$$y_i = [1+\tau(x)]\, c_i = \frac{x^{\varepsilon}[1+\tau(x)]^{1-\varepsilon}}{1+x^{\varepsilon}[1+\tau(x)]^{1-\varepsilon}}\left[f(x)h_i + \frac{\nu_i}{p}\right]$$

y_i: purchase of services

$\sigma(x) \in (0,1)$

initial real wealth

$$\boxed{y_i = \sigma(x)\left[f(x)h_i + \frac{\nu_i}{p}\right]}$$

$$\frac{m_i}{p} = f(x)h_i + \frac{\nu_i}{p} - [1+\tau(x)]c_i$$

$\frac{m_i}{p}$: savings = real wealth

$[1+\tau(x)]c_i$: y_i = purchases

$$= \sigma(x)\left[f(x)h_i + \frac{\nu_i}{p}\right]$$

$$\boxed{\frac{m_i}{p} = [1-\sigma(x)]\left[f(x)h_i + \frac{\nu_i}{p}\right]}$$

endowment of real wealth + real income $\Big\}$ $\sigma(x)$ → services; $1-\sigma(x)$ → real wealth

$$v_i = \frac{y_i}{q(x)} = \boxed{\frac{\sigma(x)}{q(x)}\left[f(x)h_i + \frac{\nu_i}{p}\right] - v_i}$$

v_i: utility

Key function: $\sigma(x) \in (0,1)$ is the Marginal Propensity to Spend (MPS)

→ marginal propensity to spend out of wealth & income

→ $[1 - \sigma(x)]$ is the marginal propensity to save, also $\in (0, 1)$