

Homework 2

Due Wednesday, January 28, 2009

1. Sal Monella works as a manager at KFC at a wage of \$15 per hour. He needs 10 hours a day to sleep, but is available the rest of the time for work and other activities. Right now, he works 6 hours a day, never calls in sick, and spends 1 hour a day at the gym. Suppose his gym closed, reducing the time he spends improving his health and, as a result, increasing the time he loses to illness. Assume that his wage remains unchanged. Graphically show what happens to his hours worked, his weekly earnings, and his overall utility. (Note: Exact numbers cannot be computed with the information given.)
2. In the literature, it has been found that wives ‘nag’ their husbands to take care of their health. Using the graphical representation of Grossman’s main equation, show what the Grossman model would predict about the effect of marriage on health for men. That is, how does this ‘nag effect’ affect the health of married men compared to single men? Make sure to explain your diagram.