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Essays in Experimental Economics: Discrimination and Education

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Abstract

In the first chapter, I study the sources of discrimination. Preference-based discrimination is usually deep-seated and takes a long time to be dealt with. By contrast, statistical discrimination can be eliminated or reduced in a relatively shorter period. The latter type of discrimination is based on stereotypes, which can be overcome by providing relevant information. I conduct a field experiment to measure the extent and nature of discrimination in the Georgian land market. The experiment is designed to uncover sources of statistical discrimination due to different beliefs about foreign investors. Discrimination is measured by the difference in price offers to foreign and Georgian investors. I find that the magnitude of discrimination shrinks significantly once foreign investors signal their willingness to search and pay the lease price in advance. This suggests that discrimination is largely driven by stereotypes about search costs and the payment reliability of foreign investors - leaving no or very little preference-based discrimination. Knowing the source of discrimination can be helpful to policy makers in framing anti-discriminatory legislation.

In the second chapter, we study minorities' response to discrimination. Discrimination against minorities is pervasive in many societies, but little is known about strategies that minorities apply to minimize discrimination. In our trust game with 758 high-school students in Georgia, ethnic Georgian trustors discriminate against an ethnic Armenian minority group. We introduce an initial signaling stage to investigate Armenians' willingness to hide their ethnicity to avoid expected discrimination. 43 percent of Armenian trustees untruthfully signal that they have a Georgian name. Signaling behavior is driven by expected transfers and identity-based motives. This strategic misrepresentation of ethnicity increases Georgian trustors' expected back transfers and eliminates their discriminatory behavior.

In the third chapter, we examine the effects of informational treatment on student educational choices. Students may hold inaccurate beliefs about earnings and employment opportunities when making their education decisions. This paper analyzes the effects of information provision on students' intended and actual college major choices in Georgia. Secondary school students in our experiment systematically overestimated the earnings and unemployment rates of college graduates. We find that 10 percent more students who received information on actual earnings and unemployment changed their final college major choices than

others. The changes in their majors are partly driven by differences in the perceived and actual unemployment rates, whereas the earning differences do not appear to play a role. We also estimate spillover effects on students who do not receive information directly, and show that they matter, but only for older students who are closer to high school graduation. Importantly, we find that the immediate changes in the intended choices are not linked to the final major choices, suggesting that measuring the effects of information on immediately expressed intentions may not be sufficient to understand how information affects actual real-life decisions. We find that both direct and indirect information provision have sizable effects on student college major choices.