

Abstract: In many school choice and college admissions markets, matching mechanisms have been reformed from the Immediate Acceptance (IA) mechanism to some variants of the Deferred Acceptance (DA) mechanism. In order to evaluate these policy reforms, it is essential to investigate what (behavioral) models could explain the major impact of the reforms. In this article, we provide an answer to this question in the context of Chinese college admissions reforms, where the IA mechanism has been replaced by the Chinese parallel mechanisms (Chen and Kesten, 2017). First, we show that the reforms would not affect the matching outcome if students played the equilibrium, but our data exhibit a clear pattern that the matching became more assortative under the parallel mechanisms. Motivated by this observation, we extend the model in two dimensions: (i) heterogeneous beliefs and (ii) strategic sophistication. We identify and estimate the fractions of the student behavioral types, and show that both dimensions are important in explaining the patterns of the data. In our counterfactual simulations, we show that the distributional effects of the reforms on the student welfare differ from what they could have obtained from introducing the DA mechanism.