A Money Demand Function

\[ m_{it}^d = \xi \frac{1 + r_N}{r_N} c_{it} \]

A Specific Money Demand Function

\[ m_{it}^d = \xi \left( \frac{1 + r_N}{r_N} \right) c_{it} \]

Where do we get this?

\[ U = \log(c_1) + \ldots + \log(c_n) + \xi \log(m_1) + \ldots + \xi \log(m_{n-1}) + 0 \log(m_n) \]

Modifying the Consumption Function

\[ c_{it} = \frac{1}{(n-i+1) + \xi(n-i)} z_i \]
Key Properties

\[ m^d_{it} = \xi \frac{1 + r_N}{r_N} c_{it} \]

- Reflects the utility people get from the services of money.
- Credit cards become more frequent
  - \( \xi \) decreases
- People become frightened of the stock market
  - \( \xi \) increases
End