A Money Demand Function

An Exercise

A Specific Money Demand Function

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

$$c_{it} = \frac{1}{(n - i + 1) + \xi(n - i)} z_i$$

An Illustration

- $y_2 = \$100{,}000$, $y_3 = \$200{,}000$, $y_1 = y_4 = 0$
- $r_N = 200\%$, $\eta^e = 50\%$
- $\xi = 1/3$

The Demand for Money

				Calculations in Real terms				
(1)	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*
Non-monetary Assets Carried Over	Carry over Plus Real Return	Money Balances Carried Over	Wage Income	Present Value of Future Income	Wealth	C	Money Hold-ings	Assets, End of Period	Price Level
1									1.000
2									
3									
4									

End