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## ***SEMINARIO***

### **"Grading in heterogeneous schools"**

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Abstract:

This paper studies the relationship between students' cognitive ability and their school grades; and in particular, how the institutional context (e.g. nation-wide external exams) influences the informative value of grades as signals of cognitive competence.

In a simple abstract model of students' valuation we show that unless competence standards are set at above-school level or variation of competence across schools is low, students' competence valuation will be heterogeneous, with weaker schools inflating grades or flattening their dependence on competence, therefore reducing the information content and comparability of school grades. The theoretical model is applied to data from the PISA 2003 survey in a sample of 5 countries, namely Australia, Germany, Italy, The Netherlands and the USA. According to our estimates, in Australia and the USA schools heterogeneity does not affect grading practices; in the other countries grades are inflated in weaker schools, uniformly in Germany and The Netherlands, to a larger extent for weaker students in Italy.