

## **Evaluating the Responsibility of the Government Regarding Currency Depreciation: A Political Economy of Currency in Religion**

Zahra Abbasi<sup>1</sup>, Seyed Mohammad Reza Ayati<sup>2</sup>, Seyed Abolghasem Naghibi<sup>3</sup>

### **ARTICLE INFO**

#### *Article history:*

Date of submission: 11-12-2021

Date of acceptance: 04-01-2022

#### *JEL Classification:*

E31

E42

E52

E58

#### *Keywords:*

Currency depreciation

Responsibility of the government

Jurisprudential rules

Monetary policies

### **ABSTRACT**

The currency value or the depreciation in the value of a country's currency is related to governmental policies and institutes. In general, central banks, dependently or independently design and supervise monetary policies. Therefore, the higher the independence of the central bank is, the more successful the monetary policies will. Due to the lack of independence of the Central Bank in Iran, monetary policies are still under the control of the government. Thus, the government is an active participant in monetary policies. As the policies adopted by the government and the Central Bank have resulted in the significant depreciation of the national currency, and has negatively affected a large number of in the Iranian society this article is investigating the case in religion perspective. After proving the responsibility of the government and the central bank, the current study explores and discusses the jurisprudential rules relevant to this issue. By applying analytical descriptive methods and Shariah rule and utilizing a specific type of political economy of the religion, and economic tools this study confirms the duty of the government to compensate for the economic damages imposed on the citizens. The results of the study show that improper government policies are responsible for current situation of Iranian currency. Based on Shariah, it finally recommends some policies to bail out from such bottleneck.

## **1. Introduction**

The real value of the national currency in any economy is the symbol of economic power and stability and among factors improving macroeconomic

1. Ph.D. Student, Department of Islamic Jurisprudence, Faculty of Theology, Science and Research University, Tehran, Iran.

2. Professor in the Department of Islamic Jurisprudence, Faculty of Theology, Science and Research University, Tehran, Iran (Corresponding Author). Email: ayati@srbiau.ac.ir

3. Assistant Professor, Department of Islamic Jurisprudence and Law, Faculty of Humanities, Shahid Motahari University, Tehran, Iran.

sustainability. The depreciation of the national currency can reduce the levels of investment and production, decrease the public's trust, and increase cash flow. The non-standard depreciation of the national currency is accompanied by increased inflation, forcing people to pay higher volumes of money to purchase goods and services. This is the trend observed during recent years in Iran. The discussion of compensating for the depreciation of the currency is important from an Islamic jurisprudential perspective. One of the questions of the current study is whether the government is responsible for monetary inflation and/or the depreciation of the currency's value. Therefore, it uses a descriptive-analytical method and jurisprudential rules to evaluate the government responsibility. It is appropriate to emphasize that in economic theory and economics of the public sector, government means all influential powers (executive, legislative, judiciary, leadership, etc.) .Different sections of the current study will evaluate the depreciation of the national currency of Iran and its inflation outcome from the perspective of Islamic jurisprudence and economy to suggest some solutions for mitigating the case in question.

With regard to the background of this work, the following studies can be mentioned. After enumerating the responsibilities of an Islamic Government, Muhammad Bagher al-Sadr (2000) states that according to the teachings of Islam, the government must do the necessary policies to reinstate the social equilibrium. In addition, he evaluates the theory of the social responsibility (social security) of the Islamic state for the Muslims. He believes the Islamic state is responsible for providing the public with a suitable level of life standards based on the conditions of the time. This implies that if the Islamic state damages these conditions, it is responsible for the compensation. By using religious texts (the Quran and hadiths) and the ideas of Islamic scholars, Abbas Mousavian (2003) shows that improving welfare, establishing justice, stabilizing the real value of the currency, are among the responsibilities of the government. In "compensation for currency depreciation, theory and practice", Hossein Mirjalili (2009) states that

currency depreciation has been one of the problems of the Iranian economy during the last three decades. In order to mitigate the adverse consequences of this problem, one can apply Islamic jurisprudential teachings. In “the role of the Islamic government in economic development”, Mohammad Lashkari and Sadegh Bafandeh Iman Doust (2011) suggest that the Islamic government is one with a wide range of rights and responsibilities thus its responsibilities will be heavier than other governments. Ahmad Bagheri and Jamileh Jafari (2014) in “the jurisprudential and legal foundations of the legitimacy of the government’s responsibility to compensate the losses caused by currency depreciation” indicate that the responsibility of the initiators and instigators of currency depreciation has been a controversial point among Islamic jurists and law practitioners. The findings of the study show that if the government causes currency depreciation and imposes loss it will be responsible and has to compensate for the suffered losses. In “the civil responsibility caused by inflation and currency depreciation from the point of view of Islamic jurists and law practitioners”, Maryam Farbodnia (2017) concludes that if the government causes any losses through currency depreciation, it will be responsible to compensate for the loss and the reduction in value.

## **2. Literature and Theoretical Foundations**

Some studies discuss the position of the government based on a mixed economy as a rational combination of the government and the market with a moderate approach to realize the duties of the government, including trying to create welfare, for the citizens and efficient supervision of affairs, which are among the inherent responsibilities of the government. While free economy through the invisible hand and the market mechanism can solve many economic difficulties, it cannot run all affairs smoothly without the presence of the government. Therefore, the government in the economic standard is the good and optimal government. A good government is selected through a meritocratic pathway and it is disciplined and

accountable. By assuming the presence of an optimal government, some inefficiencies will be mitigated (Dadgar, 2017: 185).

### **2.1. Civil Responsibility of government in Shariah and Its Components**

Following the Islamic jurisprudence, the authors of the Civil Code have used the term ‘Zeman’ (responsibility) to express a legal requirement. Requirements created without contracts are covered by forcible zeman and they include usurpation, destruction (loss), indirect destruction, and fulfillment. The forcible zeman is opposed to the contract zeman which covers a contract of responsibility. However, in the current legal jargon, the term ‘civil responsibility’ is so common that forcible zeman is rarely used (Katouzian, 2010: 35). In legal jargon, civil responsibility has two meanings, i.e., general and particular. In the general sense, it refers to any obligation asked of a party by the law to compensate for the loss suffered by the other party, whether this is based on a contract or not. However, the particular meaning of civil responsibility covers non-contract responsibility. In the Iranian legal system, the majority of law practitioners have discussed civil responsibility (Badini, 2005: 34). Therefore, civil responsibility is the legal obligation and commitment of a party to compensate for the loss suffered by another party due to actions that can be attributed to the firstparty (Bariklou, 2015: 24). In order for the obligation to occur and a party to be ordered to compensate for the loss suffered by another party, some components are needed, which must be proved by the damaged party (Rah Peik, 2008: 42). Law scholars agree on the fact that the three components of civil responsibility, i.e., loss, damaging action, and the causal relationship, must happen for the obligation to be present. The most important component of civil responsibility is loss. The second component of civil responsibility is the occurrence of a damaging action, i.e., the perpetrator of the damaging action is responsible for compensation only if the action can be attributed to him/her. The third component of civil responsibility is proving the causal relationship between the loss and the damaging action, i.e., it must be proven

that there is a causal relationship between the suffered loss claimed by the plaintiff and the damaging action and that the loss has been caused by that action.

## **2.2. Currency Depreciation and the Civil Responsibility of the Government**

One of the notions that can define the conceptual limits of the responsibility of the governing state regarding currency depreciation is the term 'stagflation' and in turn, monetary inflation. From a conceptual point of view, this is an economic term. However, when its source is found in the inefficiency of a bureaucratic system, it becomes a legal term as well. Therefore, when it can be attributed to inefficiency in a wide sphere in the government, another important term emerges in the structure of the responsibility of the government. The phenomenon of stagflation refers to the concurrence of two economic complications, i.e., a high inflation rate and a low rate of economic growth, and it has highly negative consequences for the economy and society. Stagflation occurs in an economy when the rate of economic growth slows down while the inflation rate increases. When this issue is considered using the term 'monetary inflation', which can ultimately result in currency depreciation, it can imply a legal aspect, leading into a discussion of the civil responsibility of the government in this regard (Hosseini Doulat Abadi, 2016: 8). Since based on the economic goals of the Islamic system, no Islamic jurist considers adopting policies causing severe inflation and similar negative outcomes, claiming compensation from the government becomes legitimate (Abedini, 2009: 68). From a legal standpoint, initiators and instigators are, in any case, responsible for their damaging behaviors (Emami, 1996: 65). At the moment, when discussing the compensation for currency depreciation, Article 522 of the Civil Procedure is referenced; however, the presence of a loss as one of the components of civil responsibility brings us closer to the notion that the government is responsible in this sphere as well.

Now, if we scrutinize this approach based on the framework of risk theory, it should be noted that the most important philosophy of this theory is that when a person decides to perform an act, he/she deserves all the benefits of that act while he/she is responsible for all the losses caused by that act, particularly when that person has a wide range of authority and power to make macro decisions. Thus, when a person makes a decision based on his/her knowledge and rights to perform a behavior to enjoy its benefits, he/she must also be prepared to accept the risks caused by such a decision. Accordingly, the actions of the government, even if performed without a fault, can potentially be a source of risk. Hence, economic decisions causing currency depreciation create risks for the society, and the government will be responsible here and must be accountable in the sphere of its governmental performance as well. From a legal standpoint, some articles of the Law on Civil Responsibility can be referenced in this regard. Article 1 of this law explains the necessity of the presence of a loss in this way: “any person who performs an act without legal permission and causes material or spiritual loss of another person will be responsible for compensating for the loss caused by their action”. Confirming the first article, Article 2 adds: “in case the action of the offender causes material or spiritual loss for another person, the court will order the offender to pay compensation for the loss after contemplation and confirmation of the offense”. Therefore, with regard to the reduced purchasing power of the people caused by currency depreciation due to the non-scientific policies of the government, the government must be accountable for its negative and irrational actions. Hence, in all cases where the government causes destruction or collapsing people’s properties through non-efficient it would be responsible and it must compensate for the losses even if it has no fault (Zargoush, 2009).

### **2.3. The Economic Responsibility of the Government and the Islamic Laws**

According to the teachings of Islam and the Holy Quran, human beings are responsible and have duties while they also have power and rights (Surah an-Nahl, Verse 93). This style of living (rights along with responsibilities) is not limited to private and personal life. According to Islam, societies have rights and they are responsible for their social behaviors and actions, and on the Day of Judgment, they will also be rewarded or punished based on their collective behaviors (Surah al-Baqarah, Verse 141). According to Islam, the government is a tool for the realization of material and spiritual goals, the domination of divine and human values, and the preparation of the proper context for the growth and transcendence of human beings (Motahari, 1995: 211-213, Musavi Khomeini, 2000: 98-99).

### **2.4. Maintaining the Value of a Currency as an Obligatory Contract**

Some studies have used terms such as commitment and contract when talking about the necessity of maintaining the value of the currency. Accordingly, maintaining the value of the currency is an obligatory contract. The argument of these studies is based on Quranic verses and hadiths that consider the requirement for executing contracts an absolute one. The appearance of these commands is general and they include all manifestations of execution, covering whatever is common among people and in contracts and covenants; hence, they will include money and currency as well. Regarding the responsibility of the government for maintaining the value of the currency, since the current money is circulated based on the contract and commitment of the government, the governments will be responsible for maintaining its value based on economic standards. Thus, governments cannot overlook this principle since maintaining the interests of the Islamic society is an original command (Tavasoli, 2013).

### **2.5. The Effects of Currency Depreciation on the Goals of the Islamic System**

One of the most serious problems of contemporary societies involves inflation accompanied by the depreciation of the currency value. While this interferes with social justice, it will also damage economic welfare in the long run. In many verses, the Holy Quran emphasizes fairness and honesty in commercial dealings, measurement, and valuation of objects (Surah al-An'am, Verse 152, Surah al-A'raf, Verse 85). These verses cover criteria and tools for measuring the value of property and wealth; hence, any permanent and significant reduction in the real value of the currency, which is the general standard for value, will be an injustice and a type of corruption. This is because this depreciation in the value of the currency will have a negative impact on social justice and public welfare, which are among the fundamental goals of the Islamic system. Thus, the Islamic government has the duty to have healthy monetary, financial, and income policies to minimize currency.

### **2.6. The General Duties and Functions of Governments**

Regulations related to establishing economic order and security are a common context for the presence of governments in the economic sphere. The issues related to our current discussion are the financial discipline of the government and budget deficit. When enough taxes cannot be collected or the government is not disciplined in its spending, it can face deficits at the end of the year. When facing a deficit, governments may borrow funds from the central bank, which is the worst type of borrowing since it means printing more money without any backing product. The minimum loss caused by this action is the imposition of a new inflation rate on society. This is because printing more money must be done due to the growth in manufacturing and productive economic activity; otherwise, it will increase the volume of the money circulating the community, causing inflation (a problem that has always been present in Iran after the Islamic Revolution). If the budget deficit is based on a rational reason, results in an improvement in



the economic state, and can be funded through an economic approach, it can be considered justifiable. However, budget deficits in the Iranian economy are mainly due to administrative difficulties and some structural contexts (Dadgar, 2017: 191). Adopting a practical approach for stabilizing the economic conditions and escaping the crisis are some of the other tasks of the government. Economic stability means reaching an economic status where macro indices, including inflation, unemployment, production growth, and the payment balance, can reach an acceptable level in the long run. It should be emphasized that performing the task of stabilizing in this area is mainly focused on mitigating critical conditions and restoring the normal course of business, and it does not mean the widespread interference of the government in these affairs.

### **2.7. The Responsibility of the Government Regarding Currency Depreciation**

Governments try to advance their economy based on modern global methods and without politicizing it. However, some monetary policies, which are influenced by the behaviors and decisions of the governments at domestic and international levels, will lead to the decreasing value of the monetary assets, limiting their purchasing power (Abbasi Hossein Abadi and Valizadeh, 2008: 9). If common practice considered monetary credit desired by individuals solely based on its nominal purchasing power, then reduced purchasing power and decreased value would not exist. Since there is no reduction in the nominal purchasing power, i.e., digits and numbers; rather, there is a reduction in the inherent nature of the money (Yousefi, 1997). Therefore, the importance of monetary policymaking is so prominent that price stability and economic growth are traditionally considered the goals of monetary policymaking. However, after the financial crisis of 2007, financial stability was accepted as the third component of the objective function of monetary policymaking (Davoudi and Bastanzad, 2020: 17). As noted earlier, following global financial crises, a prominent model is to align with modern economic approaches while monitoring financial stability and

utilizing dynamic financial policies without financial friction using a combination of political, legal, and economic tools to stabilize the value of the currency. Considering the blockage of parallelism in currency value during many consecutive years under the guidance of traditional jurisprudence in the economic system of the country, the monetary policymaker must consider the willingness of dynamic jurisprudence to understand monetary concepts and utilize specialized modern economic jargon. In any case, the monetary policymaking of the government can have a relationship with currency depreciation, inflation, and ultimately economic collapse. Obviously, improving and upgrading the performance of the central bank, as the highest authority for monetary policymaking and supervising banks and non-banking credit institutions, will be considered one of the most important structural adjustments of the Iranian economy, which can provide price stabilization and the health of the banks while accelerating the growth of the country's economy (Deputy for Economic Studies of the Parliament, 2021: 3).

### **3. Duties of the Central Bank as a Governmental Institution**

#### **3.1. Some General issues**

The central bank has two main duties, i.e., supervising the management of the monetary and banking system and executing monetary policies. Regarding the first duty, the central bank focuses on the interest rate, the bank reserves, the value of the national currency, allocating foreign currency, the inflation rate, the loaning procedures of the banks, and the like. Regarding the second duty, an optimal threshold of cash flow is considered in the economy. Based on monetary policies, the central bank is responsible for planning for the realization and protection of the optimal cash flow volume. Good monetary policies can be defined in the course of maintaining the optimal cash flow. Monetary policies are a set of measures taken by the central bank for changing the volume of cash flow and circulating money in

order to maintain the health of the economy. In this regard, a number of issues must be considered.

### **3.1.1. Maintaining the value of the national currency as the duty of the central bank**

Unfortunately, the Central Bank of Iran has failed to realize the goals set in the Monetary and Banking Law of the country ratified in 1972. This law defines maintaining the value of the national currency as the first goal of the central bank; however, in terms of purchasing power, the value of the national currency from 1972 to 2019, i.e., the period after the ratification of this law, has weakened 3320 times. In other words, the purchasing power of 3320 rials of the national currency in 2019 is equal to the power of 1 rial in 1972. This is while in the same period, the purchasing power of USD has only reduced to one-fifth, i.e., the purchasing power of 5 USD in 2019 was equal to the power of 1 USD in 1972. Maintaining the value of the national currency in terms of the exchange rate of rial against other currencies, which is again completely related to controlling inflation, indicates the poor performance of the central bank in this time period. Since from 1972 to 2019, the value of the national currency against USD has reduced 1872 times. Of course, other factors and institutions have also played a role in the depreciation of the national currency as well, the most important of which is the budget deficit that has spread to the entire banking system. This deficit is caused by the government and the parliament and it has become a driver for increased cash flow. The consequences of the poor performance of the central bank in monetary and currency policymaking have afflicted the country's economy, while the theoretical methods of controlling inflation are available and applied in various developing countries with success. Some countries experiencing low levels of inflation in recent years are the same countries that had a two-digit inflation a while ago, and they were able to control inflation by making adjustments to their central banks and banking systems. Considering the poor performance of the central bank in terms of its legal duties and comparing its performance with those of other central banks,

it becomes clear that there is a need for adjusting the structure of the central bank based on the Monetary and Banking Law of the country. As explained in the following, the majority of the structural weaknesses inflicting the central bank require amending the relevant laws.

### **3.1.2. The necessity of Independence of the central bank**

The absolute independence of the central bank, whether in Iran or other countries, is not defensible. The relative independence of the central bank involves providing legal and operational contexts and other necessary infrastructure for standard decision-making of monetary authorities to stabilize the trend of macroeconomic variables. Therefore, despite non-expert opinions, the independence of the central bank does not mean the complete separation of this organization from other subsystems of the economic system. Another important issue is the significance of the necessary conditions and contexts for the relative independence of the central bank in Iran to make sense. However, comparing the performance of central banks in developed and developing countries shows that the effectiveness and efficiency of the independent in advanced countries significantly reduced inflation while this is not the case for developing countries. Therefore, the specific conditions of the Iranian economy must be considered to reach conditions that are compatible with the independence of the central bank. The severe reliance of the government on the revenue of exporting oil (more than 60 percent in the most optimistic scenario) in conditions of not realizing this revenue causes the governments to resort to the inappropriate method of borrowing from the central bank to compensate for the relevant deficits. This policy is fundamentally in contrast to the relative independence of the central bank. The reliance of the government's developmental plans on banks, created due to the lack of a developed financial market, is another problem that exacerbates the existing ones. Moreover, failure to execute legal directives due to the lack of the above-mentioned contexts will cause even the best ratified laws to remain

unenforced (Dadgar, 2014). Another argument regarding the independence of the supervising authority from the government is that this authority must be immune to political pressures to be able to adjust the regulations or monitor the banking network. This notion, which is mentioned in the Basel Committee on Banking Supervision (BCBS), is a supervisory and regulatory tool for realizing financial stability (Quintyn, 2002). The supervising authority must be able to make decisions regarding the liquidation of an unhealthy bank, the disqualification of managers, or the application of other regulations to credit institutions without any political concerns, such as approaching elections and the like. The necessity of this notion in economies with public banks is emphasized with 'the independence of the supervisor from the supervised' since the supervision of a public official over a public bank result in conflicting interests and reduced authority of the supervisor over the supervised, encouraging the supervisor to be lenient.

### **3.2. Jurisprudential Rules Governing the Responsibility of the Government**

#### **3.2.1. The Rule of Negating Oppression**

This rule is among general inviolable rules often referenced in Islamic jurisprudence and everyone, is equal before this rule. The religious notion is that what is considered oppression among you is forbidden (haram). The Quranic verses saying 'not to oppress' and 'behave in a just manner among yourselves' certainly prove the presence of a responsibility. Therefore, if failing to perform an action is oppression, then performing it is mandatory (Akbarian, 2008). Now, these generalities can lead us to the conditional principle of negating oppression from the government toward the people. This is because adopting policies causing the reduced purchasing power of people due to currency depreciation will be the manifestation of oppression and justice demands that all (private and public sectors) involved in causing a loss for people must compensate those losses. Based on the social contract between the public and the government, when monetary inflation and currency depreciation are caused by the measures taken and decisions made

by the government, a lack of responsibility for the government will contradict justice and fairness. Therefore, compensating for the people's material and spiritual losses will be a legal and religious must since this is the application of the rule for negating oppression and the rule for the absolute authority of the government (the assumption that the government is not responsible for its governing actions) cannot be justified.

### **3.2.2. The Rule of Respecting property**

The rule of respecting property is one of the general rules that can be used for proving the protection of a people property. Therefore, the rule of respecting people's property protects their properties from confiscation and encroachment. This means that confiscation and encroachment of the property are not allowed and in case a confiscation or violation happens, the violator is responsible and accountable. The principles of this rule have been confirmed by Shiite and Sunni jurists (Tusi, 1999: 59). The majority of jurists do not pay attention to the reality of credit-based money; hence, they compare it to tangible monetary bills and coins. The important point is to understand that credit-based money. Therefore, any loss in that credit is a loss in property too. Since it is a loss in the property, so it carries responsibility (Mesbahi Moghadam, 2020). Therefore, considering numerous losses that people can suffer as the outcome of monetary policies that result in currency depreciation, these policies can be considered encroachment and violation. Regarding the value of a currency, it can be said that since currency has no usable benefits other than its purchasing power, this must be considered when repaying the money since the usable benefit has been damaged. If the government is involved in applying such policies or fails to notify investors before any radical measures are taken, then the government will be responsible for the deposited funds relative to the reduction in the purchasing power, which is certainly a way of disrespecting the property of. Therefore, the government is responsible and must compensate for the losses and damages to the properties of people based on this rule.

### **3.2.3. Public Order**

While there are various definitions for the term ‘public order’ in jurisprudential (Ashtiani, 1984: 55) and legal texts, there is no exact rule to determine the examples of public order and such a rule cannot be obtained from all those definitions. The common point of these definitions is the relationship between the concept of public order and the general interests of society. Therefore, some law scholars (Katuzian, 2010: 159) consider public interests as the standard for determining imperative rules, and the laws created for protecting collective interests of the members of a society are laws with a public order basis or imperative rules. It is clear that the majority of laws have a social aspect and there is a general intention for creating those laws (Olfat, 2005). The presence of order and discipline in civil societies is critical and the law is a necessary tool in this regard. In order to maintain public order and social peace, governments have to legislate rules and regulations to shape the relations between citizens in such a way that any individual can enjoy his/her interests without creating a threat to the interests of others. In performing such a role, the law becomes efficient when everyone, especially governmental persons at any level, considers him/herself obligated to follow and comply with the law (Jafari and Bagheri, 2014: 6). Since disorder in economic affairs is one of the factors in disrupting public order, the governments must monitor the price and quality of goods and services to guarantee social and economic justice. As a result, governments prevent unhealthy food and medicine from reaching the customers, etc. Thus, when someone suffers a loss, his/her economic state changes, his/her assets are reduced, and since this is caused without legal permission by another party, social order becomes vulnerable. To establish social order, the law comes to the aid of the victim and forces the offender to compensate for the loss as an attempt to restore the victim’s state to the state before the loss (Emami, 1996: 409). Therefore, when the government causes currency depreciation and ensuing economic crises, it will be responsible for the loss suffered by the citizens. Therefore, when it comes to currency

depreciation, the rule of public order requires the offender to compensate for the losses suffered by the victim.

#### **3.2.4. The Rule of Loss and Economic Inefficiency**

One of the rules discussed by jurists when discussing forced responsibility is the rule for loss. While the text of this rule is not present in any hadith books, it is so famous that it is referenced by jurists. There is some disagreement among jurists regarding the type of loss intended by this rule. Some believe that any loss, including real or legal loss, causes responsibility and is covered by the rule for loss (Jobaei Ameli, 1989: 536-537; Najafi, 1991: 230), while some others consider legal loss outside the scope of this rule (Mousavi Bojnourdi, 1998: 20). Due to arguments in the rule of loss, the elements of intention and objective are not involved in the creation of responsibility. Moreover a causal relationship between the action of an individual and the loss of property is enough for the occurrence of loss, even if there is no intention for causing the loss. Now, we must ask whether creating the factors causing currency depreciation is the real or legal loss of property. While some jurists consider currency property (i.e., nominal property) similar to other goods, we will use their opinions on the rule for loss to prove the responsibility for compensating for currency depreciation. Imam Khomeini considers the rule for loss a rational rule. According to him, in the rule for loss, the important issue is the damage caused for the owner and not the property itself, and damage to the owner means that the owner cannot use his/her property, which must be determined based on the common mores (Ansari, 1994: 10; Musavi Khomeini, 1997: 217). In this regard, the rule for loss includes both legal and real loss. Moreover, each person is responsible to the extent he was involved in damaging the property. In particular, hadith texts do not contain the three components of collusion, causation, and the creation of conditions, and the basis is the mores considering it a loss (Makarem Shirazi, 1962: 205). Therefore, if governmental authorities cause damage to the property of others, this will



create civil responsibility for the government. After paying the inflicted losses, the government can consider the authority or employee responsible based on the rules and regulations inside the relevant organization. Considering the above discussion and the fact that the Islamic religion and the ideas of scholars emphasize the compensation for losses and damages, the responsibility of the government is proven and the government has to compensate for the losses. It should be noted that factors causing inflation are sometimes uncontrollable, including war, earthquake, flooding, reduced oil prices, and the like, and sometimes controllable. The rule for loss covers all these factors; hence, the government causing the reduced purchasing power of people will be responsible (Mousavi Bojnourdi, 1957: 39). As a result, ministers, parliament members, and the managers of specific organizations who act or talk in such a way that is outside their scope of responsibility, without the necessary skills and qualifications for that position, or based on misunderstanding and negligence, causing currency depreciation or inflation, they will be responsible. Therefore, if the government takes measures that damage the financial backbone of the currency or its spiritual backbone, resulting in economic problems, currency depreciation, and loss for people, the government will be responsible.

### **3.2.5. The Rule for Negating Damage**

The main goal of this rule is to compensate for the loss, as the story of Samura ibn Jundab, the Prophet quoted the rule for negating damage and loss as the reason for the order for the cut down date palm tree, compensating for the loss suffered by the Christian man. Some jurists (Tabatabaei and Sarmadi, 2015: 5) utilize the rule for negating loss to prove responsibility in some cases. Moreover, since the stability and value of credit money depend on its exchange value in the market, as the value decreases over time, the loss is proven based on mores (Hashemi Shahroudi, 1996: 82). Therefore, reduced real value and purchasing power of money will be a type of loss, and based on this rule, the loss suffered by the owner of the money,

which was outside his/her control and authority, must be compensated by the offender. In addition, the principle of unifying the sentences of natural and legal persons, reflected in Article 588 of the Law on Commerce, confirms this finding (Bahador and Rastgouye Mashhour, 2019). Hence, by accepting the opinion of jurists who reference the rule for negating loss to prove responsibility, if a significant depreciation of the currency can be attributed to the governmental measures taken by the government, then the government will be responsible for compensating all the losses. Accordingly, ordering the compensation of losses is the best way to prevent loss. Failure to consider the government responsible for the losses caused by the government's actions and measures will be a damaging notion, which will create a high level of pressure and loss for the citizens. Therefore, the rule for negating damage and loss eliminates that loss, proving the responsibility of the government.

#### **4. Some complementary Analytical results**

1-One of the basic institutions in the economy is money and one of the most effective organizations related to money is the banks. Therefore, understanding the function of money and banks is necessary for those interested in economic and financial debates in both Shariah and economics. Money is considered a source of wealth along with other sources (goods, real estate, equipment, securities, gold, human resources, social capital, and the like). Business owners, families, and enterprises keep money along with other resources. Money is a type of economic capital called financial capital. If the money volume exceeds the optimal threshold, it can result in non-economic demand. A non-standard volume of cash flow can depreciate the value of the money and increase the price of alternative assets (e.g., gold, foreign currencies, securities, real estate, and the like). Therefore, a rational relationship between the cash flow volume and the gross product is desired. This does have its significance in Shariah rules. 2-Financial assets, such as money (bills, banknotes, and other similar documents), have a credit-based

nature; hence, they can create problems at the national and international levels under the influence of improper policies. An improper monetary policy can create bad money, replacing the good type of money. In issuing the religious propositions the jurists should take these economic realities. 3-The central bank is tasked with monitoring the monetary and banking systems and executing monetary policies. Monetary policies are executed through money-controlling instruments, e.g., buying and selling bonds, exchange rate, bank reserves, and interest rate. The lack of independence for the central bank can result in the exceeding presence of the government and the financial dominance of the government. 4-Unjustifiable decline in monetary value and inflation are serious problem in macroeconomics alongside with unemployment, recession and so on. An inflation rate above 10 percent can create a large number of complications in different economic affairs. Inflation reduces the purchasing power of the citizens and it can endanger economic and political stability. Thus, an obvious task of the governments is to fight inflation. As the first step, governments can reorganize their current expenditures, as one of the main causes of inflation, especially in developing countries, is the high level of public and governmental expenditures. The government can also provide the necessary context for the development of the private sector to increase production and investment. One of the outcomes of having a developed and efficient private sector under the supervision and support of an optimal governmental structure consists of increased production activities and reduced inflation and unemployment. 5-The issue of the independence of the central bank is based on the proper behaviors of the government and central banks. By implementing independence, the monetary authority is shielded from political fluctuations to be able to create proper monetary policies by considering short-term and long-term costs and benefits. Independence of the central bank is necessary firstly for the sustainability of the economic system. Secondly, it shows that the optimal management of financial instruments and markets can reduce fluctuations in the corresponding

markets. These findings are obvious rational goals of healthy economy and thus are compatible with Shariah.

### **5. Concluding**

The chaotic economic and political state of the country and the blurred future waiting for its economy will exacerbate the increasing inflation and the severe depreciation of the national currency. Factors influencing increased inflation, including unjustified creation of money, increased bank credits, and reduced economic growth, are all effective in the depreciation of the country's currency, reducing the value of the currency compared to foreign currencies. This is while the main decision-maker in this regard is the government and its central bank. Since the governments have a dominant hegemony in taking such measures in an absolute manner and based on an unwritten social contract and enjoy their governing positions in their actions, giving them an absolute authority for decision-making, they are not responsible from the outset. In other words, the government cannot be made responsible based on its governing actions since it receives its authority from society. However, as shariah doctrines are concerned, and based on various discussed rules, including the rule for justice, the rule for respecting property, the rule for public order, the rule for loss, the rule for negating loss, and so on, it is clear that the government is responsible if it imposes loss or damage on citizens. Under normal circumstances, when an action or behavior causes loss for another person, that loss must be compensated. Therefore, as a simple and common rule, no loss must remain without compensation. Therefore, when the government causes a loss, such as the depreciation of the national currency that reduces the purchasing power of people and damages their different assets, it is completely responsible to compensate the losses in question.

The reliance of the Iranian economy on oil exports, using the currency obtained from selling crude oil in the budget, and selling governmental foreign currency to compensate for the budget deficit can be a problematic

series of policy. Failure to pay attention to the recommendations of economic experts regarding increased liquidity and other inefficient monetary and financial policies of the central bank and the government will result in reduced productivity and the collapse of the national product. Due to the exceeding interference of the government in all economic spheres, the marginalization of the private sector in investment, production, and commerce, and the presence of widespread rents have resulted the current problematic economic crisis. Albeit, the economic pressures caused by the sanctions have become an excuse for the economic managers of the country to justify their improper management. The inefficiency of the government in the economy has been the main reason for the reduced value of the national currency, which has been exacerbated by the sanctions. From a religious point of view, the government must compensate for the loss it causes. In addition, the government can take rational and peaceful measures to create peace, security, and justice at the national and international levels and avoid extreme strategies that can isolate the country, deprive it of global interests, and increase the poverty of the people. Furthermore, as one of the main reasons behind monetary and financial instability is the lack of independence of the central bank, the government should provide an optimal level of independence for the central bank to correct current momentary policies. Having an independent central bank means providing the ground for informative monetary policies, and maintaining a sustainable macroeconomy. One of the basic findings of the current study is the emphasis of the religion on rational rules that are effective at the macro level and in resolving the problem of the depreciation of the national currency in particular.

### **References**

Abbasi Hossein Abadi, Hasan; Valizadeh, Mohammad Javad (2008) Effects of Mores on Jurisprudential Rule of the Theory of Compensating Currency Depreciation, *Islamic Teachings and Law*, 9(28), 287-319.

- Abedini, Ahmad (2009) *Usury in Inflation and the Responsibility for Currency Collapse*, Isfahan: Oqyanous Ma'refat Publications.
- Akbarian, Hasanali (2008) *Comparing Justice and the Rule for Negating Loss, A New Exploration into Islamic Jurisprudence*, 15(56), 196-238.
- Ansari, Morteza (1994) *Al-Makaseb (Vol. 2)*, First Edition, Qom, The Global Congress for the Celebration of Great Sheikh Ansari
- Ashtiani, Mirza Mohammad Hasan (19684) *Ketab al-Ghaza*, Second Edition, Qom: Dar al-Hijrah.
- Badini, Hasan (2005) *The Philosophy of Civil Responsibility*, Tehran, Enteshar Joint Stock Company.
- Bahador, Morteza; Rastgouye Mashhour, Houra (2019) *The Government's Responsibility for Compensating for the Loss Caused by Currency Depreciation*, Internal Periodical of Iran Bar Association, (19), 179-200.
- Bariklou, Alireza (2015) *Civil Responsibility*, Tehran: Mizan.
- Dadgar, Yadollah (2014) *Considerations for the Independence of the Central Bank*, Donyay-e-Eghtesad Newspaper, No. 3327.
- Dadgar, Yadollah (2017) *Principles of Microeconomic and Macroeconomic Analysis (Seventh Edition)*, Tehran: Amareh Publications.
- Davoudi, Pedram; Bastanzad, Hossein (2020) *Evaluating the Coverage of Monetary Policymaking and the Concept of Financial Stability in the Iranian Economy Using the DSGE Model*, Scientific and Research Periodical of Quantitative Economics, 17 (65).
- Deputy for Economic Studies of the Parliament (2021) *Expert Opinion on the Banking Plan for the Islamic Republic of Iran*, the Section on the Central bank, 11-1 (58), May 2021.
- Emami, Sayed Hasan (1996) *Civil Law (Vol.1)*, Tehran: Eslamieh Bookshop.
- Hashemi Shahroudi, Sayed Mahmoud (1996) *Jurisprudential Essays*, Beirut: Al-Ghadeer Center for Islamic Studies.

- Hosseini Doulat Abadi, Sayed Mehdi (2016) The Nature of Banks and the Arguments for Studies in Islamic Banking, *Periodical of Studies on Islamic Economy*, 8(16), 173-198.
- Jafari, Jamileh; Bagheri, Ahmad (2014) Jurisprudential and Legal Foundations of the Legitimacy of the Responsibility of the Government for Compensating for the Losses Caused by Currency Depreciation, *Periodical of Studies in Islamic Jurisprudence and Law*, 6(65), 87-116.
- Jobaei Ameli, Zeinodin bin Ali (1989) *Al-Rawdah Al-Bahiya fi Sharh Al-Luma' Al-Dimashqiah* (Vol. 3), Qom: Publications of the Office for Islamic Promotion.
- Katuzian, Naser (2010) *Legal Events of Civil Responsibility* (Vol. 3), Tehran: Nasher Joint Stock Company.
- Khomeini, Ruhollah (2000) *Sahifeh Nour* (Vol. 21), Tab' va Nashr Publications.
- Makarem Shirazi, Naser (2003) *Jurisprudential Rules*, Qom: Dar al-Elm Publications.
- Mesbahi Moghadam, Gholamreza (2020) *Jurisprudence of Money and Banks*, Qom: Tayebat Institute.
- Motahari, Morteza (1995) *Looking at the Economic System of Islam*, Qom: Sadra Publications.
- Mousavi Bojnourdi, Sayed Hasan (1998) *Jurisprudential Rules*, Qom: Al-Hadi Publications.
- Mousavi Khomeini, Ruhollah (1997) *Ijtihad and Taqlid*, Tehran: Foundation for the Organization and Publishing of Imam Khomeini's Works.
- Mousavian, Sayed Abbas (2003) The Position of the Government in the Economy from the Perspective of Islam, *Scientific and Research Periodical of Islamic Economy*, (10), 53-80.
- Najafi, Mohammad Hasan (1991) *Javaher al-Kalam fi Sharh-e Shara'e al-Islam*, Beirut, Global al-Morteza Institution.
- Olfat, Nematollah (2005) Public Order and the Obligation to Sign Contracts, *Journal of Jurisprudence and Law*, (7).

- Rah Peik, Hossein (2008), *Civil Law*, Tehran: Khorsandi Publications.
- Sadr, Sayed Mohammad Bagher (1978) *Our Economy*, Mashhad: Al-Alam al-Islami Library.
- Sadr, Sayed Mohammad Bagher (1979) *An Image of the Economy of an Islamic Society*, Beirut: Dar Al Tarif Publications.
- Tabatabaei, Sayed Mohammad Sadegh; Sarmadi, Pegah (2015) *Jurisprudential and Legal Analysis of the Possibility of Compensating for the Loss Caused by Currency Depreciation*, *Periodical of Islamic Jurisprudence and Law*, 5(10), 51-74.
- Tavasoli, Mohammad Esmail (2013) *The Religious Duty of the Government to Maintain the Value of the Currency*, Publications of the Monetary and Banking Research Center.
- Tusi, Abu Jafar Muhammad bin Hasan (1958) *Al-Mabsout fi Fiqhe al-Imamiyyah* (Vol. 3), Tehran: Al-Murtazawiya Library.
- Yousefi, Ahmad Ali (1997) *The Nature of Money and Its Jurisprudential and Economic Strategies*, Research Center for Islamic Culture and Thought.
- Zargoush, Moshtagh (2009) *Theoretical Foundations of Immunity and Responsibility in the Civil Responsibility of the Government*, *Journal of Public Law*, (5).