

TIEBOUT SORTING AND DISCRETE CHOICES:
A NEW EXPLANATION FOR SOCIOECONOMIC DIFFERENCES
IN THE CONSUMPTION OF SCHOOL QUALITY

Patrick Bayer
Yale University

Abstract

This paper aims to clarify the underlying basis for the observed differences in the consumption of school quality associated with race, education, and income. In particular, I attempt to distinguish whether these differences are driven primarily by differences in preferences for schooling itself or by variation in other factors that affect the residential location, school, and housing choices of households with different characteristics. I develop an empirical model that provides estimates of the preferences associated with each household's choice of community, school (public vs. private), tenure (rent vs. own), and housing. These preferences are allowed to vary with household characteristics and endowments including race, education, income, and employment location. Because data matching households with their particular school and community choices are not available for a large study area, I develop an estimation technique based on those recently advanced under similar data limitations in the Industrial Organization literature for the estimation of demand in differentiated products markets.

The results of the analysis indicate that the differences in the consumption of school quality associated with parental education are driven primarily by differences in preferences for schooling itself. The differences in consumption associated with race, however, are explained instead by differences in the geography of employment opportunities, the demand for housing (whether driven by differences in housing preferences or discrimination in the housing market), and preferences for the race of one's neighbors. This measured disconnect between the preferences and consumption patterns of minority households implies a shortage of communities that combine relatively high quality schooling with either poor quality housing or geographic proximity to employment centers for minority households. That this lack of availability persists despite the fact that minority households would be willing to forgo other forms of consumption to live in such communities implies a potentially serious imperfection in local education markets.