Do better schools matter? Parental valuation of elementary education.

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What is the value of good schools is an issue that economists, educators, and policymakers are all interested in. Many economists study this issue by estimating the parental valuation of the houses located in areas with better schools. Still, some neighborhood characteristics may overestimate the value of better schools. To address the potential endogeneity problems, this paper compares houses on opposite sides of attendance district boundaries. Using this methodology, the author addresses the omitted variables problems and finds that the elementary school test score has a positive effect on the house price, and a 5% increase in primary school test scores will increase marginal residents' willingness to pay by about 2.1%.

First, the author introduces the basic methodology and why this methodology can avoid the omitted variables problems. He adds a dummy variable that describes the houses that share (on either side) attendance district boundary in the basic model. Since the houses being compared are in the same city, school district level and city level factors do not matter. Besides, since neighborhood change continuously, by focusing houses very close to attendance district boundaries, omitted neighborhood characteristics problems can be solved. Thus, this empirical model can measure the relationship between school quality and house price of district attendance boundaries.

Next, this paper shows the results of the empirical model. The author first estimates the basic model, and the result is consistent with previous work. After that, boundary fixed effects are included, and the author restricts the sample 0.35 miles from boundary to 0.15 miles from boundary. The regression results all show that the elementary school test scores have a positive effect on the house price and the coefficients of test scores are all significant. In the four regressions, the coefficients on house characteristics and test scores do not change significantly. Furthermore, the author figures out that houses are becoming more and more similar as the sample get

closer and closer to the boundary by showing the difference in mean of the different variables. Thus, the neighborhood characteristics do not affect the results.

Then, to further understand the results, the author compares the magnitude of the results. The effects of elementary school test scores on the house price are all positive. In detail, as to the samples, which are 0.15 miles from the boundary, when the test score increases 5%, the house price will increase 2.1%. For example, if the mean house price is $188,000, the effect of a 5% test score increase is an increase of approximately $3948 on house price. Finally, the author run a lot of sensitivity tests to verify the robustness of the results.

In conclusion, to find the value of good schools, this paper estimates the parental valuation of the houses located in areas with better schools by adding boundary fixed effects to solve the possible omitted variables problem. The author finds that the elementary school test score has a positive effect on the house price. A 5% increase in primary school test scores will increase marginal residents' willingness to pay by about 2.1%. The result of this paper is useful for many people, including parents, homeowners, and politicians. It is a new perspective for parents to select a good school, and for homeowners, they can price their houses in a better way.

I think this paper also has limitations. The conclusions of this article are hard to generalize. Although the author wants to reach a general conclusion, the data he uses only applies to the regions in the data, and such missing variables problems cannot be solved.