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Abstract

The availability of public education services can influence residential choices. Hence, policies aiming to 'rationalise' service provision by cutting on undersized nodes of the public school network can induce population decline. This paper exploits an Italian education reform inducing a significant contraction of the school network to investigate the demographic and income effects of primary school closures. We assess whether school closures have an impact on households' residential choices, on top and beyond preexisting negative population trends which motivate school closures. We address endogeneity by combining a Two-Way-Fixed-Effects model with an instrumental variable approach, constructing the IVs on the basis of institutional thresholds for school sizing adopted by some Italian regions. Our findings suggest that municipalities affected by school closures experience significant reduction in population and income. The effect is driven by peripheral municipalities located far away from economic centres, and distant from the next available primary school. This evidence indicates that school 'rationalisation policies', by fostering depopulation of peripheral areas, have an influence on the spatial distribution of households and income, thus affecting territorial disparities.