

Place your name on the back of this sheet of paper and nowhere else. Staple your answers on the front of this sheet of paper. Failure to follow these directions will cost you 1 point. Your assignment will be typed, except graphs can be drawn by hand and mathematical equations can be done by hand. Failure to type it will cost you 10 points. If you use double-sided printing or print on the back of scrap paper, I will give you one additional point.

1) (20 points) Suppose that if you were to not have gone to Bethany College, then you could have earned \$20,000/year for the rest of your life. Suppose that with a Bethany education you can earn \$40,000/year for the rest of your life. Suppose that tuition and books cost \$15/year. Set up the equation which will determine the internal rate of return on a Bethany College education. Explain why you put those numbers in those places. Do not solve the equation, but tell me what in that equation is the rate of return.

2) (5 points) Why did I not include room and board in Question #1?

3) (15 points) Should poor countries spend more on primary education or on tertiary education? Explain the reasoning including explaining why the return is greater.

4) (20 points) Why might gross enrollment rates be misleading when measuring what the students have learned? Give two reasons and explain them.

5) (20 points) Suppose you were the superintendent of a school system in Africa. You are informed that you will have an increase in your annual budget. What are you likely to spend the money on? Explain why you chose that expenditure. Assume this is a permanent increase in your budget.

6) (20 points) Explain one reason why families may not send their children to school, even when the school is free. What can be done to overcome that problem? Explain how your proposal would work.