Grading Leniency and Economic Geography

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Abstract

We document how grading standards for exams at the end of primary education in England have triggered inflation of school quality indicators in national league tables. The cumulated effects over time resulted in significant differences in the quality signalled to parents for otherwise identical primary schools of the country. Institutional features ensure that these differences are as good as random, and reveal that inflation followed from discretion in grading of randomly assigned external markers. We use census data and administrative records on standardized tests, residential sales and business activities to show that this quasi experimental variation reflected in inequality of house prices and land use, influencing local development and urban sprawl. An instrumental variables strategy yields significant house price gains for increased perception of school quality, and lower deprivation in school neighborhoods. Our approach ensures improved external validity with respect to boundary discontinuity strategies.

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