

# Residential Segregation and the Demand for Schooling

Motaz Al-Chanati\*

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## Abstract

This paper studies how schools affect where families choose to live within a city and to what extent the demand for schooling affects residential segregation. I study the case of Auckland, New Zealand, an ethnically diverse – but segregated – city. I develop a dynamic discrete choice model of residential choice, incorporating children's ages and schooling into the family's problem. I estimate it using administrative microdata and then compare the structural model estimates of school quality valuation to that from a boundary discontinuity design, the standard approach in the literature. I find that the reduced form estimates most closely align with white families' valuations of quality. I explore the total effect of schools on residential segregation in a simplified counterfactual and find that, absent schools, segregation would increase. This is, in part, because families experience a high disutility to changing a child's school when moving houses. Without schools, families would move more and segregate further. These findings suggest that expanding school choice may be an ineffective method of reducing residential segregation.

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\*Columbia University, Department of Economics. Email: [mra2165@columbia.edu](mailto:mra2165@columbia.edu).