The cost of the rule is equal to the reduction of insurance payments: for the amount of leisure time greater than or equal to $(X_0 + Z)$, this represents αW times the days of penalty and the income of the individual at X_1 , as an example, is equal to:

$$(1) \quad Y_2 = W (\bar{X} - X_1) + \alpha W [X_1 - (x_0 + Z)]$$

and $Y_3 < Y_2 < Y_1$, where Y_1 represents the income corresponding to the solution with no penalty and Y_3 represents the income of the proposition of Grubel and Maki with a waiting period.

Formally we have:

$$(2) \quad Y_1 = W (\bar{X} - X_1) + \alpha W (X_1 - X_0)$$

$$(3) \quad Y_3 = W (\bar{X} - X_1) + \alpha W (X_1 - X_0) - WZ$$

$$(4) \quad Y_1 - Y_2 = \alpha WZ$$

$$(5) \quad Y_1 - Y_3 = WZ$$

For the amount of leisure time less than and equal to X_0 this does not represent a cost and for the amount of leisure time between X_0 and $(X_0 + Z)$ the cost is equal at each point to the insurance payment (αW) times the days of leisure between X_0 and $(X_0 + Z)$. The optimal solution is between X_0 and X_1 and, as predicted by the authors, the rule reduces the "induced unemployment."

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