

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 you are considering entering graduate school. Graduate school costs \$20,000 per year for two years. If you get a job straight out of college, you earn \$50,000 per year. If you have a graduate degree, you will earn \$55,000 per year. Suppose you graduate from Bethany at the age of 21 and plan to work until you are eligible for Social Security (67). Set up the equation which will tell you the internal rate of return. Do NOT actually calculate it. Explain how you determined what numbers go in where and how you would solve it if you had to solve it.

2) (10 points each) For each of the following, tell me which return on education is higher and why it is higher.

- A) The societal return on education vs. the private return on education.
- B) Primary school vs. tertiary school.

3) (25 points) Why do you think that teachers in some developing countries have a large absenteeism problem? What do you think can be done about that? Explain your logic.

4) (25 points) What do you think is the biggest reason parents in the poorest countries do not send their children to school. What can be done about that? Explain how your action would reduce the problem.

5) (10 points) Why do developing countries devote so little of their GDP to education?