

Correlation Neglect in Student-to-School Matching

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A growing body of evidence suggests that decision-makers fail to account for correlation in signals that they receive. We study the relevance of this mistake in students' interactions with school-choice matching mechanisms. In a lab experiment presenting simple and incentivized school-choice scenarios, we find that subjects tend to follow optimal application strategies when schools' admissions decisions are determined independently. However, when schools rely on a common priority—inducing correlation in their decisions—decision making suffers: application strategies become substantially more aggressive and fail to include attractive “safety” options. We document that this pattern holds even within-subject, with significant fractions of participants applying to different programs in mathematically equivalent situations that differ only by the presence of correlation. We provide a battery of tests suggesting that this phenomenon is at least partially driven by correlation neglect, and we discuss implications that arise for the design and deployment of student-to-school matching mechanisms.

Keywords: Matching, correlation neglect, laboratory experiment.

JEL Codes: C91, D01, D03, M21.

[The current draft of the paper is available here.](#)