

TILBURG SCHOOL OF ECONOMICS AND MANAGEMENT

Date: May 22, 2022

Dear Alena,

I herewith provide you my assessment of the PhD thesis of Nikoloz Kudashvili, titled “Essays in experimental economics: Discrimination and education”.

The thesis is a fine piece of work on discrimination and education choices. Mr. Kudashvili shows that he is able to perform high-quality academic research and to communicate the results in a comprehensive way. One of the thesis chapters is already published in a high-quality academic journal, and (revisions of) the other two chapters are also publishable in peer-reviewed journals.

The thesis builds upon three studies, each corresponding to a separate chapter. In Chapter 1, Mr. Kudashvili reports the results of a field experiment designed to study discrimination of foreign investors by landowners in Georgia who lease their land for agricultural activities. He finds that foreign investors are charged an almost 50% higher price for leasing the same piece of land than Georgian investors and shows that part of this discrimination is due to stereotyping. Specifically, if payments are made in advance or if a signal is included that shows that the investors have other leasing offers, then the difference in the price charged to foreign and Georgian investors shrinks. If both pieces of information are included, then the difference almost vanishes.

Gender evaluation: The reported research in Chapter 1 forms an important contribution to our understanding of discrimination in the market place. The research convincingly shows that in the context of land lease in Georgia much of the discrimination stems from Georgian landowners having stereotypes about reliability of foreign investors and their knowledge about the leasing market. Carrying out field experiments at such a large scale is challenging and ambitious and I congratulate Mr. Kudashvili for having executed them. The experiments seem to be carefully carried out and I do not see major methodological flaws.

In Chapter 2, Mr. Kudashvili studies whether Armenian minorities in Georgia strategically misrepresent their ethnicity to avoid being discriminated against. He designs an experiment in which high-school students play a trust game with an anonymous partner whose first name is communicated. He finds that Armenian trustees use a Georgian name if

they have the possibility to do so and if matched to a Georgian trustor. Since Georgian trustors invest significantly less in trustees with an Armenian name than in trustees with a Georgian name, the implication is that the strategic communication of a Georgian name increases trust by the (Georgian) trustors.

General evaluation: The study is one of the first that looks into the strategic representation of one's ethnic identity in order to avoid being discriminated against. The experiment is carefully carried out, has a clean design and generates interesting results. Congratulations on the acceptance for the *Journal of Public Economics*.

In Chapter 3, Mr. Kudashvili studies whether providing information about unemployment rates and returns related to college majors has an effect on the college major choices by students. He finds that students who received the information are 10% more likely to adjust their choice than students who did not receive the information. The information also spilled over to some extent to students in the same school who did not get the information themselves but (probably) learned about it through their school mates.

General evaluation: The experiment is well-designed and it is impressive that Mr. Kudashvili had access to such a large pool of students. I was somewhat less convinced about the relevance of studying the specific information included since it is not clear whether current earnings and unemployment rates are the number one variables that need to be taken into account when making a major choice.

In what follows I include my main comments and questions on each of the chapters. Comments with an asterisk are important to incorporate in a revision.

Comments on Chapter 1:

- How did you decide which stereotypes to study in your experiment? Do you have evidence that the four stereotypes that you focus on in your experiment (related to reliability, wealth, resource extraction technology and knowledge about the market) are the most important stereotypes present in the context of Georgian landowners leasing land?*
- If you have not done so, it would be interesting if you could back up your choice of stereotypes in a survey among Georgians in general (or landowners in specific).
- Do you have information available about actual leasing prices? It would be very interesting if you could show that foreign investors typically pay much higher prices than Georgian investors.

- Are the stereotypes held by the Georgian landowners accurate? Is it the case that in the specific context foreign investors are typically less reliable, less informed about prices in the market (e.g. do not shop around as much as Georgian investors), wealthier and more likely to extract resource from the land?
- In your discussion you mention that foreign investment inflows might be impeded by high price offers, which leads to inefficiencies in the sense that money is left on the table for landowners and employment opportunities are not fully exploited. Yet, wouldn't such conclusion depends on the accuracy of the stereotypes? If (some of) the stereotypes are accurate, then it is rational and payoff-maximizing for the landowners to charge a higher price for their land to foreign investors. For example, if the foreign investors are indeed less informed about competitors' lease prices, then it may be that their demand for land is quite insensitive to the price charged, and charging them a higher price may be optimal.*
- Did the study get ethics approval from an Institutional Review Board?*

Comments on Chapter 2:

- From Table 2.7 we learn that although Georgian trustors send Armenian trustees with a (fake) Georgian name a higher amount of money, the Armenian trustees do not send more money back. What is the implication for the payoffs of the trustors? Are they worse off in the G-A Signal treatment than in the G-A Control treatment?*
- Relatedly, you mention in your conclusion that the option to strategically misrepresent one's ethnic identity leads to a higher efficiency. Yet it is not clear to me that in the studied context this is indeed the case. The lower sending rate by Georgian trustors to Armenian-named trustees than to Georgian-named trustees (who cannot choose another name) is rational given that Armenian trustees return less money than Georgian trustees (the Georgian trustors foresee this).*
- Did the study get ethics approval from an Institutional Review Board?

Comments on Chapter 3:

- You make the normative assumption that fields that are on average associated with a lower unemployment rate and higher earnings are necessarily a better choice for the students. I am not convinced that this is the case. First, it is not at all that clear that major choices that maximize earnings are always a better choice. This strongly depends on the personal preferences. Second, each

student has a unique set of skills. This implies that some students have the potential to excel in a field that is associated with a low average earning or a high unemployment rate. By providing them aggregate information about earnings and unemployment rates you may push them away from a choices that might have been better for them. In a way, by showing averages on unemployment rates and earnings you induce stereotypical thinking among the students that does not necessarily leads them to make better choices. Third, unemployment and earnings are endogenous and change over time (how stable are the data over time across fields?); giving them historical information about the major fields may be misleading.*

- Did the study get ethics approval from an Institutional Review Board? For this chapter the ethnics approval is particularly important given that the experiment potentially leads to major changes in the education choices of the students in the treatment group that have an effect on them later in life.*

My overall assessment is that the thesis meets the necessary standards for awarding a PhD degree, conditional on the research in Chapters 1 and 3 having obtained ethics approval from an academic board. Conditional on such approval, the thesis would satisfy formal and content requirements for a PhD thesis in economics and I would recommend the dissertation for a defense.

Sincerely,



Sigrid Suetens
Professor of Economics