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Working Paper
The Illusion of School Choice: Empirical Evidence from Barcelona

IZA Discussion Papers, No. 8202

Provided in Cooperation with:
IZA – Institute of Labor Economics

Suggested Citation: Calsamiglia, Caterina; Güell, Maia (2014) : The Illusion of School Choice: Empirical Evidence from Barcelona, IZA Discussion Papers, No. 8202, Institute for the Study of Labor (IZA), Bonn

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The Illusion of School Choice: Empirical Evidence from Barcelona

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May 2014
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Discussion Paper No. 8202
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ABSTRACT

The Illusion of School Choice: Empirical Evidence from Barcelona*

School choice aims to improve (1) the matching between children and schools and (2) students’ educational outcomes. Yet, the concern is that disadvantaged families are less able to exercise choice, which raises (3) equity concerns. The Boston mechanism (BM) is a procedure that is widely used around the world to resolve overdemands for particular schools by defining a set of priority points based on neighborhood and socioeconomic characteristics. The mechanism design literature has shown that under the BM, parents may not have incentives to provide their true preferences, thereby establishing a trade-off between preferences and perceived safety. However, the set of possible Nash equilibria arising from the BM is large and has varying properties, and what will actually happen is an empirical question. We exploit an unexpected change in the definition of neighborhood in Barcelona, which provides an exogenous change in the set of schools perceived as safe and allows us to separate housing and schooling decisions to assess the importance of this trade-off in the data. We find that safety carries a large weight in family choice. The huge majority of parents opt for schools for which they have the highest priority – the neighborhood schools – excluding other preferred schools. Similar to the previous literature, we also find that some parents seem naive, but using school registry data, we find that a significant fraction of them have the outside option of private schools, which allows them to take higher risks to access the best public schools. At the other extreme, some of the naive are not matched to any of the schools they applied for. Our results suggest that when allowing school choice under the BM with priorities: (1) the gains in terms of matching seem limited, because the equilibrium allocation is not very different from a neighborhood-based assignment, (2) estimating the effect of choice on outcomes by implementing such a mechanism may lead to a lower bound on the potential effects of having choice, and (3) important inequalities emerge beyond parents’ naivete found in the literature.

JEL Classification: C78, D63, I24

Keywords: school choice, Boston mechanism, priorities

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* We are very grateful to Manel Blasco, Jordi Baró, and Francesc Iñiguez for providing us with the school applications and registry data; to Manel Blasco, Eduard Vallory, and Frederic Udina for allowing us to merge the school application data with the census data under the CEB-BGSE-IDESCAT institutional agreement; to Miquel Delgado at IDESCAT for merging the data sets; and to Javier Asensio, Isaac Aparicio, Albert Esteve, Sabine Flamand, and Diego Puga for helping us with the street map data. Anna Muñoz provided outstanding research assistance. We also thank Guillermo Caruana, Antonio Ciccone, Doireann Fitzgerald, Guillaume Haeringer, Philipp Kircher, Mar Reguant, Sevi Rodríguez Mora, and participants at numerous seminars and conferences for fruitful discussions and comments. We are grateful to Joan Gieseke for editorial assistance. Calsamiglia acknowledges financial support by the Fundación Ramon Areces, the Ramón y Cajal contract of the Spanish Ministry of Science and Technology, the Spanish Plan Nacional I+D+i (SEJ2005-01481, SEJ2005-01690 and FEDER), and the Grupo Consolidado de tipo C (ECO2008-04756), the Generalitat de Catalunya (SGR2005-00626), and the Severo Ochoa program. Güell acknowledges financial support from the Spanish Ministry of Science and Innovation (ECO2011- 28965) and the hospitality of the University of Minnesota and the Federal Reserve Bank of Minneapolis, where part of this work was written. Our online appendix is available at: http://www.maiaguell.com/SchoolsBCN/ OnlineAppendixChoiceBarcelona.pdf
1 Introduction

Access to public education is guaranteed in modern societies. Typically, children were systematically assigned to the nearest school to where they lived. During the last two decades, over two-thirds of OECD countries have augmented families’ capacity to choose schools for their children beyond those closest to their homes (see Musset (2012)). The design of norms that determines the allocation of children to schools, known as the school choice mechanism, has become a hotly debated topic both in the academic literature and in the policy scene. The aims of school choice are to improve (1) the matching between children and schools and (2) students’ educational outcomes. Yet, the concern is that disadvantaged families are less able to exercise choice, which leads to (3) equity concerns. Generally, parents are asked to submit a list with their ranking of schools, and then a set of rules determines the final allocation. As will become clear in this paper, the specific norms used can greatly condition the ranking submitted by parents, effectively limiting school choice drastically.

One of the most widely used procedures in school choice is the so-called Boston mechanism, henceforth the B-mechanism or BM. This mechanism assigns all applicants to the school ranked first, and if there is over demand for a school, ties are resolved according to priorities. These priorities can be defined through a random lottery or according to criteria such as distance to the school, existence of siblings in the school, or other socioeconomic variables. Those rejected from their school ranked first can opt for the seats that remain free only after considering everyone’s school ranked first. This process drastically reduces the chances of being accepted in any particular school after being rejected from one’s school ranked first. As the literature starting with Abdulkadiroğlu and Sonmez (2003) has emphasized, the optimal strategy for parents under the Boston mechanism depends on what other parents are doing, and telling the truth is rarely optimal. The fact that families do not have incentives to reveal their true preferences is referred to as manipulability of the mechanism. Pathak and Sonmez (2013) provide a measure of the degree of manipulability of mechanisms and document that local administrations, when designing their school choice procedures, have moved away from more to less manipulable mechanisms. In particular, authorities in Chicago and England have moved away from the Boston mechanism and versions of it. On the other hand, Abdulkadiroğlu, Che, and Yasuda (2011) show that this manipulability can be useful for eliciting cardinal preferences in a way that nonmanipulable mechanisms cannot. They show that if families share the ranking over schools but differ in the intensity attached to each of them, then only those families valuing a given school relatively more will apply for it and therefore be assigned to it. This cannot be achieved through any truthful mechanism, suggesting that the Boston mechanism has efficiency gains to offer. But Abdulkadiroğlu, Che, and Yasuda (2011) assume that over demand for a certain school is resolved randomly, whereas in most cities...
around the world, when a school is overdemanded, ties are also broken according to criteria such as having siblings or living near the school. These priorities may seem innocuous, but they can have a large impact on parents’ behavior. As emphasized previously, families may avoid overdemanded schools for which they do not have highest priority, but whether a school is overdemanded or not is part of the equilibrium and is ex ante unknown to families. This may lead families to perceive that the schools for which they have highest priority are safer. And all families playing it safe is one of the many Nash equilibria of the game. In general, under the BM, parents may not have incentives to provide their true preferences, thereby establishing a trade-off between preferences and perceived safety. The set of possible Nash equilibria arising from the BM is large and has varying properties, and what will actually happen is an empirical question that we address in this paper. In other words, we examine whether in equilibrium there is choice or not.

This paper provides empirical evidence on how parents’ choose schools that sheds some new light into the aforementioned three main issues of the school choice debate (i.e., allocation, outcomes and equity). This is important not only because theory is inconclusive but also because the empirical challenges are large. Namely, (i) preferences are not observable (ii) families choose schools as well as where to live, and (iii) some families may be able to opt for a school outside the public system. We exploit an unexpected change in the definition of neighborhood in the city of Barcelona (Spain), where the B-mechanism is applied. This provides an exogenous change in the set of schools perceived as safe and allows us to separate housing and schooling decisions. Moreover, data on final school registry (as explained below, registered school can differ from assigned school in the public system) will be key to shed new light on equity concerns.

In Barcelona, priority points are given mainly to siblings and children living in the neighborhood of the school. Thus, the neighborhood school provides a perceived safer choice. The unexpected change in the definition of neighborhood in Barcelona allows us to assess whether it is preferences or perceived safety that drives parents’ school choice. Learning how parents choose by only observing their submitted rankings is problematic. For instance, as we will show, in the city of Barcelona in any given year, around 80 percent of families apply for a neighborhood school. But by observing parents’ choices at a point in time, one cannot identify whether this behavior results from families’ preferences for the neighborhood schools or from families applying for a perceived safe school. Moreover, to the extent that families can also change residence, these two reasons cannot be identified separately. Our strategy allows us to separate housing and schooling decisions. Parents applying to schools in 2007 were not able to change their residence, because the change in the definition of neighborhood was very close to the school application deadline. Moreover, crucial for our purposes is that the set of schools for which families have priority changed with this new definition of neighborhood, and that this change is exogenous to families. Therefore, the set of schools that families may have perceived as safe when they lived in any given address changed before and after 2007. Our key insight is that if parents choose according to their preferences, then a change in neighborhood definition should not change their choices. Instead, if parents play it

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6 Calsamiglia and Miralles (2012) show that this is always one of the possible equilibria, but it is the unique one when one of the schools is thought to be sufficiently bad for all families.

7 In contrast, Burgess, Greaves, Vignoles, and Wilson (2009) study what type of schools parents choose in England in terms of schools’ characteristics and if it differs across parents characteristics.

8 Chen and Sönmez (2006) and Calsamiglia, Haeringer, and Klijn (2010) identify the existence of this trade-off for the BM through lab experiments. But the actual relevance of this trade-off depends on the risk perceived by subjects of applying for their preferred school and on the relative valuations for the different schools. Lab experiments cannot replicate the risk involved in actual school choice, and therefore the ability to capture the size of this trade-off is limited.

9 Having siblings in the school warrants 40 points and living in the neighborhood, 30 (see Table 1). Only 0.04 percent of the applicants have points from other socioeconomic aspects that amount to 30 points. Therefore, neighborhood is the main criterion that determines priorities for first-child applicants, who are at the center of our analysis.

10 Machin and Salvanes (2010), Bogart and Cromwell (2000), and Ries and Somerville (2010) also exploit variation in the catchment area in school choice to analyze the effect on housing price changes due to school quality.
safe, then a change in neighborhood definition can affect their choices, because the incentives to apply to a given school have changed. We focus on families’ schools ranked first and find that after the change in neighborhood definition, families avoid applying for the old neighborhood schools and apply to the new neighborhood schools. We find that families not only react to the change in incentives, but also have a large reaction. The safety perceived from applying to neighborhood schools plays a key role in parents’ choice. This implies that (1) the gains of school choice in terms of matching of children and schools seem limited, because the equilibrium allocation is not very different from that without choice. Also (2) estimating the effect of choice on outcomes that exploit the implementation of the BM in a city may lead to a lower bound on the potential effect. For instance, Hastings, Kane, and Staiger (2008) show that the implementation of choice in Charlotte, North Carolina, has a varying effect on student performance, whereas Lavy (2010) finds that implementing choice in Tel Aviv has a positive effect on student performance. The underlying assumption in these analyses is that when choice is implemented, families can access a different school or a school they like better. Since the mechanism implemented in these studies is the B-mechanism, from the analysis provided in this paper we learn that these results may only be a lower bound on the effects of implementing a mechanism that would better respond to parents’ preferences.

One important concern in the debate regarding the B-mechanism is that naive parents, being unable to strategize, may be harmed by the system (see Pathak and Sonmez (2008)). In this paper, we exploit the fact that our school applications were merged with school register data to provide novel evidence of this important issue. The cautious behavior exhibited by applicants results from the risk perceived as being high. We therefore proceed by verifying the consequences for those families who take some risk. First, we find that around 42 percent of the families take some risk, but 91 percent do so while still applying for neighborhood schools. Of these, 69 percent get the school they ranked first. Abdulkadiroğlu, Pathak, Roth, and Sonmez (2006) report that in Boston, 19 percent of parents seem to be naive, playing a dominated strategy. We also find a similar fraction of parents exhibiting seemingly naive behavior. By merging our application data with register data, we can rationalize their behavior.

Register data allow us to understand how bad the outcome is for those taking risks in this game. We find that of those who are unlucky and do not get their school ranked first, 14 percent of them go to private school (only 4 percent of schools are private in Barcelona), and around 30 percent do not get any of the schools that they ranked. Calsamiglia, Miralles, and Martinez-Mora (2013) show theoretically that parents with the option of private school can take higher risks and apply for the best schools in the public system, appearing to be naive if the private option is ignored. Our empirical evidence suggests that under the B-mechanism, (3) important inequalities emerge, because the mechanism provides those who can afford private school with an outside option that allows them to play a riskier strategy in the public assignment and have a better chance of getting the best schools in the public system.

Our application data set was merged with the population census data in order to yield information about parents’ socioeconomic characteristics. Having this information allows us to analyze the level of education for these families. We find that those who are particularly harmed by the system, that is, by not getting any of the schools ranked in their application, have systematically lower levels of education than those applicants who do not take any risk. Similarly, those with higher levels of education can take higher risk and therefore have greater access to the best schools in the city.

This paper shows that with the BM, priorities overtake the role of preferences for most applicants. The risk involved in stating preferences is not worth taking, leading most of the applicants to apply for one of the neighborhood schools, independently of the identity of those schools. Only a few families who have the option of private school if they are unhappy with their allocation can take the risk of stating their preferences. Those who dare to take risks without having an outside option are particularly harmed by the system, which rationalizes why most families do not take
risks.

The rest of the paper is organized as follows. In Section 2 we describe the school allocation mechanism in the city of Barcelona. In Section 3 we describe our data. In Section 4 we discuss the empirical challenges involved in trying to identify what drives parents’ school choice. In Section 5 we explain our empirical strategy. In Section 6 we analyze what drives parents’ choices. In Section 7 we analyze the rationality behind parent’s choices and inequalities of the system. Finally, Section 8 concludes.

2 School allocation mechanism in Barcelona

In Spain all children age 3 and above have universal access to a seat in the public system. This implies that even if compulsory primary education starts at the age of 6, de facto almost every child starts school at the age of 3.

Educational policies in Spain are determined at three levels: national, regional, and municipal. In Spain families have the right to choose their children’s schools. Parents choose the primary school for their children in March of the natural year that their children turn 3. In general, this school will be the one that they will attend until they are at least 12 years old and possibly until they finish secondary education.

The mechanism to assign children to schools that is used in Barcelona is the so-called Boston mechanism, first described in Abdulkadiroğlu and Sönmez (2003). It can be described as follows. First, parents submit an application form ranking up to 10 schools in Barcelona. Once applications with families’ rankings have been submitted, all applicants are allocated to the school they have ranked first. If the number of applicants is larger than the number of seats for a certain school, applicants are given points following a scale that depends mainly on the existence of a sibling in the school ranked first, whether the school is in the neighborhood that they live and other characteristics (more details to follow). Those applicants with a higher number of points are accepted and the rest rejected. Ties in number of points are broken through a random lottery.

11This right started in 1990 with the recognition of preschool education in the national law Ley Orgánica de Ordenación General del Sistema Educativo (LOGSE). This has been developed further since then. Preschool education is divided into two stages: the first one (0-3) and the second one (3-6), which is appended to primary schools.

12Most schools include both preschool (3-6 years old) and primary school (from 6 years old on). The LOGSE in 1990 established that in order to universally incorporate 3-year-old children into the public system, primary schools in the public system should expand and include preschool. In fact, public childcare centers that offer care for children under 3 do not offer care for older children, and the supply of care is limited.

13In the case of the city of Barcelona, whose region is Catalonia, the regional government is called the Generalitat de Catalunya, and the municipal government is called the Ajuntament de Barcelona. Together they form the Consorci d’Educació de Barcelona, which deals with the management of public education in Barcelona. All education legislation cited in this section can be found in Section 1 of our online appendix.

14This was first established in the 1985 national law called Ley Orgánica reguladora del Derecho a la Educación (LODE). Further developments on the application process, the allocation algorithm, and priorities for the region of Catalonia are developed in decrees; the relevant decrees for our period of study are 252/2004 (for the years 2005 and 2006) and 75/2007 (from 2007 until 2010). Finally, further details on the exact weights of the established priorities are provided every year (even if there are no changes) under resolutions from the regional educational ministry. The relevant ones for our period of study are EDC/712/2005, EDC/449/2006, EDU/904/2007, EDU/349/2008, EDU/553/2009 and EDU/107/2010.

15Schools either offer primary and secondary education or, if they do not offer the latter, they still give priority to a specific secondary school when applying.

16Section 2 of our online appendix provides the application forms for the academic years 2006-2007 and 2007-2008, which in the paper we refer as years 2006 and 2007, respectively. One can notice that in 2006, families could rank up to 7 schools, and in 2007 families could rank up to 6 schools. Although the application form included only 6 or 7 schools by default, up to 10 schools could be requested. In practice, very few applicants used the additional slots.

17Applicants with special needs are allocated first before everyone else. These include important disabilities, extreme socioeconomic circumstances, or being a recent immigrant to the country (having arrived in the last two years).
Applicants rejected from the school ranked first opt for a seat in the next school in their submitted ranking that has a free seat after the previous round. If there are more applicants than free seats in the school ranked second, spots are allocated again according to the priority points of the first round. The process continues until all children have an assigned seat in some school. As can be immediately noticed, the chances of being admitted in any school in the second round are greatly reduced, and more so in further rounds.

Waiting lists remain active until the new academic year starts. The ordering of the waiting list is based on the point system mentioned above and described next.

As mentioned above, in case of over demand for a certain school, the allocation mechanism assigns points to different characteristics of the child, the family, and the school ranked first. Table 1 describes these aspects as well as the scale points in descending order. This point system has remained mostly stable over our period of study, except for some minor changes (Appendix A explains these changes and discusses how our results are not affected by them). We can distinguish between “basic points” and “extra points”. Among the basic points, there are points for siblings, neighborhood, and socioeconomic characteristics. Having a sibling in the school ranked first by the applicant is the aspect that gives the most points (40). Next are criteria based on the neighborhood of the school ranked first in the application. Neighborhoods are defined by the administration. As mentioned, our empirical strategy will be based on an unexpected change in the definition of such neighborhoods. The neighborhood criteria are mutually exclusive. Living in the neighborhood of the school ranked first gives 30 points. Families have the choice to use the work address of one of the parents/tutors instead of their home. In this case, the applicant would get 20 points if the school ranked first is in the neighborhood of the workplace. After 2007, an applicant that applied to a school living outside the neighborhood but still close enough (with the administrative district) would obtain 15 points (more details on these districts will be given in Section 5.1). Families can apply to a school in another city from their residence. But priority (10 points) is given to families that apply to a school in a city where they live if it is not in their neighborhood. The next set of points corresponds to the socioeconomic characteristics of the applicant: being a low-income family (10 points) and having a family member with a disability (10 points). The system also gives extra points if the applicant belongs to a large family or has a single parent (15 points) or if the applicant has a chronic digestive illness (10 points).

The case of Barcelona is particularly useful for our purposes. From Table 1, we note that there are two types of families: those that have socioeconomic characteristics for which they get priority and those that do not. These points are exogenous to the school choice decision, whereas the neighborhood points are endogenous and depend on the location of the school ranked first. In the case of Barcelona, the qualifying socioeconomic characteristics are narrow, and few applicants obtain points from these characteristics. In fact, 90 percent of families do not receive any points for their socioeconomic characteristics. This is particularly useful for our goal because the huge majority of families, at least with respect to the priority points, will be equally constrained in their choice problem, trading off perceived safety and preferences. However, we will find that some families have an outside option, and we will be able to understand how they choose schools as we highlight important inequalities that the mechanism generates.

3 Data

We exploit four data sets that provide us with detailed information on: (i) the demand of schools of each family in Barcelona, (ii) the supply of schools in Barcelona, and (iii) the final allocation for each child and school in Barcelona for the years 2005-2010. Additionally, the family microdata have been merged with the population census data to obtain socioeconomic characteristics. We
Table 1: Priority points in case of overdemand for a school, 2005-2010

<table>
<thead>
<tr>
<th>Number of Points</th>
<th>Basic Points</th>
<th>Siblings</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Applicant has a sibling in school of ranked first</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>Residence in neighborhood of school ranked first</td>
<td>30</td>
</tr>
<tr>
<td></td>
<td>One of the parents/tutors works in neighborhood of school ranked first</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>Residence in the administrative district (but not the neighborhood) of school ranked first</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td>Residence in the city (but not the neighborhood) of school ranked first</td>
<td>10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Socioeconomic characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low-income family</td>
</tr>
<tr>
<td>Applicant, one of the parents/tutors, or a sibling is disabled</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of Points</th>
<th>Extra Points</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Socioeconomic characteristics</td>
</tr>
<tr>
<td></td>
<td>Large family (three or more siblings) or single parents</td>
</tr>
<tr>
<td></td>
<td>Applicant has a chronic digestive illness</td>
</tr>
</tbody>
</table>

Notes: (^a) Neighborhood criteria are mutually exclusive: The work address of one of the parents/tutors can be considered instead of the residence address of the applicant. Neighborhoods of the city of Barcelona are explained in Section 5.3. (^b) Administrative district criteria apply only from 2007 onward. Administrative districts of the city of Barcelona are explained in Section 5.3 and Figure 1. (^c) Low-income indicates a family in which one of the parents/tutors receives welfare income or the total family income per capita is less than one-third of it (around 12,000 euros per year). (^d) Before 2007, the extra points were automatically added to the basic points. From 2007 on, the extra points were taken into account only to break ties between people with the same number of basic points. (^e) Single parents have received the same points as large families since 2010. (^f) Before 2007, points for chronic digestive illness were given only if school ranked first was in the neighborhood.


describe these in the following subsections.

3.1 Barcelona primary school applications data set

The demand for each school in Barcelona comes from a unique and rich administrative data set that consists of the universe of applications for primary schools in Barcelona of children that turned 3 in the years 2005-2010. This population consists of 77,825 children.

For all children, we have a complete application form that consists of the following variables: their ranking of schools (up to 10 schools) and all the priority points obtained for their different characteristics (as described in Table 1), whether they are a low-family income, presence of a sibling in the school ranked first, whether they suffer any chronic illness or disability, etc. 19 We also know where they live, which allows us to assign them the set of schools for which they would have priority points if they were to rank them first. Finally, we also know the school to which each applicant was assigned by the administration if this is a school in Barcelona. 20 Table 2 describes this data set year by year.

Our first analysis concentrates on understanding the choice of the school ranked first by applicants. As we explain in more detail in Section 6, for this exercise our population of interest consists of those applicants that: live in the city of Barcelona and have no siblings in the school

19 For the year 2005, we only have the aggregate number of priority points obtained and not the detailed characteristics. For most of our analysis, such details will not be necessary. However, whenever we need to use the detailed points, the results for 2005 will be less precise because of this fact. Still, all the results of the paper can be derived simply by using the years 2006 and 2007. We include the other years for completeness.

20 In our data, 1.25 percent of the observations for the school that they assigned is missing because they end up in a school outside Barcelona.
ranked first. That is, on the one hand, we want to analyze those families for whom the definition of neighborhood changed in 2007 (see Section 5.1 for details). On the other hand, for families with older siblings, both the preferences for the school and the incentives provided by the mechanism are very different and completely independent of the policy change that we are exploiting. We therefore exclude them from our analysis. Crucial for our first analysis is to identify the address of the applicants in order to identify how the change in definition in neighborhood affected them. The school applications forms are submitted to the school or the central administration and then manually entered into the centralized system. This process implies that typos may be introduced, which can make our identification difficult. Overall, we are able to identify the address for 91 percent of the observations in our population of interest (see Table 2). In Appendix C we show that the sub-population for which we cannot identify their address is not statically different from that for which we can in terms of the other observable variables. The fact that this sub-population is rather small and that there does not seem to be any non-random selection implies that our analysis based on the sub-population for which we can identify the address is not biased. We will refer to our population of interest (i.e., applicant lives in the city of Barcelona and has no siblings in the school ranked first) for whom we can identify their address as our baseline population (highlighted in bold in Table 2).

In our second analysis, we analyze how risky the behavior of families is. For this purpose, we calculate the aggregate demand for each school using the total population of applicants.

Table 2: Barcelona Primary School Applications Data Set, 2005-2010

<table>
<thead>
<tr>
<th>Number of applicants</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Live in Barcelona &amp; no sibling in school ranked first:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Address identified</td>
<td>7,775</td>
<td>6,649</td>
<td>6,893</td>
<td>7,198</td>
<td>7,134</td>
<td>7,085</td>
</tr>
<tr>
<td>Address not identified</td>
<td>718</td>
<td>880</td>
<td>800</td>
<td>606</td>
<td>576</td>
<td>542</td>
</tr>
<tr>
<td>Live in Barcelona &amp; have sibling in school ranked first</td>
<td>3,087</td>
<td>4,342</td>
<td>4,642</td>
<td>4,794</td>
<td>4,798</td>
<td>4,812</td>
</tr>
<tr>
<td>Do not live in Barcelona</td>
<td>797</td>
<td>633</td>
<td>596</td>
<td>768</td>
<td>838</td>
<td>862</td>
</tr>
<tr>
<td>Total Population</td>
<td>12,377</td>
<td>12,504</td>
<td>12,931</td>
<td>13,366</td>
<td>13,346</td>
<td>13,301</td>
</tr>
</tbody>
</table>

Note: For 2005, applicants with a sibling in the school ranked first are approximated as described in footnote 22. Source: Barcelona primary school applications data set, Consorci d’Educació de Barcelona, 2005-2010.

3.2 Barcelona supply of schools data set

Spain has three types of schools: public, semi-public, and private. The system described in Section 2 is for all public and all semi-public schools. That is, the application process and the allocation process are identical for both public and semi-public schools. Semi-public schools are publicly funded but privately managed. By law, no fees are involved in semi-public schools.}

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21 Our data set only includes the residential address of every applicant and not the work addresses of the applicants’ parents. This means that we cannot tell how the neighborhood changed for those that live outside Barcelona and apply to a school in Barcelona for work reasons. Similarly, for those that live in Barcelona we can only tell how their neighborhood changed in terms of their residential address. In Appendix B we show that the fraction that uses their work address is small and fairly constant over time; thus our results should not depend on being able to identify the work addresses of the parents.

22 For the year 2005, we only have the aggregate number of priority points obtained and not the more detailed by characteristics. However, given the structure of points (see Table 1), we can approximate a lower bound on this population. More precisely, anyone with more than 75 points, the maximum that one can obtain with the other characteristics, must have points for a sibling. Also, anyone that has exactly 70 points must have a sibling because there is no other way to obtain exactly these points. With this approximation, those that have siblings and some other points are being counted as having no siblings. This makes our analysis for 2005 more conservative because these families are less constrained in their choices than those who do not have siblings.

23 Semi-public schools are the so-called concertadas. Although fees are not compulsory, we know that in reality, families are asked to pay for other services that most families pay for. Families preferences for a school may be
Our second database includes all existing schools in the region of Catalonia, their address, and their characteristics (whether they are public, semi-public, or private, and the grades they offer: preschool only, preschool and primary school, etc.). Among the schools in the city of Barcelona, around 48 percent are public, 48 percent are semi-public, and 4 percent are private. In this sense, our paper studies the allocation of children in 96 percent of the schools in the city.

We can merge the application data set with the school data set to learn about the demand for schools. In any given year, there is demand for all available public and semi-public schools. For our baseline population, for the whole period of study, there is demand for 368 schools, 337 of these schools are in the city of Barcelona.

### 3.3 Barcelona school registry data set

The third data set that we will exploit is the school registry data set of the residents in Barcelona. The school where applicants end up registering is not necessarily the same school to which they were allocated by the administration (and could include a private school). In the second part of our analysis (see Section 7), we merge these data with our application and assignment data in order to first verify whether families enroll in their assigned school or not, but also to identify families who, failing to be assigned to their desired school, enroll their children in some other school. We refer to this as an outside option, which can be either a private or a public school outside of the city of Barcelona. This approach allows us to provide some novel evidence on so-called naïve parents.

The school registry data contain information on registered children from two types of schools. First, it contains all of the children that registered in any given school in the Barcelona public system (i.e., public and semi-public primary schools in Barcelona). Second, it also includes school registry information for some schools outside the Barcelona public system (i.e., private schools in Barcelona and schools outside Barcelona) in which Barcelona residents have registered. However, this registry is not complete.

We match the Barcelona primary school applications data set with the school registry data set on common variables (see Appendix E for details). We are able to match 96 percent of the observations in the applications data set. The resulting data set allows us to further analyze the potential inequalities generated by the system (see Section 7).

### 3.4 Population census: Parents’ socioeconomic characteristics

Under the institutional agreement between the Consorci d’Educació de Barcelona, the Barcelona Graduate School of Economics, and the Catalan Institute of Statistics, the school application data set was merged with the Catalan population census data (more information on the census can be found in Section 7). However, this is not an issue in this paper because (i) our aim is to understand whether “perceived safety” or “preferences” determine the choice for schools (see Section 4) and (ii) the structure of these payments did not change before and after 2007, which is key because we identify perceived safety versus preferences from a change in the neighborhood definition that occurred in 2007 (see Section 5). One may think that semi-public schools could be a safer option for those families that can afford the voluntary fees. But as we show in Table A3 in Appendix D, in any given year, a larger number of public schools are underdemanded (i.e., demand is lower than the capacity of the school).

24 Preschools in Barcelona (i.e., those schools that offer education up to age 6 only) are not in this data set. This amounts to six centers in Barcelona. For the years 2005-2010, this amounts to not having registry information for 504 children in our baseline population of applicants.

25 Children that submit an application to a school in the Barcelona public system may end up registering in a school outside the public system in Barcelona (i.e., private schools in Barcelona or schools outside the city of Barcelona). The institution that deals with the school applications in Barcelona (the Consorci d’Educació de Barcelona) tries to keep track of the registry school for all the children resident in Barcelona. It therefore asks for the registry information to all potential schools outside the Barcelona public system. However, schools are not obliged to provide this information, and this is why the school registry data set does not include the registry information for all of those that end up outside the Barcelona public system.
be found at [http://www.idescat.cat/en/poblacio/censos2011/](http://www.idescat.cat/en/poblacio/censos2011/) and the municipal population register (more information on the register can be found at [http://www.idescat.cat/en/poblacio/padro.html](http://www.idescat.cat/en/poblacio/padro.html)). More specifically, each of the applicants was searched in the population census or the municipal register in order to identify his or her father and mother and obtain their socioeconomic characteristics (see Appendix [F](#) for details). It was possible to find one of the parents in 95 percent of the children in our application data set. The resulting data allow us to study how socioeconomic characteristics can relate to behavior in the context of school choice (see Section [7](#)).

## 4 Empirical challenges

Table [3](#) displays for each year the percentage of children that enter the school that they ranked first in their school application, those that enter the school that they ranked second, and so on. We concentrate on our baseline population (those that live in Barcelona and have no siblings in the school ranked first), which were allocated to a school in Barcelona.26 This table shows that on average, as many as 86 percent of children enter their school ranked first.27 Also worth noting is that a substantial fraction of children, 6 percent on average, does not enter any of the schools they ranked. This shows again that under the BM, the school ranked first is crucial.

### Table 3: Parental behavior and school allocation in Barcelona

<table>
<thead>
<tr>
<th>Percentages</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Enter in school ranked 1st</td>
<td>88</td>
<td>85</td>
<td>83</td>
<td>85</td>
<td>87</td>
<td>89</td>
</tr>
<tr>
<td>Enter in school ranked 2nd</td>
<td>5</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Enter in school ranked 3rd-10th</td>
<td>2</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Does not enter in any ranked school</td>
<td>5</td>
<td>6</td>
<td>8</td>
<td>6</td>
<td>5</td>
<td>2</td>
</tr>
</tbody>
</table>

| School ranked 1st is in residence neighborhood | 73  | 80  | 82  | 83  | 82  | 82  |
| Observations                                 | 7,713 | 6,649 | 6,893 | 7,183 | 7,122 | 7,075 |

Note: For 2005, applicants with a sibling in the school ranked first are approximated described in footnote [22](#).

Population: Baseline population that has been allocated to a school in Barcelona.

Source: Barcelona primary school applications data set matched with school registry data set, 2005-2010.

One might think that the fact that so many children get allocated to the school they rank first indicates that the school system accommodates parents’ preferences nicely. However, Abdulkadir Diroğlu and Sonmez (2003) have shown that under the BM, parents may not have incentives to provide their true preferences. Further experimental evidence, such as Chen and Sonmez (2006) and Calsamiglia, Haeringer, and Klijn (2010), suggests a trade-off between preferences and perceived safety when ranking schools (i.e., schools for which they obtain priority points, like the neighborhood school).28 In an extreme case, this trade-off may imply that parents exclude any preferred schools above the school for which they are given priority points.29 Thus, learning how parents choose by only observing their submitted rankings is problematic. The following piece of evidence further illustrates this empirical challenge.

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26 For those that were not allocated a school in Barcelona, 1.25 percent of the total population, we do not know the exact school to which they were allocated. We only know that they were allocated a public school out of the city.

27 This number is almost 100 percent for those that have a sibling in the school ranked first.

28 These studies observe that subjects in the lab manipulate the submitted rankings by reducing the position of the neighborhood schools with respect to the true position of the school in the preference ranking.

29 Note that this is different from saying that parents exclude their top choices, say, the best schools in the city, where everyone wants to go.
The last line of Table 3 displays the percentage of children who rank first a school that is in their residence neighborhood. On average across the years for our baseline population, this number is as much as 80 percent.

Therefore, the question is: is it perceived safety or preferences that explains these facts? Or could both reasons explain it, to the extent that families can move their residence to the neighborhood of their most preferred school? The schooling and housing decisions can be summarized as follows.

Parents’ choice of neighborhood school: Three reasons  Considering housing and schooling decisions, parents may choose their neighborhood school for one of the following reasons:

- For families that cannot change residence:
  1. preference for the neighborhood school
  2. opting for a perceived safe school rather than another more preferred school.

- For families that can change residence:
  3. the neighborhood school is both their most preferred school and a perceived safe option.

We will refer to reason (1) as “preferences” and to reason (2) as “perceived safety.” Therefore, by observing parents’ choices at a point in time, we cannot identify whether their behavior results from preferences or from perceived safety. Reason (3) is the union of the first two. Thus, to the extent that families can also choose their residence makes it even harder to distinguish the reason behind their choice. In this paper we exploit a change in the definition of neighborhood, which will allow us to separately identify these reasons. In the next section, we explain our empirical strategy.

5 Empirical strategy

We circumvent the identification problem explained in the previous section by exploiting an unexpected change in the definition of neighborhood that occurred in the city of Barcelona in 2007. The change was announced on March 27, 2007, and families applying for a school that year were told on March 30 that they had to submit their applications between April 10 and 20, 2007.

This change had two consequences. The first implication is that for families that applied for schools in 2007, it was almost impossible to move residence, thus essentially minimizing channel (3) described above. Moreover, in order to get the corresponding residential points, applicants need to prove to have resided in the claimed address for at least six months prior to the application time. In other words, in 2007, the cases in which the choice of residence and school coincides should be minimal. Since moving residence can take time, most likely this was also the case (even if to a lesser extent) for some years after 2007.

The second implication of the change in the definition of neighborhood is that for each family, the set of schools that were perceived “safe” (i.e., those with the highest priority) also changed. In turn, this allow us to distinguish between reasons (1) and (2) described above (perceived safety versus preferences). In other words, it allows us to identify whether parents change their choices following the change of neighborhood definition. Our key insight is that if parents choose according to their preferences, then the change of neighborhood definition should not change their choices. Instead, if parents play it safe, then the change of neighborhood definition can affect their choices by excluding the old safe school and including the new safe school.

This could be the quality of the school and/or shorter commuting time. The way neighborhoods changed in Barcelona will allow us to provide some insights.

The change of neighborhoods was made public through the regional edict 4850/2007, and the application deadline was made public through the regional resolution EDU/904/2007 (see Section 1 of our online appendix).
Therefore, in our empirical analysis we will analyze the changes in school choices before and after this change and, in particular, between 2006 and 2007. One key assumption is that preferences will not change between these two years. As mentioned before, we will concentrate on those families that live in Barcelona (for whom the neighborhood changed) and that do not have a sibling in the school that they have ranked first. The latter approximates the families that are choosing for the first sibling because the choice for a second sibling is a different problem.\(^{32}\) Note that the school for the first sibling at age 3 is chosen only once by each family. Thus, we necessarily need to compare different families over time. As mentioned above, our empirical strategy relies on the assumption that the distribution of families’ preferences does not change between 2006 and 2007.\(^{33}\) More precisely, we need to assume that preferences of families in the same neighborhood do not change in a systematic manner that coincides with the direction in which the incentives provided by the mechanism have changed.

### 5.1 Change in the definition of neighborhood

As explained in Section 2, in the city of Barcelona, to resolve overdemands for schools, families are given priority points for all schools within their residence neighborhood. The definition of what constitutes such a neighborhood changed in March 2007. Before 2007, the city was divided into fixed neighborhoods. The neighborhoods varied in size for semi-public and public schools, but were conceptually the same. For semi-public schools, the neighborhood coincided with the administrative district.\(^{34}\) Figure 1 displays the 10 administrative districts in the city of Barcelona. For public schools, the neighborhoods were smaller areas within the administrative district (see Appendix G for more details).

![Administrative districts in the city of Barcelona](image)

Figure 1: Administrative districts in the city of Barcelona

In March 2007, new neighborhoods were defined, moving away from the old fixed administrative districts. The change in the definition of neighborhood is unrelated to our concerns about the properties of the B-mechanism. It occurred because the previous definition had two issues from

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\(^{32}\)The reasons are that additional priority points are given for children with older siblings in a school (see Table 1), and it is reasonable to assume that families prefer that siblings attend the same school.

\(^{33}\)In particular, we assume that even if the composition of families that get priority points for a school could change, which may change families’ preferences for an individual school, we need that those preferences do not systematically change in the particular direction that incentives do. It cannot be the case that what is now the neighborhood school is better for all families (i.e., it can be better for some and worse for others).

\(^{34}\)There was the possibility for semi-public schools to request that their neighborhood would consist of two adjacent administrative districts. Unfortunately, however, the body that granted these petitions no longer exists, and there is no record of these requests. Please note that this implies that the share of applicants demanding a school that we identify as their neighborhood is a lower bound for the years 2005 and 2006.
the administration’s point of view. First, the administration wanted to unify the definition of *neighborhood* for public and semi-public schools. Second, the old neighborhoods did not capture well the distance to schools (e.g., families living close to the border of two neighborhoods did not have priority points for nearby schools while having priority points for schools farther away within the neighborhood). Finally, the old neighborhoods implied that the size of the set of schools for which a family could have priority could be very different because it depended on the density of schools in the neighborhoods.

The new neighborhoods are based on *distance* between families’ residence and schools. An area (specifically, a minimum convex polygon) around every block of houses in the city was established to include at least the closest six schools (three public and three semi-public). An algorithm was constructed to define the new neighborhoods citywide, which amounted to 5,300 for the whole city.\(^{35}\)

We can map every block of houses in the city to its neighborhood and thus to the schools for which that address would have priority points if ranked first. We next explain how the change in the definition of *neighborhood* changed this set.

### 5.2 Changes in the set of neighborhood schools

The change in the definition of *neighborhood* implied two changes in terms of the set of schools for which each family had priority points. These changes are the basis of our empirical strategy. For simplicity let us refer to the neighborhoods before 2007 as the *old* neighborhoods and the neighborhoods defined in 2007 as the *new* neighborhoods.

The two changes in the set of priority schools are as follows. First, the new neighborhoods were defined to include the closest 6 schools (3 public and 3 semi-public). This implied that the *size* of the set of neighborhood schools for which families have priority was reduced. Before 2007, families had priority points on average in 22 schools, whereas, after 2007, the number of priority schools was reduced to 8 on average. Also, the standard deviation went from 7 to 2 (see Appendix \[H\] for details). So, the size of the set of priority schools indeed became smaller as well as more equal across families in the city. Second, for some families (those living near the border of an old neighborhood), there was also a change in the *composition* of schools in the priority set because the new neighborhood includes nearby schools that are on the other side of the border of the old neighborhood. On average, around 83 percent of the families had a change in the composition of the schools in their priority set because the new neighborhood includes schools that are on the other side of the border of the old neighborhood. On average, around 83 percent of the families had a change in the composition of the schools in their priority set. For these families, the change in composition involved an average of 31 percent of schools in their set (see Appendix \[H\] for details). As will become apparent shortly, it will be relevant to distinguish between: (i) families that live in the *center* of the old neighborhood and (ii) families that live in the *corner* of the old neighborhood.

In order to illustrate these changes, we classify schools for each family, given their address of residence, as follows:

- **Yes-Yes Schools** (YY hereafter): in the old neighborhood and in the new neighborhood.
- **Yes-No Schools** (YN hereafter): in the old neighborhood but not in the new neighborhood.
- **No-Yes Schools** (NY hereafter): not in the old neighborhood but in the new neighborhood.
- **No-No Schools** (NN hereafter): not the old neighborhood and not in the new neighborhood.

\(^{35}\)Before 2007, families knew which schools were in their neighborhood by looking at maps like the one in Figure 1, which were available in all schools. Since 2007, since every block in the city has a different neighborhood, the administration would send a letter to each family specifying which schools were in their neighborhood. One might think that this would increase the demand for schools in the neighborhood, but as Table 3 shows, this was not the case. The number of families that ranked a neighborhood school first is constant over time.
Figures 2 and 3 illustrate the change in the set of priority schools for different families (or different addresses). Diamonds, pentagons, triangles, and hexagons in these graphs represent schools. The (orange) building is a particular family/address. The (green) square represents the old neighborhood, and the (purple) circle refers to the new neighborhood for a family that lives in the center of the old neighborhood (Figure 2) and for a family that lives in the corner of the old neighborhood (Figure 3). Schools inside the circle are YY schools; that is, these schools were also in the old neighborhood (square). Schools outside the circle but inside the square are YN schools; they used to be in the old neighborhood but are not in the new neighborhood. For families living in the corner of the old neighborhood, there are also NY schools, which were not inside the old neighborhood but are inside the new neighborhood. Finally, schools outside the square are NN schools; they were not in the old neighborhood and are not in the new neighborhood either.

Figure 2: Change in the school priority set for an address in the center of the old neighborhood

Note: Diamonds are YY schools, triangles are YN schools, and hexagons are NN schools for the (orange) building.

The reduction in the size of the set of schools for which families have priority allows us to identify YN schools as well as YY schools for any address in the city (see Figures 2 and 3). The change in composition of the set of schools for which families have priority allows us to identify NY schools for those addresses that are sufficiently far away from the center of the old neighborhood (see Figure 3). On average for the period of study, we have 83 percent of families for whom the set of priority schools changed both in size and in composition, whereas for 17 percent it only changed in size. The two changes (size and composition) of the priority set allow us to identify the different types of schools for each block of houses.

It is worth noting that by construction of new neighborhoods, the distance from families’ residences to any school in the neighborhood is reduced after 2007. However, this fact carries no mileage for our identification strategy. If preferences drive choices (and families care about a

In terms of priority points, families applying to their YY schools received 30 priority points both before and after 2007; families applying to their YN schools received 30 priority points before 2007 and 15 points after 2007; families applying to their NY schools received 10 priority points before 2007 and 30 points after 2007; and families applying to their NN schools received 10 priority points before 2007 and 10 points after 2007 (except for public schools in the district for which the change would be from 10 to 15; see Appendix A for a further discussion).
shorter distance to school), then the definition of *neighborhood* is irrelevant. And if it is safety that drives choices, then distance is irrelevant.

Our key insight is that we can learn what drives families’ choices (preferences or perceived safety) by looking at the changes in demand for these different types of schools before and after the change of the definition of *neighborhood*. We explain our strategy in detail in the next subsection.

### 5.3 Testable hypothesis

As seen in Table 3 a huge majority of families apply for a school in their neighborhood. But from this fact alone we cannot infer what drives parents’ choices. Key for our analysis is to examine the response to incentives by families after the change in the neighborhood definition in 2007. As already argued, for parents who chose a school in 2007, it is very unlikely that they were able to change residence. Therefore, as discussed in Section 4 we are left with two mutually exclusive reasons for choice: *preferences* versus *perceived safety*.

The key for our identification is the following. If families choose according to their preferences, then we should observe no change in choices after the change in the neighborhood definition (assuming that preferences have not changed over time). Instead, if families play it safe, then we should observe that their choices change. In particular, if safety is driving choice, we should observe the following changes:

**Hypothesis 0**: If *perceived safety is driving school choice*, the proportion of families asking for the different types of schools should only change between the years 2006 and 2007, when the neighborhoods were changed. And we should observe no changes between the years 2005 and 2006, nor between the years 2007, 2008, 2009, and 2010. But if *preferences are driving school choice*, the proportion of families asking for the different types of schools should not change over time.

**Hypothesis 1**: If *perceived safety is driving school choice*, the proportion of families that ask for YN schools should decrease between 2006 and 2007, given that these schools become less safe.
after the neighborhood change. But *if preferences are driving school choice*, we should observe no change.

**Hypothesis 2**: *If perceived safety is driving school choice*, the proportion of families asking for NY schools should increase between 2006 and 2007, given that these schools become safer to apply for after the neighborhood change. But *if preferences are driving school choice*, we should observe no change.

Regarding YY schools, since the set of schools with high priority has been reduced, if families’ choices are driven by perceived safety, then demand for any given neighborhood school should increase. But rising demand for YY schools depends on whether families live in the center or the corner of the old neighborhood. In particular,

**Hypothesis 3**: *If perceived safety is driving school choice*, for families living in the center of the old neighborhood, the proportion of families asking for YY schools should increase between 2006 and 2007, given that there is a smaller set of schools with highest priority after 2007. In other words, families that were playing it safe before 2007 were asking for YY or YN schools but only for YY schools after 2007. Therefore, if they continue to play it safe, the demand for YN schools would be shifted to YY schools. But *if preferences are driving school choice*, we should observe no change.

Note that no prediction can be made for YY schools for families living in the corner of the old neighborhoods. Two forces are at play here. On the one hand, as in Hypothesis 3, the proportion of families asking for YY schools between 2006 and 2007 should increase as demand from YN schools is being shifted to YY schools. On the other hand, for families living in the corner of the old district, within their set of safe schools, they will be comparing whether the new schools in their set (NY) are preferred to the remaining schools (YY), which would tend to decrease the proportion of families asking for YY schools between 2006 and 2007. The final effect is ex ante unpredictable.

Similarly, there is no prediction for the change in the proportion of families asking for NN schools between 2006 and 2007 because it is unclear whether these schools are safer. The safety of applying to an NN school depends on the number of applicants that have priority points for that school. Before 2007 the set of families that had high priority for that school was larger (old neighborhoods were larger), but it was also true that the set of schools for which each applicant had highest priority was larger. Therefore, it is not clear whether demand from the neighborhood would be larger or smaller, and therefore unclear what the chances of being admitted would be for an individual outside of the neighborhood.

In the next section, we test these hypotheses in order to learn whether preferences or perceived safety drives parents’ school choice.

### 6 Results: Preferences versus perceived safety

In this section, we analyze the school that families ranked first in their application form. In particular, we track whether the school ranked first in their application was a school in their neighborhood (i.e., had highest priority) both before and after 2007 (keeping track of the change in neighborhood) and test each of the hypotheses outlined above.

Table 4 displays the percentage of families applying to YN schools, that is, schools that were located in their old neighborhood but not in their new neighborhood. We observe the following facts.

First, it can be seen that the only substantial change occurs between 2006 and 2007, coinciding with the change in the neighborhood definition. This provides evidence that the change in the neighborhood definition did change families’ school choice, giving a first indication that families play it safe (as outlined in Hypothesis 0). If it was families’ preferences that drove choice, we should not observe any change. Moreover, as described in Hypothesis 1, if families play it safe, the
Table 4: Testing Hypothesis 1: Families that ranked a YN school first

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of families</td>
<td>18.24</td>
<td>20.71</td>
<td>9.72</td>
<td>7.29</td>
<td>7.64</td>
<td>8.26</td>
</tr>
<tr>
<td>Observations</td>
<td>7,775</td>
<td>6,649</td>
<td>6,893</td>
<td>7,198</td>
<td>7,134</td>
<td>7,085</td>
</tr>
</tbody>
</table>

Note: YN schools are schools that, for any given family, are located in their old neighborhood but not in their new neighborhood. Population: Baseline population. Source: Barcelona primary school applications data set, 2005-2010.

change in behavior should be such that they stop ranking first schools that are no longer in their neighborhood. Consequently, the proportion of families that ask for YN schools should decrease between 2006 and 2007, which is exactly what we observe in Table 4. The proportion of families that ask for YN schools was reduced from 21 percent to 10 percent, which is a decrease in demand of 52 percent. This large decrease indeed suggests that safety, rather than parents’ preferences, plays a crucial role in choosing a school.

It is worth noting that in Table 4, starting in 2008, the proportion of families asking for YN schools is decreasing over time. This partly reflects the fact that families can over time move their residence to another neighborhood with their preferred school (which stops being a YN school).

We now turn to the analysis of families that choose NY schools, that is, schools that were not located in their old neighborhood but are in their new neighborhood. Table 5 displays our results.

Table 5: Testing Hypothesis 2: Families that ranked an NY school first

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of families</td>
<td>10.15</td>
<td>9.35</td>
<td>17.23</td>
<td>17.62</td>
<td>18.33</td>
<td>17.38</td>
</tr>
<tr>
<td>Observations</td>
<td>6,352</td>
<td>5,380</td>
<td>5,566</td>
<td>5,955</td>
<td>5,947</td>
<td>6,121</td>
</tr>
</tbody>
</table>

Note: NY schools are schools that, for any given family, are not located in their old neighborhood but are in their new neighborhood. Population: Baseline population living close enough to the corner of the old neighborhood such that their new set of priority schools includes at least one school that was not in their old set. Source: Barcelona primary school applications data set, 2005-2010.

In this case, we concentrate on those families in our baseline population for whom the neighborhood change implied not only a change in the size of the set of priority schools but also a change in its composition. That is, families are close enough to the corner of the old neighborhood so that their new set of priority schools includes at least one school that was not in their set before. (see Figure 3). Recall that families living in the center of the old district only experience a change in the size of the set of priority schools, and therefore there are no NY schools in their set. Again Table 5 shows that the only substantial change occurs between 2006 and 2007, coinciding with the change in the neighborhood definition, thereby providing further evidence that the change in the neighborhood definition did change families’ school choice, giving another indication that safety plays a big role in school choice (as outlined in Hypothesis 0). Moreover, as described in Hypothesis 2, if families play it safe, the change in behavior should be such that they start ranking first schools that are in their new neighborhood, because these schools now give them priority points. Consequently, the proportion of families that ask for NY schools should increase between 2006 and 2007, which is exactly what we observe in Table 5. The proportion of families that ask for NY schools increased from 9 percent to 17 percent, which is an increase in demand of 89 percent. This very large increase indeed suggests that safety, rather than parents’ preferences, plays a crucial role in choosing a school.

To sum up, we find evidence that families’ preferences play a limited role in school choice because a change in the definition of neighborhood makes families change their choices. Moreover,
it is worth noting that the way the new neighborhoods were designed implies that YN schools are schools that are relatively far away from families’ residences (see Figure 2), whereas YN schools are schools that are relatively close to families’ residences (see Figure 3). This means that in the old neighborhoods, families were going to schools that were quite far away (YN schools) and were not going to schools that were nearby (NY schools) because of safety. Therefore, we find that preference for a shorter distance to schools is not the sole determinant for parents’ actual preferences or choice.

We now turn to the analysis of YY schools, that is, schools that for any given family were located in their old neighborhood and are still located in their new neighborhood. We first analyze those families that live in the center of the old district for whom the set of priority schools from 2007 is composed only of YY schools. Table 6 displays our results.

Table 6: Testing Hypothesis 3: Families that ranked a YY school first and live in the center of old neighborhood

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of families</td>
<td>67.04</td>
<td>71.08</td>
<td>85.91</td>
<td>87.45</td>
<td>84.67</td>
<td>81.33</td>
</tr>
<tr>
<td>Observations</td>
<td>1,423</td>
<td>1,269</td>
<td>1,327</td>
<td>1,243</td>
<td>1,187</td>
<td>964</td>
</tr>
</tbody>
</table>

Note: YY schools are schools that, for any given family, are located both in their old neighborhood and in their new neighborhood. Population: Baseline population living in the center of the old neighborhood such that their new set of priority schools includes only schools that were in their old set. Source: Barcelona primary school applications data set, 2005-2010.

Again, as Table 6 shows, the main substantial change occurs between 2006 and 2007, coinciding with the change in the neighborhood definition, thereby providing further evidence that the change in the neighborhood definition did change families’ school choice, giving another indication that safety plays a big role in school choice (as outlined in Hypothesis 0). Moreover, as described in Hypothesis 3, if families play it safe, there should be an increase in the share of families that ask for YY schools between 2006 and 2007. This is exactly what we find. For these families, living in the center of the old district, since they play it safe, they are moving away from schools that were in their neighborhood (YN schools) and concentrating on the schools around their residence.

We next turn to the analysis of YY schools for families that live in the corner of the old neighborhood. As explained in Section 5.3, there is no unambiguous prediction for this case. Table 7 displays the percentage of families applying schools that are YY and live in the corner of the old neighborhood. We find that demand for YY schools has moderately increased, which is consistent with a shift in demand from YN schools to YY schools as well as some substitution between YY schools and NY schools.

Table 7: Families that ranked a YY school first and live in the corner of old neighborhood

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of families</td>
<td>51.83</td>
<td>56.38</td>
<td>63.87</td>
<td>64.87</td>
<td>63.53</td>
<td>64.91</td>
</tr>
<tr>
<td>Observations</td>
<td>6,352</td>
<td>5,380</td>
<td>5,566</td>
<td>5,955</td>
<td>5,947</td>
<td>6,121</td>
</tr>
</tbody>
</table>

Notes: YY schools are schools that, for any given family, are located both in their old neighborhood and in their new neighborhood. Population: Baseline population living close enough to the corner of the old neighborhood such that their new set of priority schools includes at least one school that was not in their old set. Source: Barcelona primary school applications data set, 2005-2010.

Finally, we turn to the analysis of NN schools. Again, as explained in Section 5.3, there is no unambiguous prediction for this case. Table 8 displays the results. We see a reduction in the demand for NN schools. This suggests that families having a small set of schools and playing it safe implies that behavior and therefore demand is more homogeneous across schools. Hence, finding an NN school with available seats may be more difficult.
Table 8: Families that ranked an NN school first

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proportion of families</td>
<td>18.86</td>
<td>12.54</td>
<td>8.25</td>
<td>9.36</td>
<td>10.04</td>
<td>9.58</td>
</tr>
<tr>
<td>Observations</td>
<td>7,775</td>
<td>6,649</td>
<td>6,891</td>
<td>7,198</td>
<td>7,132</td>
<td>7,085</td>
</tr>
</tbody>
</table>

Note: NN schools are schools that, for any given family, were not located in their old neighborhood and are not in their new neighborhood. Population: Baseline population. Source: Barcelona primary school applications data set, 2005-2010.

7 Results: Risk analysis

In this section, we study further (beyond the residence neighborhood) the rationality behind parents’ behavior when choosing a school. In Subsection 7.1, we first identify those applicants whose behavior could be considered naive based on their exante chances to enter the school for which they apply. In Subsection 7.2, we incorporate information about the school where children register (which may be different from the assigned school) to understand further the possible naivete in parents’ behavior and to learn about the equity properties of this mechanism. Finally, in Subsection 7.3, we analyze the socioeconomic characteristics of families who may seem naive in order to reevaluate whether, as the literature has emphasized (see Abdulkadiroğlu, Pathak, Roth, and Sönmez (2006)), disadvantaged families may be less able to exercise choice. The analysis in the next sections is done for all the years 2005-2010 together.

7.1 Possible naive behavior

In this section we identify those applicants whose behavior could be considered naive, that is, that the probability of entering in the school they have chosen is zero, thereby reducing their chances of being assigned to other schools. We first concentrate on the risk that families take when deciding on the school ranked first and then do the analogous computation for the schools ranked second.

We compute the chances of being assigned the ranked school given the priority points that families have for the ranked school. This will depend on how many other families (and with how many priority points) are demanding each school. In order to do so, we define the following variables (see Appendix D for details on how we calculate these with our data):

- \( \text{Capacity}_{s1t} \): number of seats available in school \( s \) in year \( t \) in the first round.
- \( \text{Demand}_{s1tp} \): number of applicants ranking first school \( s \) in year \( t \) with priority points \( p \).
- \( \text{Demand}_{s1tp+} \): number of applicants ranking first school \( s \) in year \( t \) with more priority points than \( p \).
- \( \text{MinPoints}_{s1t} \): minimum amount of priority points necessary to enter a school \( s \) in year \( t \) in the first round.
- \( \text{Points}_{i} \): the number of priority points that applicant \( i \) has for the school ranked first.

An example will be useful: school \( s \) in year \( t \) will have \( \text{MinPoints}_{s1t} = 25 \) if: (i) the number of children that have more than 25 points that demand the school is smaller than the capacity of the school, that is \( \text{Demand}_{s1t25+} < \text{Capacity}_{s1t} \) and (ii) the number of children that have exactly

37 The change in neighborhoods should not have any implications for the willingness for families to take risk. Accordingly, we did not find in our data any significant differences in risk-taking behavior before and after 2007.
38 We do not go further than the second school ranked because it seems too demanding for anyone to be able to calculate the chances of entering a school ranked third and below.
39 Recall that for the case of Barcelona, the number of priority points is constant for all schools ranked.
25 points that demand the school is greater than or equal to the capacity of the school, that is, \( \text{Demand}_{s1t25} > \text{Capacity}_{s1t} \).

We define the risk of applicant \( i \) that has ranked first school \( s \) in year \( t \) as follows:

\[
\text{Risk}_{is1t} = \begin{cases} 
0 & \text{if } \text{points}_i > \text{MinPoints}_{st}, \\
1 - \frac{\text{Capacity}_{s1t} - \text{Demand}_{s1tp+}}{\text{Demand}_{s1tp}} & \text{if } \text{points}_i = \text{MinPoints}_{st}, \\
1 & \text{if } \text{points}_i < \text{MinPoints}_{st}. 
\end{cases}
\]

That is, the variable \( \text{Risk}_{is1t} \) takes value 0 when an applicant has more priority points than the minimum necessary to enter the school ranked first. It takes value 1 when an applicant has fewer priority points than the minimum necessary to enter a school. For applicants with the same number of priority points as the minimum necessary to enter a school, then \( \text{Risk}_{is1t} \) is 1 minus the probability of entering. The latter is the total capacity left after considering applicants that have more points than the minimum necessary (\( \text{Capacity}_{s1t} - \text{Demand}_{s1t} \)) divided by the total number of competitors (i.e., who demand the same school with the same number of priority points, \( \text{Demand}_{s1tp} \)).

Once we have calculated \( \text{Risk}_{is1t} \), we will turn to the calculation of the risk around the school ranked second. In order to calculate the probability of entering in schools ranked second, we compute the expected second round demand for each school. Demand in the second round results from applicants not getting their school ranked first, which depends on the realization of the lottery, which is unknown to applicants at the time they submit their application. We therefore run 500 simulations on what the demand for the second round would have been under different realizations of the lottery. Then, \( \text{Prob}_{is2t} \) is the average probability of being accepted in the school ranked second for individual \( i \) in year \( t \), and \( \text{Risk}_{is2t} = 1 - \text{Prob}_{is2t} \) is the corresponding risk.

In order to calculate \( \text{Risk}_{is1t} \) and \( \text{Risk}_{is2t} \) in our data, we focus on those children in our baseline population\(^40\) for whom we can potentially have information about the school in which they registered. We also exclude from the analysis those that either applied after the deadline or were found to have submitted multiple applications, since these cases are assigned only after those that have applied on time have a secured seat. This amounts to 41,266 applicants and 331 schools.\(^41\)

Table 9 reports the value of the variable risk for the schools ranked first. We observe the following. First, for 58 percent of the families, their school choice entails no risk.\(^42\) Second, 40 percent of the families entail some risk with the school they rank first. This means that they are demanding schools that are overdemanded by other families with the same number of priority points. This number may seem high at first. But among these families, 91 percent have 30 points or more and demand a school in their neighborhood; 4 percent have 30 points and demand a school outside their neighborhood; and 5 percent have fewer than 30 points and demand a school outside their neighborhood. So, interestingly, most of the risk entailed by families comes from applying to

\(^{40}\)Again, we exclude those with a sibling in the school ranked first because in our data, we find that their behavior involves no risk, i.e., \( \text{Risk}_{is1t} = 0 \).

\(^{41}\)This means 1,468 fewer observations than in our original baseline population: 504 children applied to a preschool in Barcelona for which we do not have registry information (see footnote\(^24\)). Other children for whom we do not have registry information are: 58 children that did not rank a school first in Barcelona (although they did rank a school in another position in Barcelona), and 197 children that although they ranked a school first in Barcelona, they ranked a school second outside Barcelona. Finally, 516 children applied late and 194 children had multiple applications.

\(^{42}\)This includes, by definition, those applicants with special needs. In our data, these children were recorded for the years 2005 and 2008-2010 and are around 1 percent of our baseline population. Since we do not have a record of them for the years 2006-2007, our estimates of \( \text{Risk}_{is1t} > 0 \) are an upper bound, but given the small fraction that these applicants represent, we expect any bias to be minor.
their neighborhood schools, in an equilibrium in which most families play it safe. Third, 2 percent of families are choosing a school in which they have no chance of entering. Their choice without further information seems naive.

Table 9: Risky behavior, schools ranked first

<table>
<thead>
<tr>
<th>$Risk_{i,t}$</th>
<th>Proportion of Families (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>58</td>
</tr>
<tr>
<td>(0, 1)</td>
<td>40</td>
</tr>
<tr>
<td>1</td>
<td>2</td>
</tr>
</tbody>
</table>

Observations: 41,266

Population: Baseline population with registry information and did not apply late or have multiple applications (see footnote 41). Source: Barcelona primary school applications data set matched with school registry data set, 2005-2010.

As mentioned in Section 2, once the assignment is complete, overdemanded schools open waiting lists for those that ranked a school first and were not initially allocated. If a child does not register in the assigned school (because the child ends up attending a private school or another school outside of the city), then a seat is freed up in that school. This seat can be filled by children in the waiting list for that school. In turn, these children free up a space in the school to which they were originally assigned, which again implies some readjustment will be necessary with respect to the original assignment of children to schools. This means that upon registration, there may be changes to the assignment, after some children leave the public system in Barcelona, thereby generating a reallocation process that changes the final allocation.

School registry information is particularly useful in understanding the behavior of those that may seem naive without further information. In particular, it allows us to detect successful cases of applicants that were on a waiting list. Thus, registry information clarifies that those that could be classified as naive may actually not be naive at all. In particular, for those who apply to a school with $Risk_{i,t} = 1$, we find that as much as 18 percent still end up in their school ranked first. Therefore, with the school registry information, we can no longer claim that those with $Risk_{i,t} = 1$ are as naive as we initially thought: they are risk takers, indeed, but they have anticipated that the waiting list gives them a positive probability of entering the school they ranked first. Therefore, in order to assess the rationality of applicants, we need to analyze the risk associated with the school ranked second.

For those applicants in the first round with $Risk_{i,t} \in (0, 1]$, we calculate the risk in the school ranked second, i.e., $Risk_{i,t+1}$. We find that among these, 53 percent have $Risk_{i,t+1} = 1$.

Based on the risk analysis in the schools ranked first and second, we classify as naive those where $Risk_{i,t} \in (0, 1]$ and $Risk_{i,t+1} = 1$. Table 10 displays the share of families that seem to have a naive behavior and those that do not. We find that 23 percent of the families seem to be naive, at least without further information. This magnitude is in line with the 19 percent found in Boston by Abdulkadiroğlu, Pathak, Roth, and Sonmez (2006). In the next section, we reevaluate the behavior of these naive families using school registry information.

Please note that we include as rational those that leave the second school in the ranking empty. Their behavior is rational if they are indifferent between any other school in the city other than the one ranked first. In this case, if they were not to enter the school ranked first, they would be

---

43 Among these, 10 percent are children with special needs for whom a seat is systematically created, increasing class size accordingly. For them, then, there is no such risk. We therefore argue that we cannot claim that these individuals are naive, but just risk takers, and include them in our analysis with the rest of the risk takers.

44 Again, some of these may not be naive because of the presence of waiting lists. However, we find that among these, only 3 percent manages to get into the school ranked second.
assigned to the nearest school to their home that has a space. Since this is an extreme type of behavior, in the next section we will separate these families from the rest.

### 7.2 Consequences of risky behavior

We now proceed to analyze the consequences for those whose choices are risky (and in particular for those that seem naive) by considering both the final allocation by the administration (i.e., the school where the applicants are assigned) as well as the final outcome (i.e., the school where the applicants register).

We analyze the consequences of any risky behavior, that is, for all applicants for whom $\text{Risk}_{ist} \in (0, 1]$. Among these families, 69 percent end up entering that school. This reflects that although a large fraction of families take a risk, most of them do so when competing for their neighborhood school, and still, chances of getting in are relatively high (see discussion of Table 9).

The next question is, what happens to the rest, the other 31 percent of families, that do not make it to the school they ranked first? Again, school registry information is particularly useful to distinguish among the three possible outcomes that we describe below.

1. **Do not enter/register in any school of their ranking**: Families that are not allocated to any school of their ranking and register in a school outside their ranking.

2. **Enter and register in a school ranked in the second through tenth positions**: Families that are allocated to a school of their ranking (second through tenth positions) and register in a school of their ranking (second through tenth positions).

3. **Outside option**: Families that end up registering in a school outside the Barcelona public system (i.e., a private school in Barcelona or a school outside the city of Barcelona). As mentioned in Section 3.3, the school registry data are not complete for schools outside the Barcelona public system. Therefore, we identify those with an outside option as either (i) those who register in schools outside the Barcelona public system for which we do happen to have their registry information or (ii) families for which we have their school application information but not their registry information.

Table 11 reports the share of families in each of these three possible outcomes. We distinguish among those are rational risk takers (i.e., $\text{Risk}_{ist} < 1$) and naive (i.e., $\text{Risk}_{ist} = 1$). Within the rational risk takers, we further distinguish among those who have only ranked one school in their application (i.e., leaving the second school blank) and the rest.

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45Indeed it can be the case that families apply to both a school in the Barcelona public system as well as to another school in the public system of another town nearby Barcelona. Another form of outside option could be making the application but not registering at any school at all (school is not compulsory until the age of 6).

46These are observations in the application data set that we were not able to match with the school registry data set after our very thorough matching process (see Appendix E for details). In Appendix I we explore any possible selection of the unmatched observations.
Table 11: Final outcomes of risky behavior

<table>
<thead>
<tr>
<th>Final outcome:</th>
<th>Proportion of Families (%)</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Rational risk-takers</td>
<td>Naive</td>
<td>All</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Rank only one school</td>
<td>Rank more than one school</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do not enter/register in any school of ranking</td>
<td>68</td>
<td>10</td>
<td>44</td>
<td>30</td>
</tr>
<tr>
<td>Enter and register in a school ranked 2nd-10th</td>
<td>-</td>
<td>80</td>
<td>42</td>
<td>56</td>
</tr>
<tr>
<td>Outside option</td>
<td>32</td>
<td>10</td>
<td>14</td>
<td>14</td>
</tr>
<tr>
<td>Observations</td>
<td>267</td>
<td>2,340</td>
<td>2,835</td>
<td>5,542</td>
</tr>
</tbody>
</table>

Population: Baseline population with registry information and did not apply late or have multiple applications (see footnote [41]), with $Risk_{i,t} \in (0, 1]$, and who do not enter school ranked first. Source: Barcelona primary school applications data set matched with school registry data set, 2005-2010.

As can be seen in Table 11, among those families with $Risk_{i,t} \in (0, 1]$ that do not enter the school ranked first, there is a large heterogeneity in outcomes: at one extreme are the families with the worst final outcomes: those that do not enter (nor register) in any of the schools they have ranked in their application. In between, there are the families that enter some school in their application. At the other extreme, there are the families that have an outside option and are able to improve their allocation in the public system in Barcelona by going to another school, either private or outside Barcelona. The literature has typically emphasized the former case, but the role of the outside option has not been explored before. We find that this is important: it represents on average as much as 14 percent of those families with risk that do not enter the school they rank first. That is, these are families that have an outside option but still apply for a school in the public system in Barcelona in which their chance to enter is not one. This strategy entails some risk that involves using the outside option when failing to enter the school ranked first, and that is when we observe them in the data. If it works, then the outside option is not used and is unobservable. This is why unless one has school registry data, this phenomenon cannot be detected. This is important because it implies that the share of naive families is approximately 16 percent lower.

As shown in Calsamiglia, Miralles, and Martinez-Mora (2013), the presence of an outside option can help rationalize why a risky behavior is not necessarily associated to extreme preferences for the particular school (as suggested by Abdulkadiro˘ glu, Che, and Yasuda (2011)).

We find that the outside option is particularly relevant in understanding those who only rank one school. We find that 32 percent of these families only apply for one school because if they are unlucky and do not get in their first choice, they will opt for their outside option.

To conclude this section, school registry data allow us to detect those that successfully end up in the school they ranked first because of the waiting list, as well as those who end up in a school outside the public system (outside option) because they were not successful at getting a set in the school they rank first. This allows us to understand better those that at first, without further information, seem naive. This evidence suggests that the fraction of applicants that have an outside option can take higher risks and get increased access to the best schools in the system, as suggested in Calsamiglia, Miralles, and Martinez-Mora (2013). Our findings shed new light on understanding perceived naive behavior in school choice.

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47 We obtain this number assuming that the share of families with an outside option that do enter in the school ranked first is the same as for families that do not enter in school ranked first, since the outcome depends on the realization of a fair lottery.
7.3 Risky behavior and socioeconomic characteristics

The literature such as Hastings, Kane, and Staiger (2008) has emphasized the fact that disadvantaged families may be less able to exercise choice, which could explain the presence of less rational behaviors. We are able to analyze this issue with our data. As explained in Section 3.4, our application data set was merged with the census data in order to give us information about the education of the parents of the applicants. In particular, we determined the share of highly educated parents in the household (that is, those that completed at least secondary education; see Appendix F.1 for details).

Figure 4 displays the average household education for rationals and naive as defined in Table 10. Families that are naive are not associated with lower education levels than those that behave rationally. Admittedly, the differences in education between the two sub-populations are not very large, but, if anything, naivete is associated with families with higher levels of education. This may seem puzzling but as we analyze below, once we consider the fact that families may have an outside option, we will be able to understand this fact better.

![Figure 4: Household Education and Rationality](image)

**Figure 4: Household Education and Rationality**

Note: High education is defined as completed secondary education or more using the population census. Population: Baseline population with registry information and did not apply late or have multiple applications (see footnote 41). Source: Barcelona primary school applications data set matched with school registry data set and Catalan population census, 2005-2010.

Remember that \( Risk_{i,t} \in (0, 1] \) implies that whether the applicant is accepted or not depends on the realization of the lottery. Of those taking risk, some are successful and get the school they wanted, but a random sample of them are unlucky. Precisely from observing the outcomes of a random representation of risk takers, the unlucky, we can infer what the outcomes would have been for all risk takers. We next explore the relationship between families’ education and final outcomes. Figure 5 displays the average share of highly educated parents in the household of the applicant by the different outcomes. The average shares are displayed separately for those in the groups defined in Table 11, namely, rational risk takers and naive, and among the rational risk takers those that only apply to one school versus those that apply to more than one. The horizontal line represents the average share of highly educated parents in the household for those whose choice entailed no risk, i.e., \( Risk_{i,t} = 0 \). The first striking fact is that there is substantial heterogeneity in terms of education across the different outcomes in each of the three groups. This highlights the importance of looking at final outcomes when analyzing the rationality behind school choice. Looking at Figure 5, we notice the following. First, those with an outside option have higher education levels than
the non-risk takers. These are families that decide to apply for their first best in the public system and opt for private school if they are not lucky (thereby stating that they prefer the private school to the schools that have a free seat in the second round). Second, those that end up in a school in their ranking (but not the school ranked first) seem to have similar levels of education as the non-risk takers. Third, those that do not enter any school of their ranking have lower levels of education than the non-risk takers. Two rationales are possible. One is that these families did not understand the mechanism. The alternative is that, having come from a worse neighborhood with schools that are underdemanded at any round, they risk applying for a better school and if unlucky are placed in a “leftover” school, their neighborhood school.

For rational risk-takers and the naive, the pattern of education and final outcomes are similar to those described above. It is remarkable that for both the rational risk takers that only rank one school as well as the naive, those with an outside option have the highest levels of education. These facts suggest that the role of the outside option may be a relevant aspect in determining parents’ willingness to take risk and thereby increase their chances of getting the best schools in the system.

Therefore, the B-mechanism raises an equity concern, but of a different type from those concerns suggested by previous literature.

![Figure 5: Household Education and Final Outcomes](image)

**Notes:** Final outcomes as defined in Table 11. High education is defined as completed secondary education or more using the census data. Population: Baseline population who rank first a school in Barcelona, with \( Risk_{t+1} > 0 \), and who do not enter in school ranked first. Source: Barcelona primary school applications data set matched with school registry data set and Catalan population census, 2005-2010.

### 8 Conclusions

School choice is one of the most hotly debated policies in education. This paper provides empirical evidence that sheds new light on the three main issues of this debate: (1) the matching between children and schools, (2) students’ outcomes, and (3) equity concerns.

This paper finds that the final allocation resulting from the implementation of choice under the B-mechanism with priorities for the neighborhood to resolve overdemands is, to a large extent, determined by priorities, not preferences. In other words, implementation of school choice does
not imply school choice in equilibrium. Priorities typically include a criterion based on residence. Perceived safety induces families to respond to priorities, since they fear being assigned to a worse school if they apply for their most preferred school. This implies that moving from a purely residential based assignment to the implementation of the BM with priority for neighborhood seems to leave the majority of families unaffected. We find two exceptions: those who have an outside option, e.g., a private school, that allows them to take risks without suffering the consequences. These families come from substantially higher levels of education. The other exception includes families with lower levels of education who either do not anticipate the consequences of their risk taking or have little to lose. A seat in their neighborhood school is guaranteed because their neighborhood school is never oversubscribed.

The debate on school choice has generated concern about possible equity problems stemming from the fact that sophisticated parents can benefit from the existence of naive ones—see Pathak and Sönmez (2013). We identify new dimensions along which the B-mechanism generates inequalities by using school registry and education data. The group formerly identified as naive now includes two differentiated groups: 1) parents with low levels of education that are harmed by the system by being overly unassigned to any school of their ranking and 2) parents with high levels of education who can take high risk by applying for overdemanded schools, opting for a private school if they do not get their preferred school. The second group can now be identified as advantaged by the system: its initially diagnosed naivete can now be rationalized as a result of the presence of an outside option. Abdulkadiroğlu and Che (2010) suggest that the BM will provide efficiency gains by having parents who value relatively more a given school apply to it. In their model, there are no priorities nor private schools. With the existence of private schools, those who can afford them incur a smaller risk when applying for the best schools and therefore will apply to them and get assigned to them more often, as suggested by Calsamiglia, Miralles, and Martinez-Mora (2013). Thus, for those who can afford a private school, choice implies having increased access to the best schools. The potential efficiency gains from BM are reduced by the presence of priorities and private schools in the city, despite the fact that only 4 percent of the schools are private.

An important literature has evaluated the impact that school choice has on school and individual performance (see footnote 2). More recently, the literature has exploited the implementation and expansion of choice within districts implemented through the B-mechanism. Hastings, Kane, and Staiger (2008) and Lavy (2010) exploit the implementation of the BM to evaluate the impact of choice on outcomes. This paper suggests that their results may underestimate the potential effect of preferences determining the final allocation. More generally, it also suggests that any large-scale choice program with limited school capacity should carefully consider how overdemands are resolved to ensure that parents’ preferences determine the final allocation.

Our findings are important because theoretical analysis has not been conclusive and the empirical challenges are large. Exploiting the change in neighborhood priorities that occurred in Barcelona, we can provide novel evidence on the adequacy of the B-mechanism and urge policymakers to question the role that priorities ought to have in the final assignment.
References


Appendix: Changes in priority points

Section 2 and Table 1 describe the system of priority points in Barcelona. This point system has remained mostly stable over our period of study, except for the following three changes, which occurred from 2007 onward:

- **Change #1**: If the school ranked first was in the administrative district (but not the neighborhood), 15 points were given.
- **Change #2**: Before 2007, the extra points were added to the basic points automatically. From 2007, the extra points (for large family and chronic digestive illness) were only taken into account to break ties between people with the same number of basic points.
- **Change #3**: Before 2007, points for chronic digestive illness were given only if school ranked first was in the neighborhood.

These changes occurred at the same time as the change in the neighborhood definition that we exploit in this paper. However, we argue below that it is reasonable to assume that our results are driven by the change in the neighborhood definition and not by the minor changes to the point system.

- Regarding Change #1: This change affects two types of schools. First, it affects YN schools, that is, schools that for a given family are not in the new neighborhood but were in the old neighborhood and in the administrative district (Figure 1 displays the administrative districts). This change in points implies that families living in Barcelona who apply to these schools obtain 15 points instead of 10 points (i.e., the default for schools outside the neighborhood for Barcelona residents; see Table 1). The difference in points (5 points extra) is small, especially in the context that a neighborhood school provides 30 points (and in the context where it is hard to get other points for socioeconomic characteristics, as explained in Section 2). In any case, if anything, this change in points goes in the opposite direction of the change in the neighborhood definition that we exploit in this paper because this makes YN schools a little bit safer in 2007 than we are implicitly assuming. Yet, we still find an important decline in their demand (see Table 4).

  Second, this change in points affects public NN schools that for a given family are located outside the old neighborhood as well as outside the new neighborhood but still inside the administrative district. As above, this makes these particular types of NN schools a little bit safer in 2007 than we are implicitly assuming (families applying to these obtain 15 points rather than 10 points). Still, we find an important decline in the demand when considering all NN schools (see Table 8).

- Regarding Change #2: In general, it should not make a difference whether these points are counted automatically or in order to break ties. After 2007, families know that if necessary the points will be counted.

- Regarding Change #3: In general, we do not expect that this can affect our results because the share of applicants with chronic digestive illness is small (see Table 1) and the points given for this condition are also low (see the first column of Table A2). Again, if anything, this would imply that after 2007 it was safer to apply outside the neighborhood, but we do not find evidence of this.
• Please note that, additionally, since 2010, single parents receive the same priority points as large families (three or more siblings). However, this does not affect our main years of comparison, namely 2006 and 2007. Moreover, the fraction of single parents in any given year is small.

B Appendix: Applicants to work-neighborhood-schools

As explained in Section 3.1, the school applications data set only includes the residential address of every applicant and not the work addresses of the applicants’ parents. However, we do know if applicants received 20 points because they applied to a school in the neighborhood where one of the parents works (see Table 1). Table A1 shows that after excluding those that have a sibling in the school ranked first, the share of applicants to a school in the work neighborhood is small and fairly constant over time.

Table A1: Applicants to a school in the work neighborhood

<table>
<thead>
<tr>
<th>Year</th>
<th>Fraction applicants</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>5.41</td>
</tr>
<tr>
<td>2007</td>
<td>4.38</td>
</tr>
<tr>
<td>2008</td>
<td>3.84</td>
</tr>
<tr>
<td>2009</td>
<td>3.90</td>
</tr>
<tr>
<td>2010</td>
<td>4.08</td>
</tr>
</tbody>
</table>

Population: Applicants without a sibling in school ranked first that obtained 20 points because of neighborhood. For 2005, only information on aggregate points is available. Source: Barcelona primary school applications data set, 2005-2010.

C Appendix: Address identification

As explained in Section 3.1, in order to assign to each applicant his/her neighborhood in terms of priority schools, we need to identify their addresses from their application forms. Specifically, we need to match the applicant’s address to a database that contains all addresses in Barcelona with their block. In turn, there is a database that relates the schools in the neighborhood for every block in the city. However, addresses in the school applications can have typos. We were able to identify around 91.2 percent of the addresses in our population of interest (i.e., live in Barcelona and have no sibling in the school ranked first). In this appendix we analyze whether there is any selection issue around the address identification.

Table A2 reports the differences in all available observable variables between the sub-population for which we have been able to identify their address as well as for the sub-population for which we have not been able to identify their address. As can be seen, in general, the differences are not significant at conventional levels. The exception is the share of low-income families, which is somehow larger for the sub-population for which we have not been able to identify their address. However, it is worth noting that in general, the share of low-income families is extremely small (due to the extreme definition of low income; see Table 1). The share of families that are not low income is 99.70 percent and 99.27 percent, respectively, for these two sub-populations. Also, when considering all the population that lives in Barcelona (with and without siblings in school ranked first) the relevant p-value becomes 0.0007. Therefore, in general we are not concerned about any selection issues related to the identification of the families’ address.

48 In the data, only one variable captures both large families and single parents. Between 2009 and 2010, it increased from 4.6 percent to 7.6 percent, which gives an indication of the incidence of single parent families in 2010.

49 For the years 2005 and 2006, such a database was not readily available. However, a map for the whole city like the one shown in Figure A1 was available in DGN (design) format, which allowed us to construct such a database. We are grateful to the staff at Geodata for their help.
Table A2: Differences among population with and without identified address

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Identified Address</th>
<th>Not Identified Address</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>% Low income family</td>
<td>0.33</td>
<td>0.30</td>
<td>0.73</td>
<td>0.000</td>
</tr>
<tr>
<td>(0.058)</td>
<td>(0.054)</td>
<td>(0.085)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Disability(^a)</td>
<td>2.30</td>
<td>2.30</td>
<td>2.33</td>
<td>0.914</td>
</tr>
<tr>
<td>(0.150)</td>
<td>(0.150)</td>
<td>(0.151)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Large family</td>
<td>4.10</td>
<td>4.06</td>
<td>4.51</td>
<td>0.164</td>
</tr>
<tr>
<td>(0.198)</td>
<td>(0.197)</td>
<td>(0.208)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Chronic illness(^b)</td>
<td>2.04</td>
<td>2.04</td>
<td>2.09</td>
<td>0.844</td>
</tr>
<tr>
<td>(0.141)</td>
<td>(0.141)</td>
<td>(0.143)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number priority points</td>
<td>28.320</td>
<td>28.343</td>
<td>28.072</td>
<td>0.041</td>
</tr>
<tr>
<td>(8.130)</td>
<td>(8.062)</td>
<td>(8.799)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of observations</td>
<td>46,856</td>
<td>42,734</td>
<td>4,122</td>
<td></td>
</tr>
</tbody>
</table>

Population: Applicants that live in Barcelona without a sibling in school ranked first (All) with identified address (Identified Address) or without identified address (Not Identified Address). Notes: (\(^a\)) Disability refers to “Applicant, one of the parents/tutors or a sibling is disabled.” (\(^b\)) Chronic illness refers to “Applicant has a chronic digestive illness.” Standard deviations are in parentheses. Reported p-values are for a two-tailed test. Source: Barcelona primary school applications data set, 2005-2010.

D Appendix: Demand and capacity of schools

In this appendix, we explain how we calculate for each school and year its demand and its capacity as defined in Section [7]. Please note that in order to calculate demand and capacity, we use the entire population (except those who apply late or submit multiple applications, since they are allocated after all the others).

The variable \(Capacity_{st}\) (i.e., the number of seats available in school \(s\) in year \(t\)) is calculated as follows. It can be calculated using the assigned schools in the applications database as well as in the registration data set. In Spain, by law, class size is 25 students.[50]

For each school and year, we define \(CA_{st}\) as the capacity of school \(s\) in year \(t\) according to the assigned schools in the application data set (that is, the number of children assigned to a school \(s\) in year \(t\)). We also define \(CM_{st}\) as the capacity of school \(s\) in year \(t\) according to the registered school in the school registry data set (that is, the number of children registered in school \(s\) in year \(t\)). It can happen that due to budget constraints, the government allows class sizes to be larger than 25. When calculating capacities, we therefore allow schools with \(CA_{st}\) or \(CM_{st}\) equal to 25 to have up to 30 children, and schools with \(CA_{st}\) or \(CM_{st}\) equal to 50 to have up to 60 children and so on. This is simply not to overestimate school capacities (see more below). But, 25 is the relevant number for parents when deciding what school to choose. The allocation mechanism never assigns more than 25 children in a class. Given \(CA_{st}\) and \(CM_{st}\), for each school and year, we can have four cases: (i) First, if \(CA_{st} > CM_{st}\), then \(Capacity_{st} = CA_{st}\). (ii) Second, if \(CA_{st} < CM_{st}\) and \(CA_{st}\) is a multiple of 25 (i.e., class size), then \(Capacity_{st} = CA_{st}\). (iii) Third, if \(CA_{st} < CM_{st}\) and \(CA_{st}\) is not a multiple of 25 and \(CA_{st} > (\text{number of children assigned}_{st})\), then \(Capacity_{st}\) could be either \(CA_{st}\) or \(CM_{st}\). But note that this is a case that will not affect our risk analysis in Section [7] because fewer children are assigned to the school than its capacity. (iv) Fourth, if

[50]The relevant laws are Ley Orgánica de Ordenación General del Sistema Educativo (1990), which have remained unchanged regarding this aspect during the period of study (see Section 1 of our online appendix).
$CA_{st} < CM_{st}$ and $CA_{st}$ is not a multiple of 25 and $CA_{st} < (\text{number of children assigned}_{st}) < CM_{st}$, then $Capacity_{st} = CM_{st}$.

The demand variables (i.e., $Demand_{s1tp}$, $Demand_{s1tp+}$, etc.) can be calculated directly from the application data set by counting the number of applicants ranking first school $s$ in year $t$ with priority points $p$. We can also calculate $Demand_{s1t}$, which is the total demand for school $s$ in year $t$ (i.e., $Demand_{s1t} = \sum p Demand_{s1tp}$).

As explained in Section 3.2 there are two types of public schools: those strictly public and those semi-public in which there are voluntary fees. For the 337 schools demanded among our baseline population, Table A3 shows the share of semi-public schools that are underdemanded ($Demand_{s1t} < Capacity_{st}$), the share overdemanded ($Demand_{s1t} > Capacity_{st}$), and those for which demand is equal to capacity ($Demand_{s1t} = Capacity_{st}$). As can be seen, there are more underdemanded public schools than underdemanded semi-public schools. This means that, on average, semi-public schools do not represent a safer option for those families that can afford it.

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public Schools:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>161</td>
<td>160</td>
<td>162</td>
<td>164</td>
<td>167</td>
<td>168</td>
</tr>
<tr>
<td>Share underdemanded</td>
<td>0.64</td>
<td>0.66</td>
<td>0.61</td>
<td>0.62</td>
<td>0.62</td>
<td>0.56</td>
</tr>
<tr>
<td>Share overdemanded</td>
<td>0.32</td>
<td>0.30</td>
<td>0.33</td>
<td>0.33</td>
<td>0.36</td>
<td>0.39</td>
</tr>
<tr>
<td>Share demand = supply</td>
<td>0.04</td>
<td>0.04</td>
<td>0.06</td>
<td>0.05</td>
<td>0.02</td>
<td>0.05</td>
</tr>
<tr>
<td>Semi-Public Schools:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number</td>
<td>160</td>
<td>161</td>
<td>161</td>
<td>164</td>
<td>165</td>
<td>165</td>
</tr>
<tr>
<td>Share underdemanded</td>
<td>0.51</td>
<td>0.46</td>
<td>0.45</td>
<td>0.43</td>
<td>0.50</td>
<td>0.55</td>
</tr>
<tr>
<td>Share overdemanded</td>
<td>0.45</td>
<td>0.48</td>
<td>0.46</td>
<td>0.48</td>
<td>0.38</td>
<td>0.38</td>
</tr>
<tr>
<td>Share demand = supply</td>
<td>0.04</td>
<td>0.06</td>
<td>0.09</td>
<td>0.09</td>
<td>0.12</td>
<td>0.07</td>
</tr>
</tbody>
</table>

Population: Baseline population that applies to schools in Barcelona. Source: Barcelona primary school applications data set, 2005-2010.

E Appendix: Matching applications and school registry data sets

The matching of the applications data set and the school registry data set is done through the following steps. First, the two data sets are matched on five common variables: (1) the academic year of the application, (2) the first name of the child, (3) the first surname of the child, (4) the second surname of the child, and (5) the town where the child resides. Among those observations that did not match in the first round, on a second round they are matched on the five variables above plus (6) the name of the street of their residence.

51 All Spanish people have two surnames. The first surname is the first surname of their father and the second surname is the first surname of their mother. Non-Spanish people often include a second surname in Spanish applications, but they could also leave it blank.
Among those observations that did not match in the second round, we then tried a series of matching rounds that replicated the first round, but we used part of the name and/or parts of the two surnames rather than the full name and full surnames in order to allow for typos in these variables (e.g., we matched on (1) the academic year of the application, (2) the first four letters of the first name of the child, (3) the first surname of the child, (4) the second surname of the child, and (5) the town where the child resides). We undertook 30 different rounds.

Among the remaining observations that did not match in any of the previous 32 steps, we then used the Stata module to probabilistically match records (for more details see http://ideas.repec.org/c/boc/bocode/s456876.html) on (1) the academic year of the application, (2) the first name of the child, (3) the first surname of the child and, (4) the second surname of the child.

For each of the rounds described above, we checked that the matches produced were correct. We considered that matches were not correct if the address in the two data sets was different or if in the case that the address was different, the child had a very common name. For those that we considered incorrect matches, we used the Stata module to probabilistically match records as described above.

In all our steps, it can be the case that a child from the application merges with two different entries in the school registry data set. This is mainly due to children registering at two different schools. This can happen for different reasons (e.g., trying to improve their allocation or a school canceling some seats at the last minute). We deal with these double matches in the following way: First, we create a variable that tells us whether the two registered schools are from the application list. There are three cases. (i) In the first case, one school is from the application list and one is not. In this case, we keep the school not from the application list if this school is not from the Barcelona public system (i.e., private schools in Barcelona and schools outside Barcelona), and we keep the school from the application list if the one that is not from the application list is from the Barcelona public system. (ii) In the second case, both schools are from the application list. In this case, we keep the one that has a higher ranking in the application list. (iii) In the third case, both schools are not from the application list. Within this case, there are several situations. If both schools are from the Barcelona public system, we then keep the one from the residence neighborhood of the child (in case one is from the neighborhood and the other is not) or the one that was assigned by the system (in case the two schools are from the child’s residence neighborhood). In the case that both schools are from outside the child’s residence neighborhood, we assigned one of the schools randomly.

F Appendix: Matching applications and census data sets

The Statistics Institute of Catalonia matched the applications data set with the 2001 Catalan population census (the last census available for public use). In order to increase the number of applicants found, the applications data set was then also matched to the 2005-2010 Barcelona municipal register. This is the administrative register that accounts for the residents of a municipality. It is updated more frequently than the census, so it allowed us to extend the number of applicants found. Fortunately for our purposes, the

\[52\] Matching the addresses in the two different data sets would have been very complicated, since even in the case where the addresses were the same, they were very often written in very different ways in the two data sets.

\[53\] For instance, García, Martínez, López, Sánchez, Rodríguez, Fernández. A complete list can be found at http://www.idescat.cat/pub/?id=aec&n=948&lang=en.

\[54\] The idea behind this is to try to respect preferences. That is, schools listed in the application are the ones kept unless the registry school is from outside the system (that by definition was impossible to include in the application).

\[55\] There is only one child under this situation.
municipal register also asks for the educational attainment of each resident. The results of this matching process are as follows. Among our population, 95 percent of the applicants’ mothers were found and 84 percent of the applicants’ fathers were found. For the parents found (for both mothers and fathers), for around 78 percent of them we have information from both the census and the municipal register. For the remaining 22 percent of the parents, information was found on the municipal register.

When constructing our socioeconomic variables of interest, we generate the average at the household level, which can involve the two parents or just one of them (if the other was not found). This means that for variables in the municipal register, we have information for 98 percent of the children (83 percent of both parents, 14 percent of the mother only and 3 percent of the father only). For variables in the census, we have information for 81 percent of the children (53 percent of both parents, 18 percent of the mother only, and 10 percent of the father only). Given these figures, in general, we do not expect much of a selection issue with the socioeconomic variables. It can be checked that the share of non-missing observations for the different values of the variable $Risk_{ist}$ (as defined in Section 7) is quite similar. For the variables from the Barcelona municipal register, the share of non-missing observations is 98 percent for all the values of $Risk_{ist}$. For variables from the census, there are more missing observations, but their distribution is not too different across risk groups: the share of non-missing observations is 84 percent for those with $Risk_{ist} = 0$ and those with $Risk_{ist} \in (0, 1)$, and 82 percent for those with $Risk_{ist} = 1$.

### F.1 Education variables from census and municipal register data sets

For our analysis, we are particularly interested in the education of the parents of our applicants whose decision entails some risk. We can use education information from both the census and the municipal registry. In the census the variable education takes 10 values that range from (1) unable to read to (10) PhD. In the municipal registry, the variable education is organized around four categories: (1) does not read or write, (2) less than primary school, (3) completed primary education and some secondary education, and (4) completed secondary education and beyond. Within these categories there are finer subcategories, but respondents do not always use these finer categories.

We define the share of high education from the two sources as those who have at least completed secondary education. We define for both the mother and the father and then generate the average for the household. All of our analysis in Section 7 is done using the education variable from the census. Results using the education variable from the municipal registry are qualitatively the same and available in Section 3 of our online appendix.

### G Appendix: Neighborhoods before 2007

As explained in Section 5.1, before 2007, the city was divided into fixed neighborhoods. For semi-public schools, the neighborhood coincided with the administrative district (see Figure 1). For public schools, the neighborhood was a smaller area within the administrative district.

An example will be useful. For instance, consider the administrative district 1 in Figure 1. Figure A1 plots the neighborhoods within administrative district 1 (as well as some parts of the adjacent districts). As can be seen within administrative district 1, there are 4 neighborhoods marked with numbers 1 to 4 (and colored yellow, green, light blue, and red). The schools within each neighborhood are marked as dots (in the same color as the neighborhood).

Since the amount of schools within a neighborhood could vary substantially for different neighborhoods,
some neighborhoods were defined so they could overlap to compensate for the variation in the density of schools. For instance, neighborhood number 3 in Figure A1 also includes some families near the border of the adjacent district. Families living in the overlapped areas would have priority in the schools of both areas.

For the overall city, there were 52 different neighborhoods within the administrative districts. The maps for these neighborhoods are available upon request from the authors.

H Appendix: Changes in the set of priority schools

As explained in Section 5.2, the new definition of neighborhood had two implications. First, the size of the set of neighborhood schools for which families have priority was reduced. Table A4 displays the number of schools in the priority set for the period 2005-2010. Second, the composition of schools in the priority set changed for some families because the new neighborhood includes nearby schools that are on the other side of the border of the old neighborhood. Table A5 displays change in the composition of the priority set for the period 2005-2010.
Table A4: Change in the size of the set of priority schools

<table>
<thead>
<tr>
<th>Number of schools</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average</td>
<td>21.82</td>
<td>22.07</td>
<td>7.03</td>
<td>7.62</td>
<td>7.73</td>
<td>7.93</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>7.26</td>
<td>7.51</td>
<td>1.41</td>
<td>1.94</td>
<td>1.96</td>
<td>1.99</td>
</tr>
<tr>
<td>Number of neighborhoods</td>
<td>52</td>
<td>52</td>
<td>5300</td>
<td>5300</td>
<td>5300</td>
<td>5300</td>
</tr>
</tbody>
</table>


Table A5: Change in the composition of the set of priority schools

<table>
<thead>
<tr>
<th>Families with a composition change (%)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>For families with a composition change:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average of different schools in the set (%)</td>
<td>31.86</td>
<td>31.39</td>
<td>31.68</td>
<td>31.19</td>
<td>31.12</td>
<td>31.17</td>
</tr>
<tr>
<td>Standard deviation</td>
<td>(0.16)</td>
<td>(0.16)</td>
<td>(0.16)</td>
<td>(0.16)</td>
<td>(0.16)</td>
<td>(0.16)</td>
</tr>
<tr>
<td>Observations</td>
<td>7,772</td>
<td>6,649</td>
<td>6,891</td>
<td>7,198</td>
<td>7,132</td>
<td>7,085</td>
</tr>
</tbody>
</table>


I Appendix: Final outcomes and outside option

As explained in Section 7, one of the possible outcomes for families with \( Risk_{is1t} > 0 \) that do not enter the school they rank first is that they register in a school outside the Barcelona public system. In other words, these are families with an outside option. We identify the families by either (i) directly observing that they register in schools outside the Barcelona public system (for which we do happen to have their registry information) or (ii) indirectly by noticing that we have their school application information but not their registry information. One might be concerned that even if we have undertaken a very thorough matching process (as described in Appendix E), it is still not perfect. However, Figure A2 shows that this is unlikely to be the case. When we exclude families that we did not manage to match in the school registry data set, we obtain the same qualitative results as in Figure 5 for the whole population of interest.
Figure A2: Household Education and Final Outcomes, outside option directly identified

Notes: Final outcomes as defined in Table [1]. High Education is defined as completed secondary education or more using the census data. Population: baseline population who rank first a school in Barcelona, with Risk_{t+1} > 0 who do not enter in school ranked first and that has been matched with school registry data. Source: Barcelona primary school applications data set matched with school registry data set and Catalan Population census, 2005-2010.