



Voluntary disclosure and the strategic behavior of colleges



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ABSTRACT

This paper investigates how outside ranking organizations such as *U.S. News and World Report* affect colleges' admission decisions. To do this, we focus on a policy that has received criticism for being motivated by ranking concerns: optional reporting of SAT I scores. This policy allows colleges to report an average SAT I score based on those applicants who chose to submit their scores which may not be reflective of actual student body quality. We use proprietary data from two liberal arts colleges to address how the optional reporting policy affects the colleges' admission decisions as well as how applicants' SAT I scores influence their decision to submit these scores to the colleges. The data suggest that college admission departments are behaving strategically by rewarding applicants who do submit their SAT I scores when their scores will raise the college's average SAT I score reported to *U.S. News and World Report* and rewarding applicants who do not submit when their SAT I scores will lower the college's reported score. The data also suggest that applicants are behaving strategically by choosing not to reveal their SAT I scores if they are below a value one might predict based on their other observable characteristics.

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"I SOMETIMES think I should write a handbook for college admission officials titled "How to Play the U.S. News & World Report Ranking Game, and Win!" I would devote the first chapter to a tactic called "SAT optional."

The idea is simple: tell applicants that they can choose whether or not to submit their SAT or ACT scores. Predictably, those applicants with low scores or those who know that they score poorly on standardized aptitude tests will not submit. Those with high scores will submit. When the college computes the mean SAT or ACT score of its enrolled students, voilà! its average will have risen. And so too, it can fondly hope, will its status in the annual U.S. News & World Report's college rankings."

Colin Driver, President of Reed College, *New York Times*, 2006

"Nowhere is that clash of values more evident than in how administrators view their favorite whipping boys, the U.S. News & World Report college guide and the SAT. If one could find a way to use the test they love to hate to improve their standing in the rankings they love to hate, the result might prove irresistible."

Brownstein in *The Chronicle of Higher Education*, 2001

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1. Introduction

Amid controversy over the motivations, an increasing number of colleges are making the reporting of standardized test scores, such as the SAT I,¹ voluntary. More than 815 four-year colleges have such policies in place (<http://www.fairtest.org/optinit.htm>) and about one quarter of the top 100 liberal arts colleges ranked by *U.S. News & World Report* have optional SAT I policies. The adopting schools argue that the test score differentials in the SAT are not a result of aptitude differences but rather biases in the test that favor particular groups.² Therefore, voluntary test score reporting might increase access to college for traditionally underrepresented groups. Critics of these policies suggest that the policies are an attempt to increase the school's ranking by reporting a mean SAT score to the ranking organizations based only on the scores of those students who chose to submit.³

In fact, an optional SAT policy provides many potential routes for influencing rankings,⁴ and in this paper we focus on whether the admission decision of colleges with an existing optional SAT policy are influenced by the colleges' desire to increase their ranking in publications such as *U.S. News and World Report*. Specifically, we consider the role the college admissions office plays in strategically influencing the pool of students whose SAT scores will ultimately be reported to ranking organizations. Using the admissions data from two colleges with an optional SAT I policy, *ceteris paribus*, the college is more likely to accept applicants who do not submit their SAT I scores if submitting their scores would decrease the average SAT I score the colleges report to the ranking organizations. Likewise, the college is more likely to accept applicants who do submit their SAT I scores if submitting their scores would increase their reported average SAT I score. This suggests that colleges are shaping the pool of accepted students to strategically maximize their reported SAT I score.

This optional SAT policy and the unique data we have on the private information of the college applicants also gives us a setting to consider the assumptions underlying the models of voluntary disclosure. Under the typical assumptions in these models, all applicants should reveal their SAT I scores, given that disclosure is not very costly. However, empirically a large share of applicants choose not to submit their SAT I scores. This might be the case because applicants are responding to the incentives that the ranking organizations give the colleges for shaping their pool of accepted students or because some applicants assume that the colleges will not accurately infer their scores. However, consistent with the theoretical models, we do find that applicants whose actual SAT I scores are below a value one might predict based on their other observable characteristics are more likely not to submit.

Section 2 provides a conceptual framework for the role outside rankings play in college admissions. Section 3 describes the data and specific optional SAT policies from two liberal arts colleges while Section 4 summarizes the relevant literature. Section 5 presents evidence that colleges are acting strategically to increase a student quality measure (average SAT I scores) reported to the ranking organizations and applicants are acting strategically when deciding whether to submit their SAT I score. Section 6 concludes.

2. Conceptual framework

The potential link between colleges' strategic behaviors and ranking organizations is straightforward: ranking organizations are a key component in college application decisions and colleges have the ability to manipulate the data that are used in the ranking process. Among the many ranking organizations, *U.S. News and World Report* (*USNWR*) receives considerable attention, with 10 million page views within 72 h of releasing its college rankings and newsstand sales more than 50 percent higher than its other issues (Freedman, 2007).

An early paper by Monks and Ehrenberg (1999) uses a set of 30 highly ranked schools to show that improvements in *USNWR* rankings are correlated with higher selectivity, as measured by lower admissions rates (students admitted/applicants), higher yield rates (matriculants/admitted students), and higher SAT scores. Merideth (2004) and Bowman and Bastedo (2009) find consistent results among a wider selection of schools and include additional outcome measures such as share of applicants from the top 10 percent of their high school class. Luca and Smith (2013) identify an exogenous change in rankings using variation across years in how the *USNWR* calculated rankings and find that improved rankings are

¹ The SAT I is now a three part exam that includes a writing portion. However, our data include years where there were only the verbal and math parts.

² When University of California President Richard C. Atkinson announced his recommendation that the university no longer include the SAT I test as a requirement he stated, "[T]hat a perception among ethnic minority groups that the SAT I is unfair cannot be easily dismissed[.]" (University of California, 2001). The implication is, as stated by Martha Allman, Wake Forest's director of admission in a recent *New York Times* article: "[B]y making the SAT and ACT optional, we hope to broaden the applicant pool and increase access at Wake Forest for groups of students who are currently underrepresented at selective universities" (Lewin, 2008).

³ Brownstein (2001) in *The Chronicle of Higher Education* states: "Behind the rhetoric about 'enhancing diversity' and creating a more 'holistic approach' to admissions, the theory goes, many colleges 'go optional' on the SAT to improve their rankings." Perhaps this criticism explains the following excerpt from a May 27, 2008 press release issued by Wake Forest University (2008) announcing their adoption of an optional policy: "Like other universities, Wake Forest is asked to provide standardized test score data to outside agencies. For this data to be accurate, Wake Forest will ask students who chose not to submit scores during the admissions process to provide them after they are accepted and before they enroll at Wake Forest." Skeptics will note that disclosure of SAT I scores is still voluntary and, therefore, may be incomplete. A more accurate measure of enrolled student's SAT I scores can come from requesting those scores for free from the College Board.

⁴ One such route may be through increasing the pool of applicants and, thereby, lowering acceptance rates.

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