Rethinking College Admissions: Can Test-Optional Policies Even the Playing Field?

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MOTIVATION

- Selective U.S. colleges **reinstate** standardized testing, e.g., Harvard, Yale, etc.
- However, over **80%** of colleges remain test-optional for 2025 admissions
- There are heated debates around:
  - Do SAT and ACT help schools better predict **academic success** and make informed admission decisions?
  - Are these tests **unfair** to students from socioeconomically disadvantaged backgrounds?

RESEARCH QUESTION

*How do test-optional (TO) policies affect **academic merit** and **socioeconomic representation** in college admissions, compared to test-required (TR) policies?*

School announces testing policy ∈ {test-required, test-optional}

Students **strategically choose** whether to take and report standardized test scores

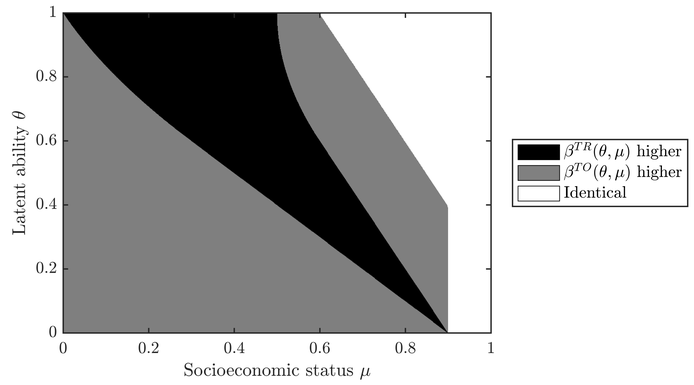
School forms **Bayesian beliefs** about student ability and make admission decisions accordingly

MODEL & INSIGHTS

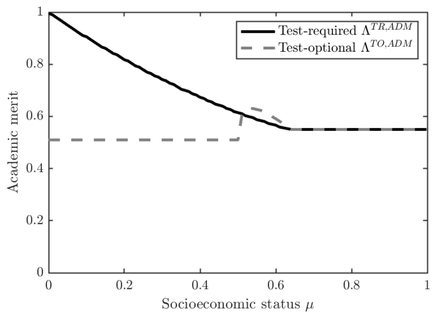
Perfect Bayesian Equilibrium (PBE) among students: take the test if latent ability ≥ threshold

[Insight 1] A larger share of **middle-class** students is disadvantaged under TO due to two forces:

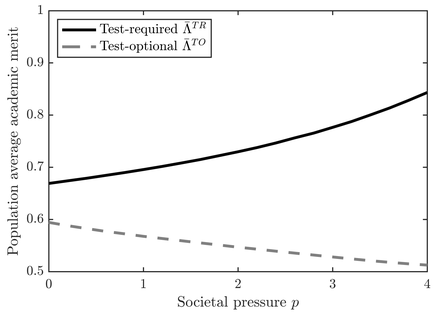
- pool expansion of low-ability students
- signal enhancement of high scores



[Insight 2] TO can raise academic merit per target demographic; TO can reduce low-income representation when admissions already favor them



[Insight 3] As **societal pressure** increases for schools to admit more low-SES students, TO results in lower merit but TR yields win-win



EMPIRICAL FINDINGS

Table 3 Regression results for the effect of adopting test-optional policies

	Completion Rate		Log(Avg Family Income)	
	(1)	(2)	(3)	(4)
TestOptional	-0.017***	-0.014	-0.018***	-0.018
	(0.003)	(0.014)	(0.005)	(0.015)
TestOptional × TargetLow		-0.030**		-0.031**
		(0.013)		(0.014)
TestOptional × TargetMid		0.017**		0.005
		(0.009)		(0.010)
TestOptional × TargetHigh		-0.000		0.038***
		(0.014)		(0.014)
Log(Undergraduate Enrollment)	-0.006	-0.007	-0.015**	-0.014**
	(0.005)	(0.005)	(0.007)	(0.006)
Percentage of Science, Liberal & Arts Degrees	-0.011	-0.028	0.017	0.015
	(0.022)	(0.024)	(0.023)	(0.023)
Log(Avg Faculty Salary)	0.010	0.009	0.069***	0.067***
	(0.008)	(0.009)	(0.011)	(0.011)
Institution FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
N	30,952	30,262	34,163	34,070
Adjusted R^2	0.812	0.819	0.949	0.949

Test-Optional (TO) Policy Effects

	academic merit	socioeconomic representation
Schools targeting low-income	decrease	improve
Schools targeting middle-income	increase	–
Schools targeting high-income	–	worsen

"The poor to get poorer, the rich to get richer"

CONTRIBUTION

1. We challenge common beliefs about test-optional admissions
2. We offer a unifying framework explaining when and why test-optional policies lead to varying outcomes
3. We test model predictions with data from 3,701 U.S. colleges during 2000-2019