

School Choice and the Housing Market

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Abstract

I develop a unified framework with schools and residential choices to study the welfare and distributional consequences of public schools' switching from the traditional neighborhood assignment to the Deferred Acceptance mechanism. I show that when families receive higher priorities at neighborhood schools, the Deferred Acceptance mechanism improves aggregate or average welfare compared to neighborhood assignment. Additionally, Deferred Acceptance improves the welfare of lowest-income families, both with and without neighborhood priorities. My work lays theoretical foundations for analyzing general assignment games with externalities.

Keywords: school choice, Deferred Acceptance, neighborhoods assignment, welfare, lowest-income families, externalities

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