

Asset-Return Anomalies in a Monetary Economy*

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This paper provides a general equilibrium, choice theoretic, spatial model which explains the preference for holding barren money rather than interest-bearing securities or capital goods. Put somewhat differently, it examines standard asset pricing relationships in the context of a fully articulated monetary economy and delivers various asset-return anomalies. In seeking to integrate the theory of value with the theory of money, a fairly general proof of the existence of a monetary equilibrium is provided.