

Expected income or the wage, \hat{y}, w

w^c

Wage from work, w^c

Risk, Δ

Low cost of
capital R-RS

$g(\Delta) - \rho \cdot k$

$\bar{\rho} \cdot k - \rho \cdot k$

$g(\Delta) - \bar{\rho} \cdot k$
High cost of
capital R-RS

