

Compensation for money depreciation: an evaluation of theory and practice

Abstract: depreciation of money by inflation is an issue of contemporary economy in recent decades and based on the Islamic jurisprudence and economic reason, a indexation is proposed for the compensation of the depreciation of money. The practice of compensation for Mahr-Alzoja (spouse) in divorce and giving her equal to average inflation of consumer goods and services is the implementation of the theory. The article aims at, first, economic and jurisprudence evaluation of the theory of compensation for money depreciation by inflation. Second, explanation of practical problems during implementation of compensation by way of relating debt to prices. It was shown in the article that the arguments for the theory and practice of relating debt to prices are not appropriate for the compensation of money depreciation. The economic and jurisprudence arguments for the sake of compensation are criticized among others on targeting an effect and not the cause of money depreciation. An alternative perspective on controlling inflation as a cause of money depreciation is proposed.