



FIGURE VII

Employee's Total Expected Loss Φ as a Function of the Distance between the Default and the Employee's Optimum

The parameter specific to each panel, the quasi-hyperbolic discount factor β , is shown beneath each graph. In all three panels, the opt-out cost is uniformly distributed between 0.25 and 1.75, and the loss function scaling factor $\kappa = 100$. The left-hand and center panels have the same y-axis scale, but the right-hand panel has a different y-axis scale.