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# Blissful Ignorance? A Natural Experiment on the Effect of Feedback on Students' Performance<sup>1</sup>

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## Abstract

We provide evidence on whether providing university students with feedback on their past exam performance affects their future exam performance. Our identification strategy exploits a natural experiment in a leading UK university where different departments have historically different rules on the provision of feedback to their students. We find the provision of feedback has a positive effect on students' subsequent test scores: the mean impact corresponds to 13% of a standard deviation in test scores. The impact of feedback is stronger for more able students and for students who have less information to start with about the academic environment, while no subset of individuals is found to be discouraged by feedback. Our findings suggest that students have imperfect information on how their effort translates into test scores and that the provision of feedback might be a cost-effective means to increase students' exam performance.

Keywords: feedback, incentives, students' performance, university education.

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## 1. Introduction

The effectiveness of many public services depends on the effort of those who deliver them as well as the effort of those who receive them. The production function for education, in particular, is increasing in both teachers' and students' effort. Consequently, researchers and policy makers have been concerned with ways to motivate teachers as well as students.

We contribute to this literature by evaluating the effect of feedback policies on students' effort and performance. To do so we exploit a natural experiment in a leading UK university where different departments have different feedback policies regarding exam grades.<sup>5</sup> Feedback on exam grades gives students information on how their effort translates into grades and can thus affect future effort choices if this information is imperfect to start with. The effect of feedback is however theoretically ambiguous because changes in the perceived returns to effort will generate income and substitution effects of opposite signs. For instance, if the perceived return to effort increases, a positive substitution effect will make students exert more effort (as they reallocate time from leisure to effort in studying) while the negative income effect will make them exert less (as now they know they can achieve the same exam outcome with less effort, all else equal).

We answer our research question using administrative records on the performance of 7,738 students enrolled full time on one-year graduate degree programs, over the academic years 1999/00-2003/04. The academic year in this university can be divided into two periods, and students are evaluated at the end of each. The natural experiment we exploit is that some departments provide students with their individual period one test score before they begin exerting effort towards their period two test score, while other departments do not.

A key feature of our setting is that we observe the performance of the same student in the same department before and after feedback is provided. This allows us to identify the effect of feedback from the difference-in-difference between period one and period two exam performance of students in different feedback regimes, thus controlling for time invariant unobserved sources of department and student heterogeneity that might create a spurious correlation between feedback regime and exam performance. As we observe the same student in both periods, we estimate the effect of feedback on the difference in performance of the

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<sup>5</sup> In a standard economic framework with perfect information, agents optimally choose the effort to devote to a task by equating its known marginal return to its known marginal cost, and performance feedback is of no use. When information is not perfect, however, feedback on past performance provides information on the marginal return to effort and this can affect future performance. Consequently, performance feedback can be used by principals to influence their agents' effort choices [Lizzeri et al. (2002), Ertac (2006), Ederer (2010)].

same student across periods and feedback regimes, conditional on time invariant unobserved heterogeneity across students and departments. The identifying assumption is that the choice of feedback policy is orthogonal to unobservables that cause systematic differences in test scores across periods, and we later present evidence in support of this assumption.

Our main results are as follows. First, controlling for unobserved heterogeneity across students and departments, the difference-in-difference in test scores across periods and feedback regimes is significantly greater than zero. The magnitude of this effect corresponds to 13% of a standard deviation in the difference in test scores across periods in the no-feedback regime. The implied effect size of feedback is at the lower end of estimates of the effect size on test scores of class sizes in primary, secondary, and tertiary education [Angrist and Lavy (1999), Krueger (1999), Bandiera et al. (2010)], of the effect size of teacher quality on test scores [Aaronson et al. (2007), Rockoff (2004), Rivkin et al. (2005)] and of the effect size of academic support and financial incentives for college freshmen [Angrist et al. (2009)]. However, as all these interventions are significantly more costly than the provision of feedback, the provision of feedback to students might be a far more cost-effective instrument by which to raise students' learning and achievement in university education.

Second, to provide evidence on whether the effect of the feedback policy works through an information channel, we exploit the fact that different students differ in their initial information depending on whether they were undergraduates at the same university. We find that the effect of feedback is entirely driven by students who have less information to start with, i.e. those who are new to the academic institution we study. This is consistent with the idea that feedback acts as a signal for an unknown parameter of the production function for test scores. This also rules out that the estimates are driven by department level unobservables that are correlated with the feedback policy and that affect students equally regardless of whether they are new to the institution. Moreover, quantile regression analysis reveals that the provision of feedback has a close to zero effect on students below or at the 30<sup>th</sup> quantile of the distribution of test scores (so that the weakest students are not discouraged by feedback), while the effect is significantly different from zero at higher quantiles and increasing until the 80<sup>th</sup> quantile.

Finally, we exploit the fact that some students take period one courses in departments other than the one they are enrolled in, to devise a placebo test that allows us to disentangle the effect of feedback from the effect of having period two scores assigned by a department that has chosen to provide feedback. Reassuringly, we find that students' period two performance is only affected by the actual feedback received, and not by the feedback policy of the department they are enrolled in. Taken together, the results of the placebo test and the heterogeneous impacts described above, are in line with our identifying assumption. Therefore, while we cannot, and do not, claim that the choice of feedback policy is randomly assigned

across departments, the evidence suggests that departmental policies over the provision of feedback by departments are more accidents of history and therefore orthogonal to unobservables that cause systematic differences in test scores across periods, rather than being chosen as an endogenous response to how test scores are generated across periods in this setting.

Taken together, the findings suggest that students have imperfect information on the return to their study effort, and that the provision of feedback on their absolute performance reduces this uncertainty and hence improves future performance. The fact that the effect of feedback is largest for students with the strongest *ex ante* exam performance, suggests the substitution effect of feedback prevails over the income effect of feedback, as students do better when they receive positive feedback.

Our paper is closely related to Stinebrickner and Stinebrickner (2012,2014) who use a unique longitudinal survey of college students to show that learning about one's academic ability through exam performance determines the decision to drop-out. Our findings are consistent because they suggest that in our setting, like in theirs, students have imperfect information about how their effort translates into grades and feedback on past exam performance allows them to update that information, and this affects their future choices. In contrast to their setting, however, drop-out is effectively out of the choice set here because we analyse one-year degree programs where feedback, if any, is provided after nine months and after students have completed 75% of the work required to graduate and only a negligible fraction performs poorly enough to fail the criteria for the degree.

Our paper on the provision of feedback on one's own *absolute* performance, complements a small literature that evaluates the effect of providing *relative rank* feedback on students' performance. The findings of that literature are mixed: Tran and Zeckhauser (2012) and Azmat and Iriberry (2010) show that providing relative feedback improves the performance of university and high school students, respectively, while Ashraf et al. (2014) show that relative rank information (both private and public) lowers the exam performance of trainee nurses by discouraging those at the bottom of the exam score distribution.<sup>6</sup> In this paper we take a step back and show that feedback on one's own absolute past performance can affect future performance even if it is not accompanied by rank information, suggesting that rank feedback might affect behaviour both by providing information on one's own performance and one's performance relative to others.

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<sup>6</sup> The empirical evidence on the effect of providing rank information in the workplace is also mixed. Dur et al. (2013) show positive effects, while Bandiera et al. (2013), Barankay (2012), and Eriksson et al. (2009) find that rank information reduces productivity.

The paper is organized as follows. Section 2 describes the empirical setting and administrative data. Section 3 presents the empirical analysis. Section 4 concludes with a discussion of the external validity of our results. The Appendix tests alternative explanations and reports further robustness checks.

## **2. Context and Data Description**

### *2.1 Institutional Setting*

Our analysis is based on the administrative records of individual students from a leading UK university. The UK higher education system comprises three tiers -- a three-year undergraduate degree, a one or two-year M.Sc. degree, and Ph.D. degrees of variable duration. Our working sample focuses on 7,738 students enrolled full time on one-year M.Sc. degree programs, over academic years 1999/00-2003/04. These students will therefore have already completed a three year undergraduate degree program at some university and have chosen to stay on in higher education for another year. Students are not restricted to only apply to M.Sc. degree programs in the same field as that in which they majored in as an undergraduate. In addition, the vast majority of M.Sc. students do not transfer onto Ph.D. programs at the end of their M.Sc. degree.

We have data for 20 out of the 22 academic departments in the university all of which relate to disciplines in the social sciences. Together these departments offer around 120 M.Sc. degree programs. Students enrol onto a specific degree program at the start of the academic year and cannot change program or department thereafter. Each degree program has its own associated list of core and elective courses. Electives might also include courses organized and taught by other departments. For instance, a student enrolled on the M.Sc. degree in economics can choose between basic and advanced versions of the core courses in micro, macro, and econometrics, and an elective course from a list of economics fields and a shorter list from other departments.

Over the academic year each student must obtain a total of four credits. The first three credits are obtained on successful completion of final examinations related to taught courses. As each examined course is worth either one or half a credit, the average student takes 4.4 examined courses in total. The fourth credit is obtained upon the subsequent completion of a research essay, typically 10,000 words in length. In all degree programs, the essay is worth one credit, is compulsory, and must relate to the primary subject matter of the degree program.

Students have little contact with faculty while working on their essay. While they typically have one meeting with a faculty member, whose role is to approve the essay topic, it is

not customary for students and this faculty member to meet thereafter. There is, for example, no requirement for faculty members to meet with students while they are writing their essay. Upon completion, the essay is double marked by two faculty members, neither of whom is the faculty member that previously approved the essay topic. There are no seminar presentations during which students receive feedback on their essays. Finally, the essay is not accorded more weight than examined courses in the overall degree classification. It is for example, possible to be awarded a degree even if the student fails the long essay, if their examined course marks are sufficiently high.

## 2.2 Test Scores

Our main outcome variables are the test score of a student in her examined courses and the long essay. Test scores are scaled from 0 to 100 and these translate into marks as follows: an A-grade corresponds to test scores of 70 and above, a B-grade to 60-69, a C-grade to 50-59, and a fail to 49 or lower. In this setting test scores are a good measure of students' performance and learning for two reasons.

First, test scores are *not* curved so they reflect each individual's absolute performance on the course. Guidelines issued by each department indeed illustrate that grading takes place on an absolute scale. For example, the guidelines for one department state that an A-grade will be given on exams to students that display "a good depth of material, original ideas or structure of argument, extensive referencing and good appreciation of literature", and that a C-grade will be given to students that display "a heavy reliance on lecture material, little detail or originality". The distribution of grades within a course-year reveals that, in line with absolute marking, there are some courses on which all students obtain the same classmark. On some courses this is because all students obtain a B-grade, and on other courses all students achieve an A-grade. In 23% of course-years, not a single student obtains an A-grade. In addition, the average classmark varies widely across course-years and there is no upper or lower bound in place on the average grade or GPA of students in any given course-year.<sup>7</sup>

Second, there are no incentives for faculty to strategically manipulate test scores to boost student numbers or to raise their own student evaluations [Hoffman and Oreopoulos (2009)]. Indeed student numbers do not affect the probability of the course being discontinued and students fill in teaching evaluations two months before sitting the exam.<sup>8</sup> In addition,

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<sup>7</sup> An alternative check on whether test scores are curved is to test whether the mean score on a course-year differs from the mean score across all courses offered by the department in the same academic year. For 29% of course-years we reject the hypothesis that the mean test score is equal to the mean score at the department-year level. Similarly for 22% of course-years we reject the hypothesis that the standard deviation of test scores is equal to the standard deviation of scores at the department-year level.

<sup>8</sup> More precisely, we find that the existence of course  $c$  in academic year  $t$  does not depend on enrolment on the course in year  $t-1$ , controlling for some basic course characteristics and the faculty that taught the course in  $t-1$ .

manipulating test scores is difficult to do as exam scripts are double blind marked by two members of faculty, of which typically only one teaches the course.

We note that drop-outs are extremely rare in this university. In our sample period we observe less than 1% of students enrolling onto degree programs and then dropping out before the examinations in June. We observe 0.6% of students taking their examined courses and dropping out before completing the long essay. These dropouts have no worse exam marks on average, and are equally likely to come from either feedback regime. Hence it is unlikely that they leave because they are discouraged by feedback.

### *2.3 Timing and Feedback Regimes*

Figure 1 describes the timing of academic activities for students over the year. Students enrol onto their degree program in October. Between October and May they attend classes for their taught courses. These courses are all assessed through an end of year sit down examination. All exams take place over a two week period in June. The long essays are then due in September, and final degree classifications of distinction, merit, pass, or fail, are announced thereafter.

The key feature of this setting is that departments have historically different policies over whether students are given feedback on their individual performance in the examined courses before they begin working on their essay. We observe two feedback regimes. There are 14 departments that only reveal their exam and essay grades at the end of the 12 month period, after the essay due date has passed. We refer to these departments as being in the “no-feedback regime”, as shown in the upper half of Figure 1. In contrast, there are 8 departments that provide each student with her own examined course marks after all the exams have been taken and graded, and typically, before students start exerting effort towards their essay. We refer to these departments as being in the “feedback regime”, as shown in the lower half of Figure 1. All degree programs within the same department are subject to the same feedback policy.<sup>9</sup>

Information on feedback policies is not publicized, and students are unlikely to know the feedback they will receive. This holds even for students that were undergraduates at the same institution, as the structure of undergraduate courses is different and based solely on examined courses. In Appendix Section 5.2 we present evidence in support of the assertion that students do not anticipate the provision of feedback.

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<sup>9</sup> A small fraction of courses are partially assessed through coursework, although typically no more than 25% of the final mark stems from the coursework component. Although this coursework is conducted through the year, feedback is not provided before the final exam.



To identify which department belonged to which feedback regime, we had to conduct our own survey of heads of department. Most heads reported the feedback rules as having been in place for some time and rarely updated.<sup>10</sup> In line with this, Table A1 shows that the feedback regime appears orthogonal to most departmental characteristics, with any reported differences being quantitatively small. Importantly, there is little evidence to suggest departments in the feedback regime systematically display more “pro-feedback” attitudes in general, nor that departments in the no-feedback regime systematically try to compensate for this lack of feedback along other margins. Using information from student evaluations, that are conducted in April before the final examinations take place, we find that students are equally satisfied with their courses in both regimes.<sup>11</sup>

As made precise below, however, our identification strategy does not require feedback policy to be orthogonal to other determinants of test scores. Indeed, we exploit information on the test score of the same student in their examined and essay courses, and then estimate the causal effect of feedback on the difference in test scores across these two types of course. The estimates therefore take account of unobserved heterogeneity across students, across degree programs, and across departments.

Three further points are of note. First, since test scores are not curved, each student in the feedback regime receives information about her *absolute* performance in all courses, rather than her relative standing compared to her classmates. Second, at the time when students begin working on their essays, the information available to faculty in both regimes is identical -- faculty always have the opportunity to find out the test scores of individual students and to act on this information. Key to identification is that faculty do not behave systematically differently in this regard on the basis of whether feedback is formally provided to the student or not. Third, students are provided with various types of feedback throughout the academic year, and this is true in both feedback regimes. For example, students hand in and receive back graded work during class tutorials, receive informal feedback from faculty, and mock exams take place in all departments (although there are no mid-term exams in any department). In addition,

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<sup>10</sup> We also note that the same departments in a neighbouring university provide different feedback to their students, than the corresponding department in the university we study. This further suggests departments do not set their feedback policies predominantly on the basis of the characteristics of their students.

<sup>11</sup> Departments in the feedback regime appear smaller with fewer teaching faculty and larger class sizes on average. To the extent that larger class sizes are detrimental to student performance, we would expect their performance on examined courses to be lower, all else equal, which is easily checked for. There is no difference in the length of long essays, as measured by the word limit, required across feedback regimes. The behavior of faculty and tutorial teachers along a number of margins is not reported by students to differ between regimes. The only significant differences (at the 9% level) are that tutorial teachers are more likely to be well prepared in no-feedback departments, and more likely to return work within two weeks in feedback departments. Finally we note that all the departments we analyze are related to disciplines in the social sciences and humanities. This reduces the likelihood that very different skills are required to produce test scores across departments or regimes.

students always have some subjective feedback, having sat their exams. The key difference across the regimes is that students in the feedback regime are provided with precise feedback on how well they actually performed on their examined courses. Our empirical analysis therefore measures the effect of this objective feedback on students' subsequent effort, conditional on all other forms of feedback students receive or seek throughout the academic year.

#### *2.4 Descriptive Evidence*

In the empirical analysis, period one covers the first nine months of the academic year during which students exert effort on their examined courses. Period one performance is measured by the student's average test score obtained on her examined courses. Period two corresponds to when students exert effort on their essay. Period two performance is measured by the student's essay test score. The primary unit of analysis is student  $i$ , enrolled on a degree program offered by department  $d$ , in time period  $t=1,2$ .

Table 1A provides descriptive evidence on test scores by period and feedback regime. The first panel shows the mean test score in examined courses for students enrolled in the no-feedback regime is 62.2. This is not significantly different to the mean test score for students in the feedback regime. Moreover, the standard deviation of period one test scores is no different across feedback regimes, as is confirmed in Figure 2A which shows the unconditional kernel density estimate of period one test scores by feedback regime. The left tail of the kernel density shows that we observe a low failure rate -- 3% of observations at the student-exam-year level correspond to fails<sup>12</sup> -- presumably because admission to degree programs in this university is highly competitive. This shuts down the drop out channel, namely the feedback policy cannot affect drop out because only a negligible fraction of students can find out that they have done so poorly that the returns to writing a dissertation are zero.

This descriptive evidence suggests -- (i) any differences in departmental characteristics documented in Table A1 do not on average translate into different examined test scores; (ii) the anticipation of feedback does not affect behavior in period one, consistent with students not actually knowing whether feedback will be provided.

The next rows of Table 1A present similar descriptive evidence for period two test scores across feedback regimes. Test scores are significantly higher in the feedback regime. Moreover, the standard deviation in test scores is also significantly higher in the feedback regime. The kernel density estimate in Figure 2B shows the dispersion increases because the distribution of test scores becomes more left skewed. Students in the middle and right tail of

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<sup>12</sup> In the no-feedback regime, failing students are not informed that they have failed their examined courses.

the distribution of test scores appear to be positively affected by the provision of feedback, with little effect -- either positive or negative -- on students at the left tail of the test score distribution.

Table 1B presents the unconditional estimates of the effect of feedback on test scores across periods. Two points are of note. First, regardless of the feedback regime, test scores are always significantly higher in period two than period one -- this likely reflects that the production function for generating test scores is different for essays than for examined courses. Second, the difference in test scores across periods is significantly higher in the feedback regime. The difference-in-difference (DD) is .760, significant at the 1% level, and corresponds to 13% of a standard deviation in the difference in test scores across periods in the no-feedback regime.<sup>13</sup>

### 3. Empirical Analysis

#### 3.1 Method

We estimate the following panel data specification for student  $i$ , enrolled on a degree program offered by department  $d$ , in time period  $t$ ,

$$g_{idt} = \alpha_i + \beta[F_d + T_t] + \gamma T_t + \sum_{j \neq d} \mu_j T D_{ij} + \varepsilon_{idt} \quad (3.1)$$

where  $g_{idt}$  is her test score, and  $\alpha_i$  is a student fixed effect capturing time invariant characteristics of the student that affect her test scores equally across time periods, such as her underlying motivation, return to effort and labor market options upon graduation. Since each student can only be enrolled in one department or degree program,  $\alpha_i$  also captures all department and program characteristics that affect test scores in both periods, such as the quality of teaching and grading standards.  $F_d$  is a dummy variable equal to one if department  $d$  is in the feedback regime, and zero if department  $d$  is in the no-feedback regime.  $T_t$  is a dummy variable equal to one in period two corresponding to the essay, and is equal to zero in period one corresponding to the examined courses. The parameter of interest,  $\beta$ , measures the effect of feedback on the within student difference in test scores over periods. This is consistently estimated if  $cov(F_d \times T_d, \varepsilon_{idt}) = 0$ , hence identification concerns stem from the possible existence of unobservables that are correlated to the feedback regime in place and cause there to be differences in test scores across periods. These might be at the student level, e.g. if students who are better at essay writing sort into departments that provide feedback, or at the department level, e.g. if departments that provide feedback are also more generous when

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<sup>13</sup> An alternative metric by which to gauge the effect of feedback is in terms of the probability a student obtains a test score of 70 and above, corresponding to an A-grade. On this metric, we find the difference-in-difference estimate to be .049, relative to baseline probability of .168 in the no-feedback regime.

marking research essays. We present evidence to allay these concerns in Sections 3.3 to 3.5 below.

The parameter  $\gamma$  captures any level differences in test scores across periods that may arise from there being different production technologies for generating test scores in examined courses and essays, as Table 1B suggests. The inclusion of student fixed effects  $\alpha_i$  does not allow us to estimate the direct effect of feedback on test scores because a given student can only be enrolled in one department and the feedback rule is department specific.

To account for differences in test scores due to students taking courses in departments other than the one they are enrolled in, we control for a complete series of departmental dummies --  $TD_{ij}$  is equal to one if student  $i$  takes any examined courses offered by department  $j \neq d$  and is zero otherwise. Finally,  $\varepsilon_{idt}$  is a disturbance term which we allow to be clustered at the program-academic year level to account for common shocks at this level to all students' test scores, such as those arising from the degree program's admission policy in each academic year.

### 3.2 Baseline Estimates

Table 2 presents our basic findings. The first specification in Column 1 controls for student characteristics rather than student fixed effects, to allow us to estimate the direct effect of feedback on test scores. The student's characteristics are gender, whether she attended the same university as an undergraduate, whether she is a student registered for UK, EU, or outside EU fee status, and the academic year of study. The result shows that -- (i) the DD in test scores across periods and feedback regimes is  $\hat{\beta}=.882$ , which is significantly different from zero and slightly larger than the unconditional DD reported in Table 1; (ii) consistent with Table 1, test scores are always significantly higher for essays than for examined courses,  $\hat{\gamma}=1.28$ ; (iii) there is no significant difference in period one test scores between students in the feedback and no-feedback regimes.

Column 2 shows these results are robust to controlling for a complete series of dummies for each teaching department the student is exposed to. In the next two Columns we control for departmental or degree program fixed effects and so we can no longer estimate the effect of feedback on period one test scores as the feedback regime does not vary within a department, hence, a fortiori, within a program. In Columns 3 and 4 we see that the previous results are robust to conditioning out unobserved heterogeneity across enrolment departments or degree programs. This casts doubt on the concern that  $\hat{\beta}$  merely captures differences in grading styles between exams and essays that are correlated with the provision of feedback.

Column 5 presents estimates of the complete specification in equation (3.1). Controlling for unobserved heterogeneity across students we find the DD in test scores across periods and feedback regimes to be positive and significant at .797. Moreover, the point estimate on the

difference in test scores across time periods is smaller than in the previous specifications, suggesting that differences in production technology between examined courses and essays are less pronounced when we account for heterogeneity across students. This specification shows that over 60% of the variation in test scores is explained by the inclusion of student fixed effects, suggesting considerable underlying heterogeneity in student return to effort. We exploit this variation later to shed light on heterogeneous responses to feedback.<sup>14</sup>

We note the implied effect size of feedback is at the lower end of estimates of the effect size on test scores of both class sizes [Angrist and Lavy (1999), Krueger (1999)] and teacher quality [Aaronson et al. (2007), Rockoff (2004), Rivkin et al. (2005)] at other tiers of the educational system. Perhaps the most relevant benchmark for comparison is the class size effect we have estimated using exactly these administrative records. More precisely, in Bandiera et al. (2010) we document the existence of a robust and significant class size effect size of -.10 in this university setting. A one standard deviation change in class sizes (or teacher quality) might be orders of magnitude more costly to achieve than the communication of feedback to students. Hence the provision of feedback appears to be a relatively cost-effective way to raise students' learning and achievement.

The final two columns provide alternative estimates to assess the magnitude of the effect. In particular we show the provision of feedback -- (i) significantly increases overall GPA scores (Column 6); (ii) significantly increases the likelihood of obtaining an A-grade over time periods (Column 7). In the latter case the estimates imply a student is 3.8% more likely to obtain an A-grade on her long essay with feedback, relative to a baseline probability of 17% of obtaining an A-grade on the essay in the absence of feedback.<sup>15</sup>

### 3.3 Mechanisms

Why should feedback on past performance affect current performance? One possibility is that feedback on outcomes provides students with new information on the return of their effort. To assess the empirical relevance of this channel, we identify a subset of students for whom the value of feedback differs *a priori*: students who have previously been undergraduates at the same institution for three years are more familiar with the institution's

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<sup>14</sup> Since the data is at the student-course level, we can also estimate a specification at the student-course level. Results are qualitatively similar and available from the authors upon request.

<sup>15</sup> One concern with the linear specification in (3.1) is that it may be inappropriate to model a dependent variable that is bounded above, and that it does not recognize that a five point increase in test score from 70 is not equivalent to such an increase from 50 in terms of student's effort. To address this we re-scale test scores as  $\tilde{g}_{idt} = -\ln(1 - \frac{g_{idt}}{100})$  so that we estimate the effect of feedback on the proportionate change in test scores. In this specification,  $\hat{\beta} = .025$  and is significantly different from zero.

style of teaching, grading, examinations, and essay writing. Hence the value of feedback for such individuals, in terms of what they learn about the true returns to their effort, should be lower than for individuals new to the institution, all else equal.

Columns 1 and 2 of Table 3 separately estimate (3.1) for individuals who were previously undergraduates at the same institution, and for those who were not. The results show the provision of feedback only affects those students who are new to the institution, the parameter of interest  $\beta$  is indeed close to zero and precisely estimated in the sample of students with previous experience at the same institution. This suggests one reason why feedback matters is because it helps individuals learn the returns to their effort. If, for example, feedback only mattered because it allowed individuals to tailor their second period effort, then feedback should allow such tailoring of effort irrespective of whether the individual has prior experience of the institution or not.

In addition, this finding allays the concern that our baseline findings are driven by unobservable department characteristics that make period two test scores spuriously higher in the feedback regime. If this were the case, we should find an effect on all students regardless of their undergraduate background, given that exams and essays are marked anonymously. The finding also casts doubt on the alternative explanation that students with better essay-writing skills sort into departments that provide feedback. Since information on feedback policies is not publicly available, students who took their undergraduate degree at the same institution are more likely to be able to find out informally, e.g. by asking other M.Sc. students before choosing which department to apply for. Hence, if the results were driven by students sorting on the basis of the departments' feedback policy, we would expect the effect of feedback to be stronger for those students who could find out about these policies. The pattern of results in Table 3 is the opposite. Finally, the results also help rule out the hypothesis that students respond to the mere fact that their department cares enough to provide feedback, rather than to the informational content of feedback. Again, if this were the case, such effects of feedback should be independent of the value of information.<sup>16</sup>

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<sup>16</sup> Two other points are of note. First, Vollmeyer and Rheinberg (2005) present evidence from the laboratory that feedback allows subjects to validate or change previous strategies. Indeed, they show those that unexpectedly receive feedback adopt better strategies. In a similar spirit, we explored whether the dispersion of period one test scores affected the difference-in-difference effect of feedback. On the one hand more dispersed test scores may help a student to specialize more easily in the topic of her long essay. On the other hand, a greater dispersion of marks may be less informative of true return to effort. Overall however, we found no robust evidence that the dispersion of period one test scores significantly changes the effect of feedback. Second, to check for whether students behave as if they care about their absolute or relative performance, we checked whether the effect of feedback varied with the number of students enrolled on the same degree program, or the number enrolled in the department as a whole. We did not find any robust evidence of differential feedback effects in such cohorts of different size.

Motivated by the defining features of the empirical setting, the analysis so far has focused on the role of feedback as a signal for the marginal return to effort in period two. However, feedback on past performance can affect current performance directly if past and current performances are substitutes or complements in the agent's utility function. To assess the relevance of any non-separabilities in individuals' utility function that lead to direct effects of feedback the Appendix reports two tests. First, we test for a specific form of non-separability, namely that students care only about their final M.Sc. degree classification -- be it a distinction, merit, and so on -- rather than their continuous test score in each period (Table A2). Second, we test a general implication of all non-separable utility functions on the anticipation of feedback on behavior in period one (Table A3). Both tests support the assumption of separability, thus indicating that feedback does not affect performance through a direct preference effect.

### 3.4 Heterogeneity

The documented positive average effect of feedback on period two performance is likely to mask heterogeneous responses across students. To explore this, we estimate the effect of feedback at each quantile  $\theta \in [0,1]$  of the conditional distribution of test scores,

$$Quant_{\theta}(g_{iat}|\cdot) = \alpha_{\theta}X_i + \beta_{\theta}[F_d \times T_t] + \gamma_{\theta}T_t + \sum_{j \neq d} \mu_{j\theta}TD_{ij} \quad (3.2)$$

where instead of the student fixed effects we control for the set of student characteristics  $X_i$ . As in previous specifications, the student's characteristics controlled for are her gender, whether she attended the same university as an undergraduate, whether she is registered for UK, EU, or outside EU fee status, and the academic year of study.

Figure 3 plots the  $\hat{\beta}_{\theta}$  coefficients from the quantile regressions in (3.2) at each quantile  $\theta$ , the associated 95% confidence interval, and the corresponding OLS estimate from (3.1) as a point of comparison. In line with the descriptive evidence, Figure 3 shows that the provision of feedback has little effect on the performance of students in the lowest third of quantiles of the conditional test score distribution, and has positive effects on the upper two thirds. The magnitude of the effect becomes more pronounced between the 33rd and 80th quantiles. At the highest quantiles the effect of feedback declines slightly but remains significantly larger than zero. This is in line with there being increasing marginal costs of effort in generating test scores so there exists some upper bound on how much test scores can improve by for the highest return to effort students when they are provided feedback.

The quantile analysis also allays the identification concerns stemming from unobservable characteristics of departments and students that are correlated both with the feedback policy and the difference in scores between periods one and two. The fact that the effect of feedback is positive only for students at quantiles .33 and above rules out

unobservables that would produce a constant difference between period one and two test scores, such as departments with feedback marking more generously.

In summary, the quantile analysis indicates that our baseline result is actually an average of zero and positive effects across all students. There is no evidence the provision of feedback on period one test significantly scores reduces the period two performance of any student.

### *3.5 A Placebo Test and Further Robustness Checks*

To further allay the concern that our estimated feedback effect captures the effect of department unobservables that are correlated with difference in test scores across periods, this section develops a placebo test based on a subsample of students for whom the feedback policy of their department should have no effect, if the effect is genuine. The test relies on the fact that the essay is always graded by the department the student is enrolled in, yet because students can take courses in different departments, the feedback they receive depends on the feedback policy of the department where courses are taught. In other words, students enrolled in feedback departments will not receive feedback on the courses they take in no-feedback departments. This allows us to disentangle the effect of actual feedback from the effect of having the essay marked by a department that provides feedback on its courses.

Of the 7,738 students in our sample, 5,942 (77%) students take all their examined courses within the same feedback regime and 1,796 (23%) students take at least one examined course in both feedback regimes. This placebo test is predicated on the fact that students do not systematically sort into courses that provide feedback. For example, if those students that expect to benefit the most from feedback seek out such courses, then we likely overestimate the true effect of feedback. To begin with we note that 22% of students from no-feedback departments and 25% of students from feedback departments exhibit variation in the feedback regime they are actually exposed to across their examined courses. Hence at first sight we do not observe proportionally more students from the no-feedback regime choosing courses in the feedback regime. In the Appendix and Table A4 we present more detailed evidence that, on the margin, students do not sort into courses on the basis of whether they will be provided feedback in that course or not.<sup>17</sup>

We then re-estimate equation (3.1) for these two subsets of students. Column 1 of Table 4 shows that for students who take all their examined courses within the same feedback regime, the effect of feedback is  $\hat{\beta}=1.03$ , which is almost one third larger than the baseline estimate in Column 5 of Table 2. We next estimate equation (3.1) for the subsample of students

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<sup>17</sup> We find no evidence that students that take courses outside of their own regime also take more courses per se, say because they choose more half-unit courses. On average, students that take all their courses in the same feedback regime take 5.51 courses in total, and those that move across regime take 5.52 courses.



that take courses in both feedback regimes. Column 2 in Table 4 shows that the feedback policy of the department the student is enrolled into has no significant effect on the difference in test scores across periods, with the point estimate on the parameter of interest falling by over two thirds from that in Column 1.

More importantly, we next estimate equation 3.1 for the subsample of students that take courses in both feedback regimes and additionally control for an interaction between the time period,  $T_t$ , and a dummy variable equal to one if student  $l$  actually obtains feedback on at least 75% of her examined courses, and zero otherwise. The result in Column 3 shows there is a significant difference-in-difference in test scores between students that actually receive feedback on 75% of their courses versus those that do not, allowing for a differential effect of the feedback policy of the department in which they are formally enrolled.<sup>18</sup> This placebo test suggests that students enrolled into feedback regime departments do not naturally have higher second period test scores than students enrolled in no-feedback departments. The results therefore provide reassurance that our estimates of the effect of feedback are not contaminated by unobservable departmental characteristics that are correlated to the feedback regime and the difference between test scores in the two periods.

Finally, Columns 4 and 5 include a rich set of interactions between the period two dummy and students and departmental characteristics respectively. The departmental characteristics are the admissions ratio, the number of teaching faculty, the number of enrolled students, and students overall satisfaction with courses. The student characteristics are gender, age, whether the student is British, whether she was an undergraduate at the same institution and race. If feedback is correlated to characteristics that create a difference between period one and two grades, we should observe a reduction in our coefficient of interest  $\beta$ . Columns 4 and 5 show that the main finding is unchanged in this case:  $\hat{\beta}$  remains positive, precisely estimated and of similar magnitude as in the baseline specification when we allow the difference between period one and two scores to differ by students and departments characteristics.

While we cannot, and do not, claim that the decision to provide feedback is random, the heterogeneous effects uncovered in Sections 3.3 and 3.4, together with the placebo test and robustness checks reported in this section suggest that it is orthogonal to various classes of unobservables that could create a positive difference between period one and two test scores.

#### **4. Discussion**

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<sup>18</sup> The fact that students require feedback on the majority of their courses -- not just on one course -- before this feedback has a significant effect on their second period performance suggests, as is reasonable, that there is some uncertainty or stochastic component in the production function for grades.

Our findings suggest that the average student performs better after receiving feedback on their past academic performance. In line with the assumption that feedback conveys information on the marginal return to effort, we find that the effect is stronger for students who are *ex ante* more likely to benefit from feedback.

Two features of our empirical setting have implications for the external validity of our results. First, the tasks individuals perform are not identical across periods: the production of test scores for examined modules and essays does not require precisely the same skill set. On the one hand the production technologies are sufficiently similar for feedback on period one tasks to be informative of the returns to period two effort. On the other hand, the results are likely to underestimate the effects of feedback in settings where identically the same task is repeated over time.

Second, it is important to bear in mind that the leading UK university we study selects from the most able students. This may have important implications for the documented heterogeneous effects of feedback across the return to effort distribution. For example, the results suggest the effect of feedback is more pronounced on the most able students at this institution, and that there are no significantly negative effects of feedback on any student. In short, no student becomes discouraged by the feedback they receive.

All these results may be reversed in another setting. For example, the positive effect of feedback may be larger for high return to effort students because of returns to continuous test scores in the UK labor market for graduates from this university. This is because students that graduate with the highest test scores can signal to future employers that they are the most able individuals from a university that is highly competitive to enter to begin with. Such superstar effects of being the highest achieving student from this university reduce the incentives of high return to effort students to slack in response to feedback. At the other end of the return to effort distribution, students may still have strong incentives generated by the labor market return to successfully graduating from this university, albeit with the lowest degree class of pass, rather than becoming discouraged and failing altogether. It would therefore be worthwhile in future research to identify the effects of feedback in a university where students are selected from a different part of the ability distribution.

The result that, in this setting, feedback has no negative effects on the test scores of any student, implies that the optimal policy is to always provide feedback, assuming a department's objective is to maximize the academic achievement of students. There are however, a number of explanations why departments may optimally choose not to provide feedback. First, departments may have incorrect beliefs about the preferences or priors of their students, and in particular on whether feedback will motivate students or rather induce them to slack. The notion that departments are not well informed about the preferences or priors of their students is supported by two facts -- (i) the same departments in another university in close

proximity to the one we study have different feedback policies, suggests that even within the same subject, departments' priors over their students behavioral response to feedback is likely to differ; (ii) departments in this university have not in the recent past changed their feedback policies and so are not able to update their beliefs over the behavior of their students in counterfactual feedback policy environments [Levitt (2006)].

Second, there may be costs of providing feedback that we do not document. For example, departments may anticipate students will engage in influence activities and other inefficient behaviors if feedback on earlier test scores is provided. Alternatively, there may be other margins of behavior -- such as cooperation between students -- that are crowded out by the provision of feedback. It would be important for future studies to try and measure the existence and magnitude of such effects of feedback.

## **5. Appendix**

### *5.1 Non-separable preferences*

The primary reason why students might care about their final degree classification is that UK based employers usually make conditional offers of employment to students on the basis of this classification rather than on the basis of continuous test scores. Entry requirements into Ph.D. courses or professional qualifications are typically also based on this classification. Letters of recommendation from faculty written during the academic year also stress the overall degree classification the student is expected to obtain, rather than their predicted test scores.

There are four possible degree classes -- distinction, merit, pass, or fail. The algorithm by which individual test scores across all courses translate into this overall degree class is not straightforward, but it is well known to students. Our first test exploits this algorithm to identify those students whose exam test scores are such that effort devoted to the essay is unlikely to affect their final classification. We test whether students who, being in the feedback regime, know they have low returns to period two effort, obtain a lower period two test score compared to students who are not given feedback. The intuition behind the test is that these are the students for whom we should find the strongest negative effect of feedback, if feedback affects period two performance directly because test scores are substitutes across periods.

To pin down the returns to second period effort for each student we first measure the difference between her average period one test scores and the grade she requires on the essay to obtain the highest class of degree available to her. We then define a dummy variable which varies at the student level,  $L_i$ , which is equal to one if student  $i$  lies in the top 25% of students in terms of this difference, and is zero otherwise. Hence the marginal utility of the essay grade for students for whom  $L_i=1$  is low in the sense that they can reach the highest available class of

degree even if they get a much lower score in their essay than they previously did in their exams. We then estimate the following specification for student  $i$  enrolled on degree program  $p$  in department  $d$  using data only from the essays in period two,

$$g_{ipd} = \alpha_p + \beta_0[F_d \times L_i] + \gamma_0 L_i + \rho X_i + \varepsilon_{ipd} \quad (5.1)$$

where  $\varepsilon_{ipd}$  is clustered by program-academic year, to capture common shocks to all students writing a long essay on the same degree program in the same academic year, such as the availability of computing resources or grading styles.

In Column 1 of Table A2 we estimate equation (5.1) without including program fixed effects and so we can also estimate the direct effect of feedback. The results show that long essay grades are significantly higher for students with low returns to period two effort ( $\hat{\gamma}_0 > 0$ ). This is as expected because students are more likely to experience low returns to period two effort if they have performed better on their period one examined courses, everything else equal. Importantly, we find no evidence that students with low returns to period two effort who are actually aware of this because of the feedback they receive, obtain differential period two grades than students in the no-feedback regime ( $\hat{\beta}_0=0$ ). Hence there is little evidence of such students reducing effort because of the feedback they receive. Column 2 shows this result to be robust when we condition out unobserved heterogeneity across degree programs and estimate equation (5.1) in full.

We next additionally control for a series of interactions between the feedback dummy and student characteristics ( $F_d \times X_i$ ) to address the concern that low returns to effort for student  $i$  may reflect some other individual characteristic other than her returns to effort. The result in Column 3 continues to suggest the behavior of students who are aware that they have low returns to effort do not reduce effort as a result, conditioning on other forms of heterogeneous responses.

One concern with these results is that student behavior might differ depending on which is the actual highest class of degree they can obtain. More precisely, the algorithm by which individual test scores convert into degree classifications implies there are two types of student that face low returns to their period two effort.

First, there are some students that because of their combination of poor marks on examined courses, can obtain a degree classification no better than a pass irrespective of their performance on the long essay. Such students may be expected to be demotivated by feedback that makes clear to them they are in this scenario. To check for such discouragement effects of feedback that arise from non-separable preferences, Column 4a estimates equation 5.1 for the subset of students who can at best obtain the degree class of pass -- the lowest possible degree

class a student can graduate with. The result shows that even among this subset of students we cannot reject that  $(\hat{\beta}_0=0)$ .<sup>19</sup>

Second, there will be other students that because of their very good marks on examined courses, can obtain a degree classification of distinction even if their performance on the long essay is far below what they have previously achieved on their examined courses. Such students may decide to slack if their preferences are such that they are classmark targeters, namely, they seek to minimize their effort subject to obtaining some degree class.<sup>20</sup>

To check for this we restrict the sample to students that potentially obtain the highest degree class of distinction. Among such students, those with low returns to second period effort can obtain a distinction even with a low essay mark. The result in Column 4b again shows that students do not behave as if they are classmark targeters. This may be because nothing prevents students from eventually revealing their continuous exam marks to their future employer. If there is a wage premium associated with higher continuous test scores -- say because of superstar effects [Rosen (1981)] -- then such students may not have incentives to slack.

## 5.2 Anticipation Effects

We now turn to another empirical concern: the anticipation of feedback could affect behavior in period one. Using the subsample of 1,796 students who take examined courses in both feedback and no-feedback regimes, we test whether the same student performs differently in period one on courses for which individual feedback will be provided relative to her courses for which no feedback is provided. We therefore estimate the following panel data specification for student  $i$  enrolled in department  $d$  on examined course  $c$ ,

$$g_{idc} = \alpha_i + \beta F_c + \gamma Z_c + \delta X_c + \varepsilon_{idc} \quad (5.2)$$

where  $F_c$  is equal to one if examined course  $c$  provides feedback, and zero otherwise,  $Z_c$  is equal to one if examined course  $c$  is offered by the student's own department  $d$ , and zero otherwise, and  $X_c$  are other course characteristics.<sup>21</sup> The disturbance term  $\varepsilon_{idc}$  is clustered by course-year to capture common shocks to the academic performance of all enrolled students

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<sup>19</sup> Recall that the long essay is not accorded more weight than examined courses in the students overall degree classification. It is for example, possible to be awarded a degree even if the student fails the essay, if their examined course marks are sufficiently high. The fact that we observe no discouragement effects of feedback throughout is consistent with recent evidence from the laboratory [Eriksson et al. (2009)].

<sup>20</sup> Our notion of classmark targeting behavior is therefore similar to income targeting in the labor supply literature for which there is mixed evidence [Camerer et al. (1997), Oettinger (1999), Farber (2005), Fehr and Goette (2007)].

<sup>21</sup> These characteristics of the course in the academic year are the share of women, the mean age of students, the standard deviation in age of students, the racial fragmentation among students, the fragmentation of students by department, the share of students who completed their undergraduate studies at the same institution, and the share of British students.

such as the difficulty of the final exam or quality of teaching faculty. The null hypothesis is  $\beta = 0$  so the anticipation of feedback has no effect on period one behaviour.

Table A3 presents the results. Column 1 shows that unconditionally, the correlation between the examined course test score and whether feedback is subsequently provided is negative but not significantly different from zero. Column 2 shows that conditional on course characteristics  $X_c$ , the point estimate of  $\beta$  moves towards zero and is still insignificant. This remains the case when we additionally control for whether the course is offered by the department in which the student is enrolled (Column 3). Column 4 further shows there is no differential anticipatory effect of feedback in a course offered by the department in which the student is actually enrolled. This may have been the case if such feedback was more valuable for the writing of the essay for example, which must always be based on the primary subject matter of the degree program in which the student is actually enrolled.<sup>22</sup> The remaining Columns show that there are no anticipatory effects of feedback controlling for the difficulty of the course in various ways (Columns 5 and 6) and controlling for the assignment of teaching faculty to courses (Column 7).<sup>23</sup> Overall, the data suggests, consistent with the descriptive evidence in Table 2 and Figure 2, that -- (i) there is little effect of the anticipation of feedback on period one behavior; (ii) the baseline difference-in-difference effects of feedback reported in Table 3 relate to the impact of a signaling effect of feedback on period two behavior. This helps rule out any model in which students are aware of the feedback regime and there are complementarities or substitutabilities between effort across periods.<sup>24</sup>

### 5.3 Course Selection

To check whether students appear to purposefully sort into courses on the basis of whether feedback is provided or not, we estimate the following specification for student  $i$  enrolled in a degree program offered by department  $d$ ,

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<sup>22</sup> These last two specifications confirm exam performances are higher on examined courses offered by the same department as that in which the student is registered, as documented in Bandiera et al. (2010).

<sup>23</sup> In Column 5 the course difficulty is measured by the average test score of students who are not in this sample -- namely those students that take all their examined courses in the same feedback regime. The sample drops in this column because there are some courses in which all the students are enrolled in a department with an alternative feedback policy from the department that offers the course. In Column 6 we measure the difficulty of the course by the share of enrolled students that are re-sitting the course from the previous academic year. In Column 7 we control for the assignment of teaching faculty to the course in a given academic year by controlling for a complete series of dummies for each faculty member, where this dummy equals one if faculty member  $j$  teaches on the course in that academic year, and is zero otherwise.

<sup>24</sup> The results also rule out the type of implicit incentives provided by feedback in Ederer (2010). These arise because in a tournament setting, agents have incentives to increase period one effort in the anticipation of feedback as it enables them to signal to their rival that they are of high return to effort. The evidence we present is in line with there not being such tournament effects in our setting, presumably because given grading is not on a curve, students care about their absolute and not relative performance on the course.

$$Prob(B_{id} = 1) = \alpha F_{id} + \beta X_i + \gamma X_d + \varepsilon_{id} \quad (5.3)$$

where  $B_{id}$  is equal to one if student  $i$  from department  $d$  takes examined courses in both feedback regimes, and is equal to zero otherwise,  $F_{id}$  is equal to one if student  $i$  is enrolled on a degree program in department  $d$  in the feedback regime, and is equal to zero otherwise,  $X_i$  and  $X_d$  are characteristics of the student and department respectively, and  $\varepsilon_{id}$  is a disturbance term that is clustered by program-academic year.<sup>25</sup>

The results in Table A4 show that unconditionally, students from no-feedback departments are no more likely to select courses across both feedback regimes than students that are enrolled in the feedback regime to begin with so that  $\hat{\alpha}$  is not significantly different from zero (Column 1). This result is robust to conditioning on student and departmental characteristics (Column 2) and to estimating equation (5.3) using a probit regression model (Column 3).

An important class of factors that may determine the choice of courses are course specific characteristics. To control for these we repeat the analysis at the student-course ( $ic$ ) level and estimate the following specification,

$$Prob(B_{idc} = 1) = \alpha F_{id} + \beta X_i + \gamma X_d + \delta_c + \varepsilon_{idc} \quad (5.4)$$

where  $B_{idc}$  is equal to one if student  $i$  from department  $d$  enrolls onto course  $c$  that is in a different feedback regime to the department the student is enrolled onto, and is zero otherwise,  $F_{id}$ ,  $X_i$ ,  $X_d$  are as previously defined,  $\delta_c$  is a course fixed effect, and we continue to cluster the error term by program-academic year. The course fixed effect captures all characteristics of the course that are common within the academic year in which student  $i$  is enrolled, such as the class size, quality of teaching faculty and so on. The result in Column 4 shows that conditional on course characteristics, there remains no evidence that students enrolled in no-feedback regime departments are more likely to enrol onto courses offered by feedback departments.

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<sup>25</sup> The student characteristics controlled for are gender, whether the student is British, whether they were an undergraduate at the same university, whether they are registered as UK, EU, or non-EU fee status, race (white, black, Asian, Chinese, other, unknown), and the academic year of study. The characteristics of the department the student is enrolled in that are controlled for are the ratio of teaching faculty to enrolled students, and the ratio of enrolled students to applicants.

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