

Economics 172: Issues in African Economic Development
Problem Set 2 (Due in class Tuesday March 2, 2004)

1. HIV/AIDS Policy in Africa – 5 points

If you were a health policymaker in a poor African country what would your policy priorities be regarding HIV/AIDS? In **at most** two pages (double-spaced), discuss **three** policy options that have been discussed in class or in the readings, and present arguments for why these policies should help stem the epidemic.

2. Creating Incentives to Learn – 5 points

a) [2 points] Discuss the empirical evidence regarding time discount rates for adolescents versus adults – which group is thought to have higher discount rates, on average?

What are the implications of this pattern for adolescent study effort? Why would adolescents who are offered a cash award, $R > 0$, for good academic performance be more likely to exert study effort? (Although it is not necessary in order to get full credit, you may want to illustrate your point with some equations.)

b) [1 point] What was the impact of the introduction of this sort of cash award on the test score performance and study effort of adolescent girls in Kenyan primary schools? Did effects persist into the year after the scholarship was awarded?

c) [2 points] In **up to** one page (double-spaced), briefly describe two reasons why we might expect boys' performance to improve in classes where girls are eligible to receive merit awards, and two reasons why we might expect boys' performance to get worse.

Which of these effects dominated among boys in the Kenyan primary school context?