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LEMMA
Laboratoire d'économie mathématique et de microéconomie appliquée

SÉMINAIRE

THE HUMAN CAPITAL COST OF STRATEGIC GRADE INFLATION - BENOÎT SCHMUTZ-BLOCH

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Abstract:

When governments subsidize private education through per-enrollment payments, schools are incentivized to inflate the internal grades that govern student progression — keeping students enrolled, and preserving the subsidies they generate, without improving genuine learning. We document this mechanism with administrative data from Mali. Using within-school, cross-exam authority variation as our identification strategy, we show that grade inflation is pervasive in private high schools, leading to poor graduation outcomes and large efficiency costs. We build a structural model of student progression and school grading policy in which learning is based on a chain of prerequisites disrupted by grade inflation. We estimate the model using the public sector as a truthful benchmark, quantify the human capital cost of grade inflation and evaluate the benefits associated with alternative subsidy schemes.