INTERTEMPORALLY NON-SEPARABLE MONETARY-ASSET RISK
ADJUSTMENT AND AGGREGATION

by William A. Barnett and Shu Wu

June 24, 2004

ABSTRACT

Modern aggregation theory and index number theory were introduced into monetary economics by Barnett (1980). The widely used Divisia monetary aggregates were based upon that paper. A key result upon which the rest of the theory depended was Barnett’s derivation of the user-cost price of monetary assets. To make that critical part of Barnett’s results available prior to publication of that paper in the *Journal of Econometrics*, Barnett repeated that proof two years earlier in *Economics Letters*. Both papers have become seminal to the subsequent literature on monetary asset quantity and user cost aggregation. The extension of that literature to risk with intertemporally non-separable preferences now has become available in a working paper by Barnett and Wu (2004), and that paper will appear in volume 1, number 1 of the new journal, *Annals of Finance*. We are making available the key results from that paper below, without the proofs, which will be available in the longer paper.

**Keywords and Phrases:** User costs, Monetary Aggregation, Risk, Pricing kernel, CAPM

**JEL Classification Numbers:** E41 G12 C43 C22