

Exercise 7

Question 1

a) We have one trade, i.e. a shock, and two types of workers of different thresholds θ_1 and θ_3 .
Model and explain $T_\theta(s)$

Model 1: biological model

$$T_{\theta}(s) = 1 - e^{-s/\theta}$$

hard work with
analytically

Model 2: Approximation

$$T_{\theta}(s) = \frac{s^n}{s^n + \theta^n}$$

where s is stimuli, θ is threshold
 n is steepness of threshold

$S \ll 0$ low probability of doing both

$S \gg 0$ high ————— —————

$S \approx 0$ P 50/50

\Rightarrow $n \approx 2$ gives size of problem to solve analytically.

b) and c) * When $\alpha \approx \delta$ the efficiency of doing tasks get less and less for both workers, meaning that both type of workers have to devote more workers into task in order to keep stimuli low.

* when $\alpha \gg \delta$ the efficiency of doing work is high. Most of the work is done by workers of type 2, and when sufficiently high only a ^{small} fraction of the total population needs to participate in work