self-fulfilling prophecy," Battistin said. "But it is interesting to note that these effects were not the result of intentional wrongdoing, but leniency that may have unexpected effects in local markets beyond the impacts on students."

The study suggests further research should be done to understand the ripple effects of grade inflation, such as if limiting [parents'](#) ability to accurately judge a school's characteristics and test scores can benefit schools and neighborhoods, and if there are any effects of revitalization on education and school outcomes for a neighborhood's original residents.

More information: Study: [drive.google.com/file/d/1nPulx ...
p7yx3RnDJVjeN2T/view](https://drive.google.com/file/d/1nPulx...p7yx3RnDJVjeN2T/view)

Provided by University of Maryland

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