The absence of a trend in hours worked in the postwar United States is an exception: across countries and historically, hours fall steadily by a little below 0.5% per year. Are steadily falling hours consistent with a stable utility function over consumption and leisure under balanced growth of the macroeconomic aggregates? Yes. We fully characterize the class of such functions and thus generalize the well-known “balanced-growth preferences” that demand constant (as opposed to falling) long-run hours. Key to falling hours is an income effect (of steady productivity growth on hours) that slightly outweighs the substitution effect.

I. Introduction

We propose a choice- and technology-based theory for the long-run behavior of the main macroeconomic aggregates. Such a theory—standard