

Exercise 6: Productivity and the Workweek Length

Edward C. Prescott

February 12

A fact is that people working shorter workweeks are typically paid less per hour than people working longer workweeks. Let 40 be the pay for a 40-hour week, 52 for a 48-hour workweek and 28 for a 32-hour workweek.

Develop a model economy that displays these facts. Assume standard preferences. Making sensible technology assumptions is key.