

# The grading effects on student effort: a lab experiment

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I test the effects of initial grades on further student effort in a lab experiment with university students. I use an absolute grading standard rewarding students who pass a certain grade threshold. In a two-period setting, each period, the student chooses how much costly effort to exert in order to prepare for a graded exam. Once the prep work is done, the student takes the exam and earns a grade. Monetary rewards are attached to the initial grade and to the final GPA. I estimate how the grade earned in period 1 affects the student's effort in period 2 by randomly assigning upward vs. downward grade rounding. The results indicate that students are mostly insensitive to the marginal grading shocks, however the categorical meaning of grades does matter. Medium passing grades have the most motivational effect. Both failing the first exam and scoring above average leads to reductions in effort. I discuss the findings in light of the existing literature on grading standards.