Improving schools through school choice: An experimental study of deferred acceptance

Flip Klijn a,∗,1, Joana Pais b,c,d,2, Marc Vorsatz e,3

a InstituteforEconomicAnalysis(CSIC)andBarcelonaGSE,CampusUAB,08193Bellaterra(Barcelona),Spain
b ISEG–UL,UniversidadedeLisboa,Portugal
c REM–ResearchinEconomicsandManagement,Portugal
d UECE–ResearchUnitonComplexityandEconomics,Portugal
e Departamento de Análisis Económico, Universidad Nacional de Educación a Distancia (UNED), Paseo Senda del Rey 11, 28040 Madrid, Spain

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In the context of school choice, we experimentally study the student-optimal stable mechanism where subjects take the role of students and schools are passive. Specifically, we study if a school can be better off when it unambiguously improves in the students’ true preferences and its (theoretic) student-optimal stable match remains the same or gets worse. Using first-order stochastic dominance to evaluate the schools’ distributions over their actual matches, we find that schools’ welfare almost always changes in the same direction as the change of the student-optimal stable matching, i.e., incentives to improve school quality are nearly idle.

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1. Introduction

In many public school choice programs over the world children are assigned to public schools on the basis of (parents’) preferences and the priorities of children for different schools (based on, e.g., walking distance, siblings, etc.). Abdulkadiroğlu and Sönmez (2003) advocate the use of centralized mechanisms, and in particular the student-optimal stable mechanism.4 In this

context, Hatfield et al. (2016) consider the incentives for schools to improve their quality. A mechanism is said to respect improvements of school quality if a school becomes better off whenever that school improves, i.e., becomes more preferred by students. Hatfield et al. (Proposition 1, 2016) show that there is no stable mechanism that respects improvements of school quality at every school preference profile.5 Their analysis assumes that students reveal their preferences truthfully, i.e., report the ranking that coincides with their true preferences. This assumption seems quite reasonable for the student-optimal stable mechanism as it is known to be strategy-proof.

However, the experimental literature has shown that under the student-optimal stable mechanism subjects do not always realize that it is in their best interest to reveal their preferences truthfully. For instance, the reported truth-telling rates are between 57% and 58% in Calsamiglia et al. (2010), 64% in Chen and Sönmez (2006), between 44% and 65% in Klijn et al. (2013), and

4 Considering a sequence of random markets that are “regular” and “sufficiently thick” and grow infinitely large, Hatfield et al. (Theorem 1, 2016) show that all stable mechanisms strongly respect improvements of school quality.

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between 67% and 82% in Pais and Pinter (2008). There is also literature that uses field data and makes this observation, e.g., Chen and Pereyra (2018) and Fack et al. (2019) on the Mexico city and Paris high-school match, respectively, Hassidim et al. (2018) on the admission process on graduate studies in psychology in Israel, Rees-Jones (2018) on the matching of medical students to residencies in the US, and Shorrer and Sóvágo (2019) on the Hungarian college admissions. Consequently, theoretical findings on the student-optimal stable mechanism that hinge on its strategy-proofness may not carry over to real-life applications. So, laboratory and field experiments seem necessary to test theory and provide further important insights.

In view of the above, we focus on the student-optimal stable mechanism and study whether the negative finding of Hatfield et al. (Proposition 1, 2016) also holds in the laboratory. We construct related school choice problems such that some school improves in the students’ true preferences yet the (theoretic) student-optimal stable match is worse or the same. Our main result is that this type of improvement in the students’ true preferences can indeed decrease the quality of the school’s actual match. In fact, the distribution of students that are matched to the school after its improvement in the students’ true preferences is often first-order stochastically dominated by the initial distribution.

The rest of the paper is organized as follows. In Section 2, we describe the experimental design, hypotheses, and procedures. In Section 3, we present and discuss our experimental results. The detailed experimental instructions are relegated to the Online Appendix.

2. Laboratory experiment

Design and Hypotheses

The experiment is based on four matching problems where students s1, s2, s3, and s4 each seek to obtain a seat at schools s1, s2, s3, and s4. Each school offers exactly one seat. The preferences of the students and the priorities of the schools in the four problems are depicted in Table 1.

The four problems were constructed in such a way that they satisfy the following three properties. First, the priorities are depicted in Table 1.

The underlined matches in Table 1 depict the student-optimal stable matchings. We assume that the priorities of the schools reflect their preferences, i.e., obtaining a higher priority student is preferred to a lower priority student. For every school s, let µ(s) denote the student-optimal stable match of school s at problem k.

Observation I. The schools rank the four student-optimal stable matchings in the order: for each school s, µ3(s) ≻s µ1(s) ≻s µ4(s) ≻s µ2(s).

Third, the problems only slightly differ in preferences to study the effect of school improvements, which we explain next. For k = 1, 2, 3, 4, let Pk denote the students’ strict preferences in problem k. Let k, l ∈ {1, 2, 3, 4}, k ≠ l. Following Hatfield et al. (2016), we say that a school s∗ improves (in the students’ true preferences) moving from Pk to Pl if

i. for each student i and each school s ≠ s∗, s∗ Pk i s ⇒ s∗ Pl i s;
ii. for each student i and any two schools s, s′ ≠ s∗, s′ Pl i s′ ⇔ s′ Pl i s.

The bold-faced entries in Table 1 and Observation I help to identify the differences between preference profiles and to verify the following observation.

Observation II. There are exactly four situations (s, Pk, Pl) where school s improves in the students’ preferences moving from Pk to Pl but µk(s) ≥ s µl(s). These situations are

a. (s1, P3, P1): school s3 improves from P3 to P1 but µ3(s3) ≥ s µ1(s3);

b. (s2, P3, P4): school s1 improves from P1 to P4 but µ1(s1) ≥ s µ4(s1);

c. (s3, P4, P1): school s2 improves from P4 to P1 but µ4(s2) ≥ s µ1(s2);

d. (s4, P4, P2): school s3 improves from P4 to P2 but µ4(s3) ≥ s µ2(s3).

If subjects are mostly truth-telling (whether or not being aware of strategy-proofness), then we should expect the actual matchings to be “close” to the student-optimal stable matchings so that the school improvements identified in situations a–d. in Observation II do not lead to better actual matches for the schools.

Hypothesis H0. Each improvement of a school in the students’ true preferences identified in Observation II does not lead to a better actual match for the school.

On the other hand, in view of evidence from the experimental literature on the student-optimal stable mechanism, we can expect a substantial number of subjects to not truthfully reveal their preferences. Then, given that the school improvements described in Observation II are minimal and straightforward in the sense that only one school improves, one can conjecture that the actual match of the school improves.

Hypothesis H1. Each improvement of a school in the students’ true preferences identified in Observation II leads to a better actual match for the school.

Procedures

The experiment was programmed within the z-Tree toolbox provided by Fischbacher (2007) and carried out at Lineex (www.lineex.es) hosted at the University of Valencia. In total, 96 undergraduates participated in the experiment. We ran two sessions with 48 subjects. At the beginning of each session, subjects were randomly assigned into groups of four. Within each group, one subject was assigned the role of student i1, another subject the role of student i2, and so forth. Groups and roles did not change over the course of the experiment.

Participants were told that the experiment would take a total of 24 rounds and that preferences and priorities would change every six rounds. In both sessions, rounds 1–6 used preferences and priorities of problem 1, rounds 7–12 used preferences and priorities of problem 2, rounds 13–18 used those of problem 3, and rounds 19–24 used those of problem 4. Before the first
Table 1

Students’ preferences over schools and schools’ priorities over students. The underlined matches constitute the student-optimal stable matchings. The bold-faced entries highlight the differences between preference profiles $P^1$ and $P^3$ (indicated in $P^1$), $P^1$ and $P^4$ (indicated in $P^4$), and $P^2$ and $P^4$ (indicated in $P^3$).

<table>
<thead>
<tr>
<th>Problem 1</th>
<th>Preferences</th>
<th>Priorities</th>
<th>Problem 2</th>
<th>Preferences</th>
<th>Priorities</th>
<th>Problem 3</th>
<th>Preferences</th>
<th>Priorities</th>
<th>Problem 4</th>
<th>Preferences</th>
<th>Priorities</th>
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</thead>
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<td></td>
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<td>$i_2$</td>
<td>$i_3$</td>
<td>$i_4$</td>
<td></td>
<td>$i_1$</td>
<td>$i_2$</td>
<td>$i_3$</td>
<td>$i_4$</td>
<td></td>
<td></td>
</tr>
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<td>$i_4$</td>
<td>$i_4$</td>
<td>$i_3$</td>
<td>$i_1$</td>
<td>$i_2$</td>
</tr>
<tr>
<td>Second best</td>
<td>$s_3$</td>
<td>$s_3$</td>
<td>$s_1$</td>
<td>$s_1$</td>
<td>$i_1$</td>
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<td>$i_1$</td>
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</tr>
<tr>
<td>Third best</td>
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<td>$s_2$</td>
<td>$s_3$</td>
<td>$s_4$</td>
<td>$i_4$</td>
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<td>$i_2$</td>
<td>$i_2$</td>
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</tr>
<tr>
<td>Worst match</td>
<td>$s_1$</td>
<td>$s_2$</td>
<td>$s_3$</td>
<td>$s_4$</td>
<td>$i_4$</td>
<td>$i_1$</td>
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</tr>
</tbody>
</table>

![Graph](image1.png)

Fig. 1. Truth-telling (upper panel) and average payoff (lower panel). The horizontal bars indicate the average payoff at the corresponding student-optimal stable matching.

At the end of each round, subjects went individually over an illustrative example in order to get used to the matching procedure. Afterwards, we implemented a trial round that was not taken into account for payment and that helped subjects to get familiar with the computer software. The problem played in the trial round 0 was different from problems 1–4. At the beginning of each of the 24 rounds, the computer screen presented the preferences of all group members and the priorities of the four schools. Subjects took then their respective decisions.

At the end of each round, each subject got to know his/her match and corresponding payoff. No explicit information about the behavior or the outcome of the other group members was provided. At the end of the experiment, one round was randomly selected for payment. Subjects received 24, 20, 16, and 12 experimental currency units (ECU) if they ended up in their most, second most, third most, and least preferred school. Each ECU was worth 1 Euro. A session lasted about 120 min and subjects earned on average 23.50 Euro for their participation including a 3 Euro show-up fee. The detailed experimental instructions are relegated to the Online Appendix.

3. Results

In previous laboratory experiments it has been observed that a substantial part of subjects do not play the weakly dominant
strategy of truth-telling. As Fig. 1 shows, this is also the case in our experiment.

More precisely, the average truth-telling rates are 57.12%, 70.13%, 41.45%, and 73.09% in problems 1, 2, 3, and 4, respectively. In order to see whether there are learning effects, we compare the truth-telling rates in the first three repetitions of a problem with those in the last three repetitions. Paired Wilcoxon tests at the group level show that repetition leads to significantly higher truth-telling rates in problems 1 and 4. The one-sided $p$-values of the corresponding paired Wilcoxon tests (comparing the average payoff found in problem 1 with those in the last three repetitions) are $0.0007, 0.1855, 0.3550$, and $0.3564$, respectively. In order to see whether there are learning effects, we can conveniently describe as follows. Given a school $s$, for $\ell = 1, 2, 3, 4$, let $q_s(\ell)$ denote the (cumulative) probability with which school $s$ receives a match that is ranked $\ell$-th or worse (below).

For example, $q_s(3)$ is the probability that school $s_2$ receives student $i_2$ (ranked 4-th) or $i_4$ (ranked 3-rd). Note that for each school $s$, $q_s(1) = 1$. Then, a cumulative distribution function can be described by the vector $q_s = (q_s(4), q_s(3), q_s(2), 1)$, which consists of four weakly increasing probabilities. Fig. 2 depicts in each panel the cumulative distribution functions obtained in the four problems for the corresponding school. The cumulative distribution function for school $s$ in problem $k = 1, 2, 3, 4$, denoted $q_k^s$, is calculated from the actual matches of school $s$ in all experimental groups and all rounds in which problem $k$ was played. For instance, $q_3^1 \approx 0.85$.

To obtain the strongest possible conclusions concerning the evaluation of a school’s matches, we do not make further assumptions on the intensity of the schools’ preferences. In particular, we do not assume any particular utility functions for the schools. Then, to compare distributions over matches for a given school, a natural but demanding tool is that of first-order stochastic dominance. A cumulative distribution function $q$ first-order stochastically dominates another cumulative distribution function $\tilde{q}$, denoted by $q \succ_{FOSD} \tilde{q}$, if for each $\ell = 1, 2, 3, 4$, $q(\ell) \leq \tilde{q}(\ell)$ and for some $\ell = 2, 3, 4$, $q(\ell) < \tilde{q}(\ell)$. In Fig. 2, for any school and any two cumulative distribution functions $q$ and $\tilde{q}$, $q \succ_{FOSD} \tilde{q}$ if and only if the graph of $q$ lies below that of $\tilde{q}$. Our findings are as follows.

**Result.** With respect to the situations exhibited in Observation II,

\begin{itemize}
  \item $q_3^1 \succ_{FOSD} q_4^1$;
  \item $q_1^2 \succ_{FOSD} q_1^2$ and $q_1^4 \succ_{FOSD} q_1^1$;
  \item $q_3^2 \succ_{FOSD} q_2^2$;
  \item $q_3^4 \succ_{FOSD} q_3^2$;
\end{itemize}

\[^{10}\]This is possible because in problem 3 there are (unstable) matchings that Pareto-dominate the student-optimal stable matching.
In short, cases a, b, and d support the null hypothesis $H_0$, while case c supports the alternative hypothesis $H_1$. However, given that the order of play is 1, 2, 3, and 4, the finding in case c could be due to learning: if the decisions of the subjects are better at problem 4 than at problem 1, as suggested by the increased truth-telling rates in Fig. 1, then schools could be expected to be worse off at problem 4. All in all, we reject the alternative hypothesis $H_1$. So, in line with Hatfield et al. (Proposition 1, 2016), improvements of school quality under the student-optimal stable mechanism do not guarantee a better match for the school.

As a final remark, we note that even when a school improves in the students’ true preferences and its student-optimal stable match gets better, the distribution of this school’s matches does not get unambiguously better (in terms of first-order stochastic dominance): this is precisely what happens with school $s_4$ when we move from problem 2 to problem 4. Hence, even if in theory the match is better, it may not be so in the lab.

Appendix A. Supplementary data

Supplementary material related to this article can be found online at https://doi.org/10.1016/j.econlet.2019.108853.

References


11 But this is not similarly reflected in case b.