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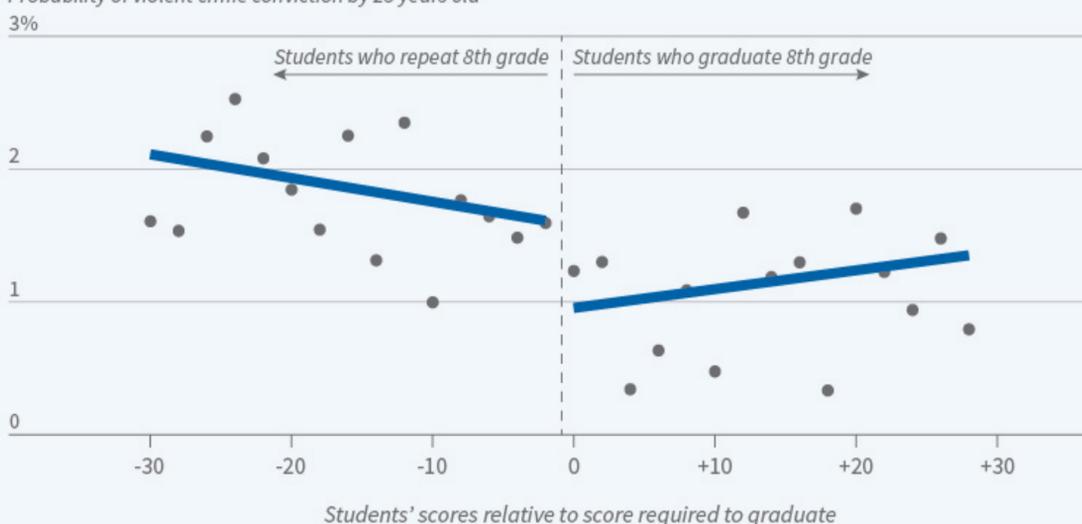
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About

Repeating 8th Grade Increases Likelihood of a Criminal Conviction

Repeating 8th Grade and Future Violent Crime

Probability of violent crime conviction by 25 years old



Source: Researchers' calculations using data from the Louisiana Department of Education and the Louisiana Department of Public Safety and Corrections

In Louisiana, students denied promotion because of low English and math test scores were more likely to be convicted of violent crimes by the time they reached 25.

Education policies affect the academic and social skills of young adults, thereby influencing not only their earning potential but also their civic engagement, health behaviors, and criminal activity later in life. Measuring the impact of specific policies is challenging. In **The Effect of Grade Retention on Adult Crime: Evidence from a Test-based Promotion Policy** (NBER Working Paper No. 25384), [Ozkan Eren](#), [Michael F. Lovenheim](#), and [Naci H. Mocan](#) find that a Louisiana policy of retaining students in eighth grade based on their sub-standard test scores in English and math increases the likelihood of their being convicted of a crime by age 25. The researchers find a 58 percent increase, in particular, of the likelihood of being convicted of a violent crime.



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Explaining Why Investors Hold Sovereign Bonds with Default Risk

Why do investors hold national governments with a history of defaulting on external sovereign bonds? New research suggests the answer is that, on average over the last two centuries, sovereign bonds have been a profitable investment.

External sovereign bonds are bonds issued by a national government in a foreign currency and traded in financial centers such as London or New York. The modern market for such bonds dates back to 1815. The emerging market debt boom that began after the Battle of Waterloo that year ended with the financial panic of 1825. Greece defaulted for the first time on its external bonds in 1826. Since then, it has defaulted six more times. Over the same period, Russia has defaulted four times, China eight times, Venezuela nine times, and Mexico ten.

According to [Josefin Meyers](#), [Carmen M. Reinthart](#), and [Christoph Trebesch](#), investors continue leading to repeat defaulters because it pays. In **Sovereign Bonds since Waterloo** (NBER Working Paper No. 25543), they calculate that, for a global portfolio of sovereign bonds in British pounds or U.S. dollars, the return is equivalent to the average return from stocks over the same period. It is greater than the return on corporate bonds and about 4 percent higher than the return to holding government bonds issued by the U.S. or U.K. government. Risk-averse investors demand, and get, higher compensation for doing so: the higher risk, represented by governments with limited means or histories of social default. The yields on bonds issued by social defaulters are on average significantly higher than the yields paid by less-risky external debt.

To study the return on external sovereign bonds, the researchers construct a dataset containing monthly price

Real Annual Returns by Asset Class



Source: Researchers' calculations based on a global portfolio of sovereign bonds and the U.S. Global Vantage database.

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While previous research has explored the relationship between years of schooling and crime, there is less evidence on how specific education policies affect the long-run likelihood of criminal activity. This study focuses on a 1998 Louisiana education reform measure that calls for keeping students back in eighth grade if they fail to reach certain test score levels in English and math. Louisiana was a pioneer in this grade-retention "accountability" policy. Sixteen states, as well as many large school districts across the country, now have end-of-year exams that help determine whether students are promoted to the next grade level.

The researchers obtained education data on all public K-12 students from the Louisiana Department of Education and criminal data from the Louisiana Department of Public Safety and Corrections. They focused on eighth graders in the academic years of 1998–99 through 2000–01, specifically on students who failed initial mandatory tests required for promotion to ninth grade. Their dataset consists of 22,929 unique student observations.

The researchers largely attribute the long-run effects of retention on crime to a combination of declines in high-school peer quality and lowered non-cognitive skill acquisition. They also find that retention in eighth grade increased the percentage of school days missed three years later by almost 2 percentage points, and that it increased the likelihood of dropping out of high school by about 7.2 percentage points.

— Jay Fitzgerald

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