Reading Notes of "Do Better Schools Matter?"

When policy makers evaluate the effectiveness of educational policies that aim to improve school quality, they need to understand the value of better schools. This paper estimates parents' willingness to pay for better school quality. The key relationship estimated in this paper is how a school with higher average test scores increases parents' willingness to pay for houses in that school's attendance district (this is the area where children in all the houses go to the same school). This study finds that parents are willing to pay 2.1 percent more for a school with a 5 percent higher test scores. The result helps policy makers to evaluate the financial benefits of educational policies.

The author uses elementary school district data and housing price data from 1993 to 1995 which is matched to school district data such as school expenditure and property taxes. The sample data used in the estimation is limited to houses on opposite side of attendance district boundaries within each school district to avoid differences in neighborhoods, property taxes and school spending; therefore, the only difference among different houses is the school that the child in the household attends. The design of this sample restricts our focus to the relationship between school test scores and house prices. This methodology has two advantages. Firstly, if we look at houses on opposite sides of attendance district boundaries, we will see a discreet jump in school average score but with similar neighborhood characteristics. This way we can avoid the omitted neighborhood characteristics to disrupt our estimation. Secondly, houses in the sample are from the same school district, so we can avoid variation in school spending and property tax rate.

This paper estimates the relationship between house prices and elementary school average test score. Control variables include house characteristics such as number of bedrooms and bathrooms, lot size, internal square footage and age of building. When selecting the sample, the author also restricts the sample to houses that are closer and closer to attendance district boundaries. She conducts three estimations of the model and restricts the sample to houses that are within 0.35, 0.2 and 0.15 miles from the attendance district boundary, respectively. This is under the assumption that houses in this area have similar neighborhood characteristics except the children in these households go to different elementary schools. All three estimations yield similar results. She observes that as we look closer to the boundary, the houses share more similarities in neighborhood characteristics. Therefore, the third estimation which restricts the sample to houses within 0.15 miles of the attendance district boundary is our best model. In this model, it estimates that a 5 percent increase in school average score will increase the house price by 2.1 percent.

This paper finds that parents value schools with better quality. The result shows a 5 percent increase in school's average test scores will result in a 2.1 percent increase in parents' willingness to pay. Policy makers could use this finding to assess educational policies. For example, Boston promotes the Metco program which helps students from low-income households in urban areas to enroll in schools in suburban school districts. Policy makers could use the finding of this paper to evaluate the financial benefits of these participating households. If Metco program helps a student from low-income household to enroll into a school with 50

percent higher average test score, this is estimated to increase the parent's willingness to pay by 21 percent. In 1993, the mean house price is $188,000, so enrolling into this new school is equivalent to $39,480 financial benefits to the household. Furthermore, this finding could also provide homeowners with an insight into how better school quality could increase their wealth. A one-point increase in average test scores in Massachusetts is estimated to increase the house price by 1.5 percent. In 1985, Massachusetts had 36,610 houses with $126,000 median house price. As a result, the overall wealth in Massachusetts will increase by 69,192,900 dollars.

Although this paper's findings are useful in evaluating educational policies, it does not explain the differences in average test scores. Future studies should focus on factors that causes different school qualities to give policy makers a better understanding of the benefits of educational policies.