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INTERTEMPORALLY NON-SEPARABLE MONETARY-ASSET RISK ADJUSTMENT AND AGGREGATION

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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
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