

# Vincent Meisner

## *Presentation Title*

### **School choice and loss aversion**

(with Jonas von Wangenheim)

## *Abstract*

Extensive evidence suggests that participants in the direct student-proposing deferred-acceptance mechanism (DSPDA) play dominated strategies. In particular, students with low priority tend to misrepresent their preferences for popular schools. To explain the observed data, we introduce expectation-based loss aversion into a school-choice setting and characterize choice-acclimating personal equilibria in DSPDA. Truthful equilibria can fail to exist, and DSPDA might implement unstable and (constrained) inefficient allocations in both small and large markets. Specifically, it discriminates against students who are more loss averse or less overconfident than their peers, and amplifies already existing (or perceived) discrimination. To level the playing field, we propose serial dictatorship mechanisms as a strategyproof and stable alternative that is robust to these biases.

## *Keywords*

Market design, Matching, School choice, Reference-dependent preferences, Loss aversion, Deferred acceptance

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