

What are the distributional effects of monetary policy in decentralized economy? This paper develops a tractable model of monetary exchange in which all transactions proceed only in a search and bargaining market. Even though the distribution of money holdings is non-degenerate and evolves endogenously over time, we derive analytical solutions not only for the stationary equilibrium but also for the full transitional dynamics. We study helicopter drops in the original sense: a central bank injects a fixed amount of cash to agents holding heterogeneous balances. Social welfare possibly rises due to redistributive effects under both long-run constant money growth rule and short-run monetary expansion. The former result stands in stark contrast to the classical Friedman rule.