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# Some Economic Implications of the Indexing of Financial Assets with Special Reference to Mortgages

Chapter  
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allocation as well as the redistributive effects can be eliminated or at least greatly alleviated by the device of 'indexing' financial contracts, especially long-term contracts. Indexation consists in denominating the principal and the interest in 'real terms', i.e. in terms of 'a suitable commodity basket'. In practice, this means that the nominal value of the principal is revalued periodically on the basis of an index of the changing nominal value of the stated basket, and that the agreed interest is to be applied to the revalued principal.

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