

Mitigating homelessness and creating market participants by pursuing interest-free *Qard Hasan* based monetary policy

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Abstract

This paper investigates how the problems of homelessness can be solved by pursuing interest-free *Qard Hasan* (QH) based monetary policy (MP) and examines its impact on equilibrium output, employment, inflation rate, expansion of the market size and on major macroeconomic variables. The nationwide issue of homelessness can be addressed and mitigated by pursuing QH based MP from a theoretical perspective by employing the macroeconomic general equilibrium model where homeless people will be new participants in the market and as a result, the aggregate demand curve will shift to the right. In interest-free MP, based on the principle of QH, the Central Bank (CB) lends to homeless people on QH or interest-free basis and thus directly transforms homeless individuals into homeowners. People who used to live on streets, jungles, train, and bus stations without proper amenities of life will suddenly find an honorable living space which they can call sweet home. The marketing and sales of homes will increase. This unprecedented transformation will not only change economic, health, and social conditions of such poor homeless cohort of the population but will also have a positive impact on the overall performance of the economy through the increase in aggregate expenditures. In addition, it will also create housing boom which will eventually shift the aggregate supply curve to the right. Simultaneous rightward shift in both aggregate demand and long run aggregate supply curves will increase potential equilibrium income, employment, and prosperity. The problems of homelessness are real and vivid and a clear failure of the contemporary conventional economic systems. The current study is perhaps one of the most recent and new approaches to solve such enormous problems by pursuing QH based interest-free MP which Socialism, Capitalism or any other conventional interest-based systems failed to do so. The QH based interest-free MP can provide perfect solutions to the problems of homelessness, and it does immediately and without much cost, debts, and deficits.

Keywords- Homelessness, Marketing, and sales of homes, Qard Hasan based Monetary Policy, Honorable living space, Full employment.

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