

# Logarithmic utility is a special case of CRRA utility

$$f(a) = g(a) = 0$$

L'Hôpital's rule applies:

$$\lim_{x \rightarrow a} \frac{f(x)}{g(x)} = \lim_{x \rightarrow a} \frac{f'(x)}{g'(x)}$$

Apply this tool to CRRA utility  $\frac{c^{1-\sigma} - 1}{1-\sigma}$ . Let  $\sigma \rightarrow 1$ .

$$\lim_{\sigma \rightarrow 1} \frac{c^{1-\sigma} - 1}{1-\sigma} = \lim_{\sigma \rightarrow 1} \frac{e^{\log(c^{1-\sigma})} - 1}{1-\sigma} = \lim_{\sigma \rightarrow 1} \frac{e^{(1-\sigma)\log(c)} - 1}{1-\sigma}$$

Apply l'Hôpital's rule, taking derivatives of the numerator and of the denominator:

$$\lim_{\sigma \rightarrow 1} \frac{e^{(1-\sigma)\log(c)} - 1}{1-\sigma} = \lim_{\sigma \rightarrow 1} \frac{e^{(1-\sigma)\log(c)} \cdot [-\log(c)]}{-1} = \log(c)$$