Centralized matching markets are designed assuming that participants make well informed choices upfront. However, this paper uses data from NYC's school choice system to show that families' choices change after the initial match as they learn about schools. I develop an empirical model of evolving demand for schools under learning, switching costs, and demand responses to prior assignments. These model components are identified by using admissions lotteries and other institutional features. The estimates suggest that there are even more changes in underlying demand than in observed choices, undermining the welfare performance of the initial match. To alleviate the welfare cost of demand changes, I theoretically and empirically investigate dynamic mechanisms that best accommodate choice changes. These mechanisms improve on the existing discretionary reapplication process. In addition, the gains from the mechanisms change substantially depending on the extent of demand-side inertia caused by switching costs. Thus, the gains from a centralized market depend not only on its design but also on demand-side frictions (such as demand changes and inertia).

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Wednesday, February 3, 2016, 2:00pm-3:30pm
Department of Economics; 19 West 4th street, Room 736
Light refreshments will be served.