

Online Appendix for “Hours and Labor Productivity
in a Heterogeneous-Agent Model: Comment on Chang
and Kim (2007)”

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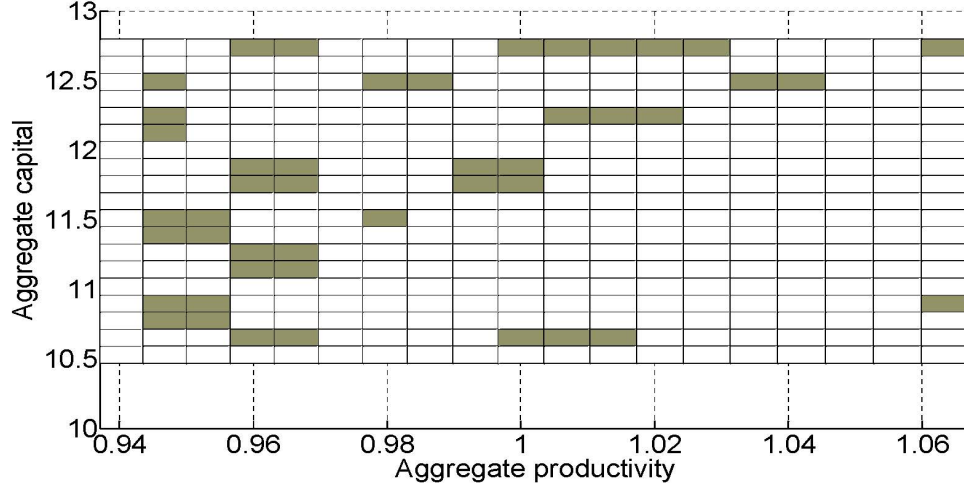


Figure B1: Labor Supply of Households Near Their Borrowing Limit and Aggregate State as Implied by the Chang and Kim (2007) Method

Note: This figure shows labor supply decisions of households with high levels of debt and near their borrowing limit ($a = -1.98$ and $x = 1.0$), implied by the Chang and Kim (2007) solution method. The shaded areas indicate (λ, K) combinations where such households choose not to work. Note that the true within-the-period value functions imply that those households work under any λ and K , since $V^E(a, x; \lambda, K) \geq V^N(a, x; \lambda, K)$ for all λ and K at $a = -1.98$ and $x = 1.0$.

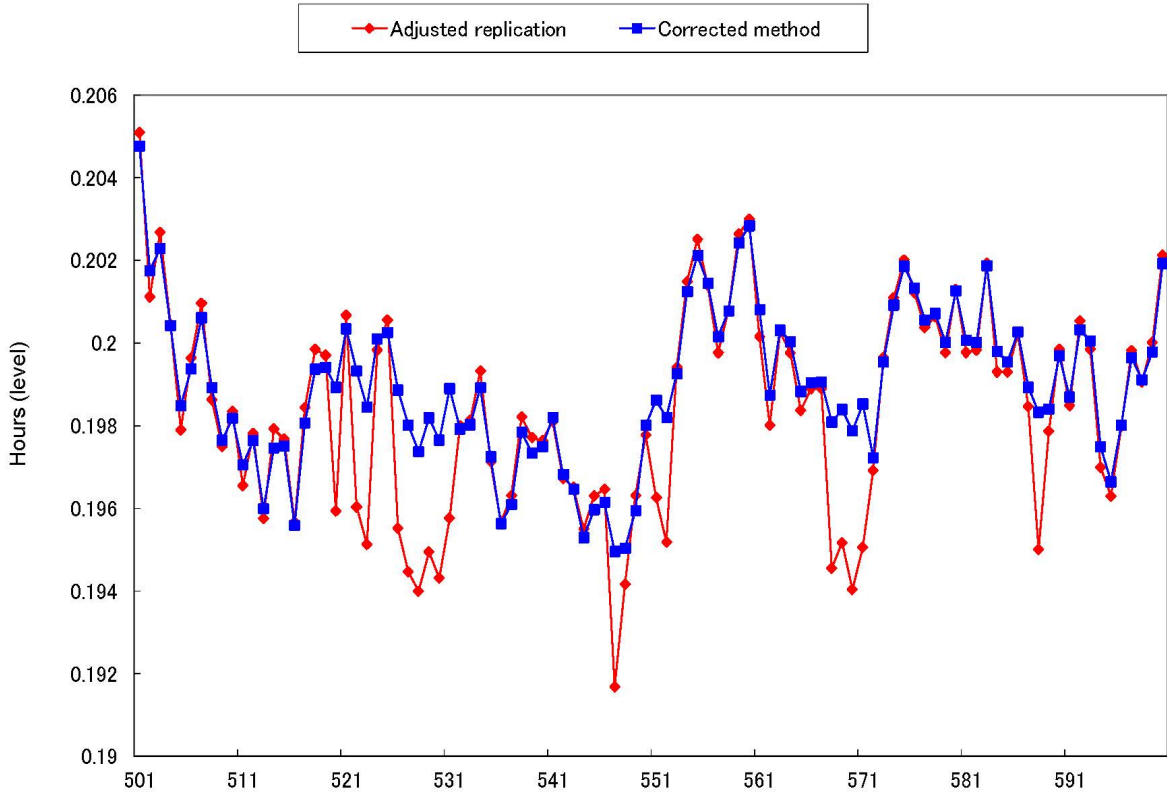


Figure B2: Simulated Hours (Level)

Note: This figure shows the simulated hours (level) obtained in “Adjusted replication” and “Corrected method.” The model is simulated for 3,500 periods and the result from periods 501–600 is reported.