

Isa Hafalir and Morimitsu Kurino (2014) “College Admissions with Entrance Exams: Centralized versus Decentralized”

**Abstract:** We study a college admissions problem in which colleges accept students by ranking students' efforts in entrance exams, and students hold private information regarding their ability level that effect the costs of their efforts. We consider two colleges and assume student preferences are homogenous over colleges. By modeling college admissions as contests, we solve and compare the equilibria of “centralized college admissions” in which students apply to both colleges, and “decentralized college admissions” in which students can only apply to one college. We show that typically lower ability students prefer decentralized mechanism whereas higher ability students prefer centralized mechanism.