Match or Mismatch: Learning and Inertia in School Choice

Faculty Member: Yusuke Narita

Proposal Description:

Centralized matching markets are designed assuming that participants make well-informed choices upfront. However, this project uses data from NYC’s school choice system to show that families’ choices change after the initial match as they learn about schools. I develop an empirical model of evolving demand for schools under learning, endowment effects in response to prior assignments, and switching costs. The estimates suggest that there are even more changes in underlying demand than in observed choices, undermining the welfare performance of the initial match. To alleviate the welfare cost of demand changes, I theoretically and empirically investigate dynamic mechanisms that best accommodate choice changes. These mechanisms improve on the existing discretionary reapplication process. In addition, the gains from the mechanisms drastically change depending on the extent of demand-side inertia caused by switching costs. Thus, the gains from a centralized market depend not only on its design but also on demand-side frictions (such as demand changes and inertia).

See https://dl.dropboxusercontent.com/u/3337473/mismatch.pdf for the latest draft.

Requisite Skills and Qualifications:

Required skills: I am looking for an RA to help with either the theory or empirical side of this project. An ideal theory candidate is somebody who has done coursework in theoretical microeconomics (especially market design). An ideal empirical candidate is somebody who (1) has done coursework in empirical/applied microeconomics (especially some of education, industrial organization, and labor) and (2) has done coursework in or at the very least has a strong interest in data and visualization work with a programming language such as Matlab, Python, R, or Stata.

HSSRO Application Link: HSSRO Application Link
Award:: Esther Issever ‘19
Project Type: HSSRO