

# ECON 613 Reading Note 3

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This article looks at the relationship between house prices within school districts and school quality in order to explore the importance people attach to the quality of better schools. Using regression discontinuity design, the author excludes effects like tax rates, neighbourhoods, school spending and find that parents are willing to pay 2.5 % more for a 5 % elementary school test score improvement.

The existing studies on school quality mainly focuses on either the link between school performance and career outcomes which is inconclusive or the relationship between school quality on house prices without excluding the school and neighborhood characteristics.

The author uses the housing price data, the MEAP test scores and the census data in three counties in Massachusetts to conduct the research. In particular, the author specifies the boundaries of attendance district and studies the neighborhood near the boundaries. By doing so, the article controls the effects of school spending, property tax rates, and neighborhood characteristics. She runs the regression for samples in different distance from boundaries respectively as well as specification tests to check the effects of some school, neighborhood, individual and house specific factors.

The article finds out that 2.1 percent housing price increase is associated with a 5 percent increase in test score. This effect is approximately half of the result from a simple housing price regression, which means we would overestimate the effect if we did not control the neighborhood characteristics.

In conclusion, the article finds out that the increase of house prices in the school district is associated with the increase of school test score. The findings imply that the welfare of low-income households can be lifted if giving their children opportunities to study in the suburban schools. In addition, the improvement of school quality would also benefit the local home owners and politicians. The article also has certain limitations, for example, it only considers primary schools but not secondary schools, which is under-representative of education. Also, it only illustrates the correlation between house prices and test scores, but does not elaborate on the causal relationship, which needs further research.