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DEBT-BASED CURRENCIES THE POLITICAL HISTORY OF SOUR SMELL FINANCE

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ABSTRACT ; On August 15, 1971 the United States Dollar died, without the approval of Congress, President Nixon ended the relationship between the United States Dollar and gold. The dollar becomes Monopoly Money. After that, the biggest economic boom in history began. In 2009, when the economy ran aground, central bankers in the world created trillion dollars, yen, pesos, euros and pounds by following a monopoly for bankers. The concept has changed until the present time.The distribution of money was transformed into the concept of debt in various forms, including the use of money as a loan and reward instrument. The rules of money have really changed and are very leaning towards rich and powerful profits. the smell of rancid has started. US dollars are no longer money, but currency. Savers become addicts.The dollar is spread in the world as a loan tool for poor countries to carve a smelly history. This history began in the era of the cold war, the US poured out loans to the dictatorial regimes, these loans are known as Unclean Debt. After the Cold War global market domination was marked by derivative loans, bringing disastrous financial crisis that has hit the countries of Asia, Latin America, Africa and Europe.
In 1997/1998 the financial crisis burned down Indonesia resulting in the fall of Suharto. Since 2009, to this day, loans have drawn a storm that has not yet passed, the economic power supported by more imports, than exports. The government prints debt securities faster to make money, so the government needs more money than it save

A. The Failure of Bretton Woods:

The Evolution of Money into Currency

On August 15, 1971, the US Dollar met its end. On that day, without Congressional approval, President Nixon severed the link between the US Dollar and gold. The Dollar was transformed into monopoly money. This event marked the beginning of the largest economic explosion in history(Robert T Kiyosaki – *Rich Dads Conspiracy of The Rich The 8 New Rules of Money* ,2009) . By 2009, as the economy faltered, central bankers worldwide created trillions of dollars, yen, pesos, euros, and pounds, following the monopoly rules set by bankers. Inflation and deflation often serve as political excuses for governments and banks, which seem to control the economy by printing bonds and money and easily lending out funds. Although money itself holds no intrinsic value, supported and backed by the instrument of "credit," it eventually gained full trust for creating new wealth.
The US issued bonds, and people worldwide believed that US bonds were the safest to purchase with their currencies. The US owed us, and our receivables were used as collateral for credit lines, which continued indefinitely. The global burden of living is entangled in debt—debt begets debt. We cannot live without money. While the love of money is said to be the root of all evil, money itself is not the root of evil. To live, money is necessary; to acquire wealth is a fact. The Dollar is no longer "money" but merely a currency.
Inflation and deflation are often exploited as political excuses for governments and banks, which appear to control the economy by printing bonds and money and easily lending funds. Although money itself holds no value, when supported and backed by the instrument of "credit," it becomes trusted to create new wealth. The US issues bonds, and people around the world believe that US bonds are the safest to purchase with their currencies. The US is in debt to us, and our receivables serve as collateral for credit lines, perpetuating the cycle of debt. The global population lives under the weight of debt—moving from debt to debt and debt again. Because we cannot live without money

The End of Bretton Woods and the Evolution of Money

The love of money is often said to be the root of all evil, but money itself is not the root of evil. Money is necessary for living, and acquiring wealth is a fact. After the end of the Bretton Woods system, the Dollar ceased to be considered "money" and was referred to as "currency." The Bretton Woods concept has evolved into the present day. The distribution of money has transformed into various forms of debt, including the use of money as an instrument of capital.

The Bretton Woods system was an international monetary system established in 1944 in New Hampshire, USA. It was designed to create a more flexible and stable economic order in the aftermath of World War II. The Bretton Woods system also led to the creation of three major global financial institutions: the IMF, the World Bank, and GATT, which can be considered the first International Monetary Institutions (IMIs). The establishment of these institutions was intended to support and implement the rules of the Bretton Woods system, ensuring its effective operation as hoped.

The system used a Fixed Exchange Rate based on the dollar-gold standard, effectively ending the gold standard that was previously in use. Under the gold standard, a country's currency was directly convertible into gold. In the Bretton Woods system, conversion was mediated through the dollar, with a standard approximately set at $35 per ounce of gold.

The system functioned as intended from 1950 to 1970, during which the United States, as the world's strongest economy, acted as a global hegemon. However, with the rapid economic development of Europe and Japan, they no longer needed American assistance. Additionally, by the 1970s, the United States faced internal issues related to the Vietnam War. Ultimately, the system was unilaterally ended by the United States on August 15, 1971. President Nixon irresponsibly declared to the world: "*We Gave Our Word To You But We Don't Have To Keep It.*"

The monetary system evolved again in the modern era due to various economic and political developments. Money transformed into a form of art printed by each country. Government control over the supply and demand of money became a determinant of national and international economic activity(reviewed from international money matters, robert Gilpin). Money, as a tool capable of creating new wealth, raises the question of whether this is a truth and authentic reality that provides future prospects for its holders.

The end of the dollar being backed by gold marked its transformation into purely paper money (fiat money). Consequently, money reached a state where its reality was no longer an authentic truth backed by the wealth of a country with thousands of tons of gold. Historically, money was a medium of exchange guaranteed by gold or silver. By the end of this civilization, money carried a story within the context of a stale history, as it evolved into layers of derivatives.

In this situation, money exists as a simulacrum, a state where new reality can be recognized not by the country providing a legal guarantee in the form of gold or silver, but merely through legal frameworks such as laws on money and government bonds (obligations). Thus, the foundation of reality becomes nihilistic because simulacra do not represent anything, except for knowingly manufactured and contrived reality.

This situation demonstrates that money issued by a country, appearing as pure paper (fiat money) guaranteed by government bonds, does not provide a certain future. What appears are tautological statements (collections of numerical words without substance, such as five dollars or fifty thousand rupiahs). These statements are believed to be protected by divine authority, as reflected in the phrase "In God We Trust" on U.S. dollars or similar words on Indonesian rupiah notes, such as "By the Grace of God..."

The new wealth created by money today is entangled in a cycle of "debt," from debt to debt. The mechanism of money creation in a country is based on government bonds (obligations) which are then purchased by the central bank (such as Bank Indonesia), and the central bank converts these into money. The central bank then regulates the circulation of money to prevent recession and depression.

Andrew Hitchcock reveals the deceit of modern central banks in his book *The History of The Money Changer*. Economists continually deceive the public into believing that recessions and depressions are natural parts of the trade cycle. However, this is not the case. Recessions and depressions actually occur because central banks manipulate the money supply, with the ultimate goal of transferring more wealth from the public into their hands. According to Hitchcock, central banks are the modern metamorphosis of money changers from the past. This concept underpins the global economic system and has evolved into a global financing system, which, according to Andrew, creates many losers and a few winners.

Andrew quotes Clemenceau, who said that money is a more serious issue to be entrusted to central banks. Milton Friedman also stated, "I know there is no severe depression in any country or at any time without a sharp decline in the money supply. Likewise, there is no sharp decline in the money stock that is not accompanied by a severe depression."

Sir Josiah Stamp, the Director of the Bank of England, made the following statements regarding banking:

1. "The modern banking system produces money from fiat money, money that essentially represents nothingness. This process may be the most astonishing part of any magic ever created. Banking is conceived in sin and born in sin. Bankers own the earth. Take away from them the power to create money, and with a flick of their pen, they will create money to buy it back again."
2. "Take this great power away from them and remove all great wealth like mines, and they will vanish; their vanity will make the world a better and happier place. But if you choose to continue being slaves to banks that produce money from nothing, you have essentially paid for your own enslavement, thereby consenting to and surrendering your life by allowing central bankers to create money and control your debt (credit)."

Central banks today are seen as well-meaning regulators of finance, but they are actually doing wrong because what they print is merely a piece of paper with numbers on it. Humanity has no future with the money it holds. If people were to exchange their money at a central bank, the bank would not be able to replace the amount of money with gold or other valuable items.

For example, if we have a 1000 rupiah note (Indonesian currency), does that thousand represent our substantial wealth? In reality, if we exchange 1000 rupiah for goods, we might only get one piece of cracker. If we have a 100,000 rupiah note, it means our wealth is equivalent to a hundred crackers. Essentially, what the central bank needs to provide is not a vault of gold but just a tin of crackers, or perhaps even just a plastic bag. So, if we go to Bank Indonesia (BI) to exchange a 1000 rupiah note, Bank Indonesia might give us a single cracker in return.

Fiat Money: The Reality of Paper Currency

The cracker, when taken home and stored, illustrates the fleeting nature of wealth. It will become stale and lose its value in a day or two, showing that a 1000 rupiah note essentially represents nothing of real value. The number 1000 on the rupiah note does not reflect abundant wealth but rather signifies human injustice against itself. Central banks, which print money without a tangible medium of exchange but based on debt, create monetary uncertainty. The currency is truly just paper.

Fiat Money and Authoritarian Power

Paper money, or fiat money, has been a root cause of the rise of authoritarian power around the world. The fiat money issued in dollars by the Federal Reserve (the Central Bank of the United States) is circulated across 100 countries under US control, supported by military power and loans as compensation for American and allied investments in developing countries. The dollar's status as the standard for foreign exchange makes it a benchmark for local currencies. This causes local currencies to depreciate over time, creating a snowball effect where borrowing countries remain trapped in exchange rate volatility. Local currencies cannot gain significant value against the dollar. Many local currencies, including the rupiah, have little economic value for their holders.

Local currencies face corrosion, diminishing the wealth of the people in borrowing countries. Poverty often outweighs the wealth of a few, and the search for new wealth further devalues local currencies like the rupiah. This degradation continues year after year, with local currencies falling in value against the US dollar. The wealth of the people in these countries seldom improves, with each year being worse than the previous one.

The Creation of Fiat Money

Andrew Hitchcock describes how the Federal Reserve (FED) creates money from nothing (literally paper) through four steps:

1. **Step One**: The Federal Open Market Committee approves the purchase of US Government Bonds (referred to as Government Securities in Indonesia).
2. **Step Two**: The Federal Reserve buys these bonds.
3. **Step Three**: The Federal Reserve pays for the bonds with electronic credit to the selling banks; this credit is not backed by anything.
4. **Step Four**: Banks use these deposits as reserves and can lend out more than ten times their reserves to new borrowers, earning interest.

Government Bonds are merely pieces of paper with numbers, representing a promise from the government to pay. Generally, we buy bonds for a safe interest rate. Ultimately, at maturity, the government must pay off the debt plus interest, and the bonds disappear.

This system demonstrates that fiat money, created out of nothing and backed only by debt, holds no real value and is fundamentally unstable.Mechanism of Government Bonds (SUN) and Money Creation.The process of creating money through government bonds (SUN) involves several steps where a piece of paper (the bond) transforms into money circulating in the economy. Here’s how it works:

- ***Issuance of Government Bonds***:The Indonesian government issues government bonds (SUN) worth Rp 1 billion.These bonds are purchased by the Central Bank (Bank Indonesia).
- ***Conversion to Central Bank Certificates***:The Central Bank buys the SUN and converts it into Central Bank Certificates (SBI).
- Deposit in Commercial Banks:The SBI is then distributed to commercial banks. These banks use the SBI as deposits.
- ***Fractional Reserve Banking***:Commercial banks are required to maintain a minimum reserve (Setoran Wajib Minimum) of 10% of their deposits with the Central Bank.The remaining 90% can be lent out.
  Illustrative Example:

Let’s walk through an example to understand how money is created:

1. **Bank Xena**:
   - Bank Xena buys SBI worth Rp 1 billion.
   - Bank Xena sells time deposits to customers worth Rp 1 billion.
   - Bank Xena deposits 10% of this amount (Rp 100 million) as a reserve with the Central Bank.
   - The remaining 90% (Rp 900 million) is available for lending.

2. **Bank Mandiri**:
- Bank Mandiri receives Rp 900 million from Bank Xena.
- Bank Mandiri deposits 10% (Rp 90 million) with the Central Bank.
- Bank Mandiri can lend out the remaining 90% (Rp 810 million).

3. **Bank Bejo Asia (BBA)**:
- BBA receives Rp 810 million from Bank Mandiri.
- BBA deposits 10% (Rp 81 million) with the Central Bank.
- BBA can lend out the remaining 90% (Rp 729 million).

4. **Bank Rakyat Sejahtera (BRS)**:
- BRS receives Rp 729 million from BBA.
- BRS deposits 10% (Rp 72.9 million) with the Central Bank.
- BRS can lend out the remaining 90% (Rp 656.1 million).

5. **Bank Bantulan (BB)**:
- BB receives Rp 656.1 million from BRS.
- BB deposits 10% (Rp 65.61 million) with the Central Bank.
- BB can lend out the remaining 90% (Rp 590.49 million).

6. **Bank Hati Mulia (BHM)**:
- BHM receives Rp 590.49 million from BB.
- BHM deposits 10% (Rp 59.05 million) with the Central Bank.
- BHM can lend out the remaining 90% (Rp 531.44 million).

7. **Bank Seno (BS)**:
- BS receives Rp 531.44 million from BHM.
- BS deposits 10% (Rp 53.14 million) with the Central Bank.
- BS can lend out the remaining 90% (Rp 477.90 million).

8. **Bank Danamitra (BD)**:
- BD receives Rp 477.90 million from BS.
- BD deposits 10% (Rp 47.79 million) with the Central Bank.
- BD can lend out the remaining 90% (Rp 430.11 million).

9. **Bank Raka (BR)**:
- BR receives Rp 430.11 million from BD.
- BR deposits 10% (Rp 43.01 million) with the Central Bank.
- BR can lend out the remaining 90% (Rp 387.10 million).

10. **Bank Kirana (BK)**:
- BK receives Rp 387.10 million from BR.
- BK deposits 10% (Rp 38.71 million) with the Central Bank.
- BK can lend out the remaining 90% (Rp 348.39 million).

11. **Bank Zena (BZ)**:
- BZ receives Rp 348.39 million from BK.
- BZ deposits 10% (Rp 34.84 million) with the Central Bank.
- BZ can lend out the remaining 90% (Rp 313.55 million).

The initial issuance of Rp 1 billion in government bonds leads to an expansion of money supply through the banking system.Each bank in the chain keeps a fraction (10%) as reserves and loans out the remainder.The total money supply in the economy grows significantly beyond the initial Rp 1 billion due to the lending process.This fractional reserve banking system allows banks to create money through lending, effectively multiplying the original deposit.

This mechanism shows how government bonds and the fractional reserve banking system contribute to the creation of money and the expansion of the money supply in the economy.

Money Creation and Expansion ;When the Central Bank issues government bonds (SUN), they initiate a process that significantly expands the money supply. Here's a step-by-step overview:

- *Issuance of Government Bonds*:The government issues bonds worth Rp 1 billion.These bonds are bought by the Central Bank (Bank Indonesia), converting them into Central Bank Certificates (SBI).
- *Bank Deposits*:The SBI is distributed to commercial banks. Banks use this as deposits, which they must keep as reserves (Setoran Wajib Minimum) at the Central Bank.Banks are required to keep only 10% of these deposits as reserves. They can lend out the remaining 90%.
- *Fractional Reserve Lending*:For every Rp 1 billion in government bonds, banks can create Rp 10 billion in new money due to the fractional reserve system. This occurs because each bank only keeps a small fraction of the deposits as reserves and lends out the rest.For example, Bank Xena’s initial Rp 1 billion can lead to a total of Rp 10 billion circulating in the economy through a series of loans and deposits.

Inflation and Currency Devaluation.As the money supply increases due to this process, the value of the currency tends to decrease:

- *Currency Value Reduction*:The continual creation of money and extension of credit can lead to inflation, causing the value of the currency to decline.This results in higher prices and a decrease in purchasing power over time.
- *Adjustment of Currency Denominations*:To cope with inflation, the denomination of currency notes is adjusted. For instance, if the value of the currency decreases, higher denomination notes are introduced to make transactions more manageable.If the value of the rupiah falls significantly, larger denominations are required to facilitate everyday transactions. For example, if 1 dollar equals 14,000 rupiah, carrying large amounts of low-value rupiah would be impractical. Therefore, higher denominations are issued.
- *Impact on Money Supply Management:*The Central Bank's role involves managing the money supply, which includes controlling inflation by either increasing or decreasing the amount of money in circulation.The Central Bank regularly adjusts the money supply to maintain economic stability, which involves balancing the need to provide liquidity with controlling inflation.
- *Routine Operations*:The Central Bank's routine operations include managing the money supply by either injecting more money into the economy or withdrawing it as needed. This ongoing adjustment is crucial for economic stability.

The creation and management of money through government bonds and the fractional reserve banking system significantly influence the economy. The process allows for the expansion of the money supply but can also lead to inflation and currency devaluation. The Central Bank plays a critical role in regulating this process to ensure economic stability, adjusting currency denominations and managing the overall money supply to address these challenges.

The Dynamics of Money Supply and Inflation - The Creation of Money and Inflation

- *Money Multiplication*:When the Central Bank issues government bonds (SUN), it facilitates a process where the initial value of Rp 1 billion can expand significantly.Through the fractional reserve banking system, banks can lend out up to ten times the amount of their reserves. For example, if the initial amount is Rp 1 billion, banks can potentially create and lend up to Rp 10 billion.
- *Impact on Currency Value*:This expansion of the money supply leads to inflation, where the value of the currency decreases over time.The more money is created, the more prices rise, causing the nominal value of currency to increase. For instance, as the value of the rupiah declines, higher denominations are introduced to simplify transactions.
- *Adjustment of Currency Denominations*:To manage the effects of inflation, the currency is frequently re-denominated. If the value of the rupiah falls dramatically, it becomes necessary to issue higher denomination notes.If 1 dollar equals 14,000 rupiah, managing transactions with low-value coins becomes impractical. Instead, higher denomination notes are issued to make everyday transactions more feasible.

The Role of the Central Bank*Regulation of Money Supply*:The Central Bank plays a crucial role in regulating the money supply. This includes managing the amount of money in circulation to balance economic stability.The Central Bank's routine operations involve either injecting more money into the economy or withdrawing it as needed to control inflation and ensure liquidity.*Routine Operations and Adjustments*:The Central Bank's job involves adjusting the money supply based on economic conditions. This routine adjustment helps to manage inflation and stabilize the economy.By controlling the money supply, the Central Bank aims to avoid excessive inflation or deflation, ensuring that the currency maintains its value and purchasing power.*Practical Implications*:the Central Bank must frequently adjust the nominal value of money to keep pace with inflation. This involves issuing higher denomination currency and managing the overall money supply.The ongoing adjustment and regulation by the Central Bank are essential for maintaining economic stability and preventing extreme fluctuations in currency value.

The creation of money through government bonds and the fractional reserve banking system leads to significant expansion of the money supply. This process, while facilitating economic activity, also results in inflation and currency devaluation. The Central Bank plays a key role in managing this process by regulating the money supply and adjusting currency denominations to maintain economic stability. The routine operations of the Central Bank are crucial for balancing the money supply and ensuring the currency's value remains stable over time.

Whether with such a money model, where SUN as a loan received by the Indonesian state, from year to year the people become more prosperous or more poor, we can describe it as follows:

- In 1950, say the people in the world can buy 581 goats. The benchmark price of goats with the size of the GDP per capita of the world community was US $ 2,756. Then in 2011 it became US $ 11,071. If we measure the dollar currency against Indonesia's GDP in 2011 is 1/3 of the world average, then in 2011 the size of GDP did rise, but the exchange rate is decreasing, then in 2011 people can only buy 52 goats

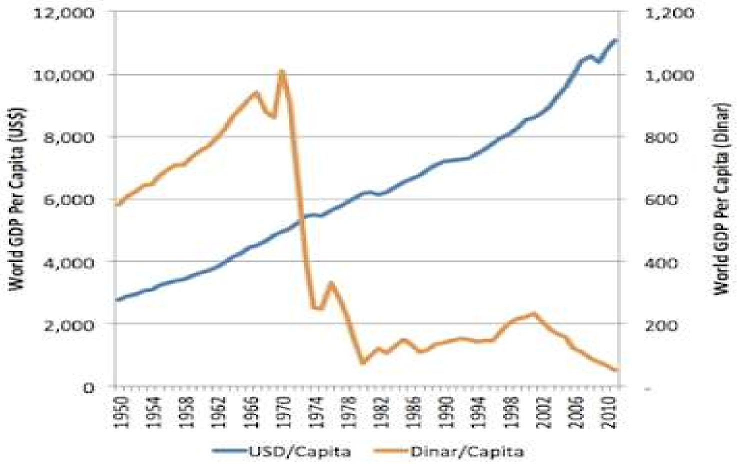
- We must first agree on the benchmark. If the benchmark used is paper money - which is what is used in the world today, then it is true that there has been a leap in prosperity in the world. The GDP per capita of the people in the world has jumped from US$ 2,756 in 1950, to US$ 11,071 in 2011, can it be said that they have become more prosperous? Of course not, the opposite has happened - on average they have become poorer!

The picture above shows that dollar loans are synchronized with GDP when we compare debt-based dollars with gold-based currencies, such as gold-based Dinar money. Gold-based money, of course, refers to the value of gold prices where price increases have always been recorded in gold price data over the past two centuries, while the price of gold has always been the same.

Gold-based money, of course, refers to the value of the gold price where price increases have always been recorded in gold price data over the past two centuries, while goat prices have more or less followed this gold price for more than 1400-years. If we have gold in 1950, how many goats we get, can be measured. And because money is based on gold, our wealth with the money we have will never be degraded with that money and goats.

Thus the wealth of the people in Indonesia, if the size of Gross Domitic Product (GDP), although increasing, the reality is that the wealth with the value of the currency owned by the people, will not be able to buy more goats in 1950, even though the value of wealth has more digital numbers. Debt-based money will never be able to prosper the inhabitants of the earth even though the size of the value of the digital numbers on the sheets of paper money is more than the digital numbers on the sheets of paper money that are guaranteed with gold.

Gold-based money if its value at that time was recorded with a small number / digital, in 1950 for example Rp 6000, (three thousand rupiahs) could buy a cow or camel. In 2020 the digital number on the wealth of the paper sheet must have a figure of Rp 3,000,000, - This amount in 1950, could buy 500 goats.



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The graph above illustrates how the income of the world's population has performed since 1950. From 1950 to 2010, there has indeed been an increase in prosperity when measured by debt-based currency, because the digital numbers on the currency have also increased. But does the size of money function the same if as a medium of exchange, the needs of human life, if the medium of exchange is compensated by the number of goats yesterday with today. Then the owner of the goat will not be able to have a constant currency.

America's denial of the Breton Woods agreement, which originally committed to the agreement that paper money should be linked to gold, but starting in 1971 paper money is no longer linked to gold. The function of debt-based dollar currency is very easy to print, the dollar that has been and will be printed by the country, there is no need for the state to have a warehouse of gold. The function of money is not purely as a medium of exchange, but changed function as a commodity tool, so this kind of money, bring derivatives. This shift in the function of debt-based money brings a power effect (the effect of power domination) so that currency can also be used as a political instrument.

Thomas Edison, the inventor of electricity, once said in an article in the New York Times, published on December 6, 1921, "If our nation can issue dollar bonds, then it can print dollar bills. The element that makes bonds good, also makes money good..., so it is absurd to say that our nation can issue 30 million dollars in bonds, but cannot print 30 million dollars in bills. They are both forms of promises to pay, but one is a promise that can fatten the coffers of loan sharks, while the other can help the people.

The United States with its military power, plays an important role in securing economic life in parts of the world, especially poor countries or developing countries. Its military power must be supported by the military industry so that the patterns of power and economic patterns become one unit, in the global distribution chain in 100 UN member countries, which have received debt loans under its control. Elaboration of weapons and debt, US loan recipient countries, as an effort to control the ruling regimes in debt countries. What is the importance of Money if it is obtained with the promise of 'Debt"

The Urgency of Debt

A quote by Lord Bryce states, "Democracy has no more persistent and dangerous enemy than the power of money." The emergence of money was, in fact, built upon Government Bonds (Surat Utang Negara - SUN). The way SUN operates leads us to question how urgent it is for a nation to become a debtor or to incur debt.

When we are faced with the context of "debt urgency," our thoughts naturally concentrate on two things: why it is urgent to incur debt and whether it is permissible to do so. This state of affairs has long persisted in our rational thinking, equating the urgency of incurring debt with the permission to do so, due to a disruption in our perception of time.

Such a pattern of thinking, borrowing from DaoedJoesoep's opinion (Kompas, September 14, 2014), suggests that Indonesians seem to experience a disruption in their "sense of time." The short term is often perceived as a definite horizon and tends to shift from the short term to the immediate, from a closed horizon to the absence of a horizon, fixating on real-time: a temporal distance of zero degrees.

Furthermore, DaoedJoesoep argues that past time myopia leads to communal life being dominated by the "tyranny of urgency," which forces a last-minute working style. Under the pretext of "just on time," the tyranny of urgency, with its sudden approach, makes the criteria for action—simplicity, flexibility, and adaptation—absolute in decision-making. This decision can indeed bring benefits, especially in politics, which is dominated by political parties and opportunistic politicians. The pretext of "just on time" for last-minute actions does not mean they are done on time, according to schedule. Something considered urgent is actually already too late. "When it is urgent, it is already too late."

Therefore, the tyranny of urgency has instilled a habit of responding immediately without sufficient analysis, leading to policies that become a continuous series of passive, immediate adaptations. Their actions to address financial paralysis (lack of funds) often take the form of spectacular, rapid decisions that disregard common sense. This is because the essence of debt is a consumptive act, using future income based on hope. As such, the current generation's consumptive actions (spending) actually utilize the future income of the next generation. And incidentally, that next generation is us.

At first glance, there seems to be no reason to worry about the urgency of debt, as there is a belief that our descendants will still be able to live happily on the rich, resource-abundant land of Indonesia, and the borrowed money will surely be repaid. However, when faced with various forms of financial exploitation driven by greed for instant profit, the urgency of making debt contracts backed by dwindling natural resources should be avoided to secure future economic benefits—the "dos and don'ts." In our beloved country, the mismanagement of debt exploitation—between wasteful spending and targeted investment—threatens the future income of our descendants, which remains merely a hope, yet has already been utilized today before their generation even arrives.**

Is that so? Let's explore where the urgency of permissible debt lies and under what conditions debt is permissible. For instance, let's say Santoso borrows money from Amir. The question is, what is the urgency of this debt for Santoso's life if Santoso is allowed to borrow? And how can this debt be considered permissible for Santoso?

In Islam, life is taught to be lived based on the earnings of today while saving for tomorrow. Borrowing or incurring debt, in essence, is a consumptive act that utilizes future income, which is still just a hope.

Debt is the act of borrowing to obtain something using a medium of exchange, namely money. The item obtained is essentially only borrowed and serves the purpose of fulfilling Santoso's life needs, becoming part of the activities that support his life, which must be returned in its original form according to what was borrowed.

In terms of Santoso's family economy, one of the current necessities is infrastructure development—building infrastructure such as trade facilities, including roads, ports, airports, and related projects. This is a very important and urgent time for Santoso. Clearly, compared to other economic aspects, infrastructure development is a strategic concept that can invigorate the economic life across his entire nation.**

**The income generated today, where Santoso now serves as the head of the household, does not show the economic potential to generate sufficient "money" (money follows function) to build infrastructure, let alone save for tomorrow.

In Santoso's household, the economic concept of "money availability" leaves no other option but to incur debt, as all his economic potentials, whether in terms of trade balance or payment balance, are in a deficit. Meanwhile, according to his common sense, infrastructure development is one of the "essential needs" that must be fulfilled.

Fundamentally, Santoso's family believes that a fulfilled life requires two things: first, "ownership and wealth," and second, "expertise." This expertise is needed to generate ownership. Without these two things, a household cannot survive or live well. In reality, in this case, the economic expertise of Santoso's family, in their effort to gain ownership, can only be realized by borrowing money.

The money Santoso obtains to generate ownership and build infrastructure projects as a means to boost the economic aspects of his nation is implicitly, whether directly or indirectly, integrated with the future income that is utilized today. By using it today, as long as he remains in his position as the head of the household, it becomes the responsibility of the head of the household.**

From the perspective of the present, Santoso is currently striving to improve the welfare of his family and community through his business resources, earning income and saving for the future. However, despite these efforts, his business calculations remain in deficit, leading to a conflict between whether it is permissible to incur debt and whether incurring debt is permissible.

Santoso's ability to secure a loan is closely tied to the concepts of credit or pistis, which involve trust and the borrower's creditworthiness, based on the borrower's reputation. This implies that the lender believes Santoso can maintain his character and reputation, making him trustworthy to repay the debt (Iqbal, Zamir, and Abbas Mirakhor, 2007, p. 13).

In reality, Santoso has not yet earned enough income to build his household infrastructure. The income he hopes to generate in the future is part of his long-term plan to sustain the aspects of his future life, which is time-bound and uncertain. Is it possible for him to accumulate sufficient household income to build infrastructure within five years?

For Santoso, the above options may seem unrealistic. Although his wealth of natural resources might support his life, these resources may not necessarily contribute to building his future through infrastructure development. Despite his efforts to label himself as a "successful leader" in building his family's economic life by laying the groundwork for infrastructure, this goal might remain elusive.**

However, these spectacular measures, such as building airports, ports, and toll roads across the country, are not funded by today's income. The infrastructure being built is merely a symbol of success without self-funding, but instead, it is achieved through debt.

The realization that infrastructure development has succeeded, especially in terms of fulfilling various aspects of an economy that is fully facilitated, is actually just a sudden resolve to develop his household's infrastructure. It is as if there is no other option but infrastructure, and the cost is borne by future income, which is still just a hope, that he considers as the horizon of today, the day he is the head of the household. Compensating debt with promoting success is regarded as equal to considering a hammer to be the same as a test tube.

We should no longer confuse the essence of "debt" with macroeconomic feasibility calculations, thinking that the status of debt as a hammer does not affect other aspects—such as the balance of payments, trade balance, and so on—which can be mitigated with anticipatory capabilities and perspective thinking by his assistants.

Relying solely on dusty denials, the damage to the household's economic ozone layer drains everything to meet current needs, irresponsibly leaving it to future generations to find solutions to the problems caused by debt.

Debt, from a financial management perspective, is part of the assets and liabilities of a company or the budget balance of a household or company. Therefore, the use of money from debt requires an adaptive approach. Adaptation is not a short-term effort; adapting the budget balance of a household or company is a long-term process, especially when viewed from a future perspective. Debt, by its essence, is the use of future income, which is long-term in nature, utilized in the present during Karso's tenure as the head of the household. Thus, adaptation should not be reactive to short-term economic needs.

When financial changes are addressed through debt, the focus is on the potential events and benefits for the future (timelate), which fluctuate at the maximum or minimum value of the existing debt amount that will be borne by the next generation. For example, how is it possible that the amount of debt incurred by Karso's parents, who ran the company, is passed on to Karso and then, when Karso takes over, the debt amount increases? Such a situation burdens future generations by shifting the responsibility away from the current generation. Who allows this to happen, thus increasing the burden on the next generation by deeming debt permissible?

Karso, as an individual legal subject, may have his wife deciding that debt is permissible. However, if he acts in the capacity of a legal entity, the decision that debt is permissible is made by the General Meeting of Shareholders (RUPS). Now, let's consider the Republic of Indonesia: Can the state incur debt, and is debt permissible? (Refer to Article 7 of Law No. 24 of 2002 on Government Bonds - The issuance of government bonds must be approved by the House of Representatives).

There is a legal inconcerto regarding the state's capital participation in State-Owned Enterprises (BUMN), while BUMN is a limited liability company (Persero). If a BUMN issues bonds, is it identical to Government Bonds (Surat Utang Negara - SUN)? Who determines that BUMN can incur debt, and does this also require approval from the DPR (House of Representatives)?

The legal framework for the two types of bonds—Government Bonds (SUN) and Bonds issued by State-Owned Enterprises (BUMN)—differs. The first is governed by Law No. 24 of 2002 on Government Bonds, while the second is governed by Law No. 40 of 2007 on Limited Liability Companies. Although these two bonds have different legal bases—one tied to the state/government and the other to BUMN—they both represent a recognition of debt and a promise to pay, which ultimately burdens future generations of the Indonesian people. Even though their legal frameworks differ, both Government Bonds (SUN) and BUMN Bonds are fundamentally owned by the state, meaning they are owned by the people of Indonesia.

Debt can only be addressed by the economic conditions of the generation in which it arises. However, it is impossible for future generations to enjoy the benefits of this debt; they merely bear the burdens of the past. There is no alternative but to continue along the same path, inheriting the debt from previous generations, with no change other than creating new debt, and so on. Government debt becomes a burden without an actor, as each generation passes on the debt, always calling it a burden of the past. Debt leaves a bitter legacy, a story of decay, from one generation to the next.**

The debt burden of the past began during the Soeharto regime when the world was divided into two rungs, between communism led by the Soviet Union and capitalism led by the United States, and one-fifth of all debts to developing countries were loans that supported the rise of dictators. Mobutu, Marcos, Suharto and other ruthless rulers were the ones who were supported with huge loans.(*Joseph Hanlon "We've been here before" Jubilee 2000, London 1998. Excerpted from the book entitled "The Debt Legacy of the Dictatorial Regime" published by PIRAC in collaboration with INSIST PRESS, translator Zaim Saidi and Kurniawati first print, 2000, pm 4*)

Even though they committed gross violations of human rights, committed massive corruption, and openly transferred money to Swiss banks, they still received these loans, but when these rulers fell and collapsed like Soeharto's government in Indonesia, the next generation, which happens to be us, as his successor government, bore the burden of paying his debts. Should we as the descendants of the victims of oppression pay the price for their imprisonment and torture (Soeharto - in Indonesia), it is the lenders (America and its allies) and not the next generation of borrowers (debtors), but the creditors as lenders who should be responsible for the loans of those tyrants and cruel rulers.

According to Joseph, there are two reasons why these debts should not be paid:

1) The loan creates a moral hazard effect, if the creditors force the repayment of the loan, is not the result of the glut of loans from the creditors giving rise to cruel and dictatorial governments acceptable to the healthy minds of the next generation. Humanitarian considerations should take precedence, i.e. if you want to lend with integrity, and the loan is not aimed at creating an oppressive regime. However, in reality, the Soeharto regime gave birth to an anti-democratic government because it received loans in return for its actions:

- In August 1965, President Soekarno declared his exit from the World Bank, and the IMF, creating Western antagonism towards his government. A short time later, Soeharto succeeded in overthrowing Soekarno's government and there was a massacre of 700,000 people accused of being communists. In 1966 an IMF mission arrived in Jakarta. Then in December of that year the Western creditor countries of the Paris Club met and rewarded Soeharto by agreeing to a four-year moratorium on all payments of principal and interest on Sukrano's debt. Soeharto then did everything the meeting asked him to do, including accepting the IMF's adjustment program of devaluation and free exchange rates. He was also asked to open up his country to foreign investors with all the protections not afforded to domestic companies.
- These conditions were agreed to by the Soeharto government, and the history of debt began to consume the country, as the debt incurred by Western creditors rapidly increased from US$200 million in 1967 to US$600 million in 1970. Nine years later, in 1979, Indonesia was already in debt to the tune of US$12 billion, compared to the Sukarno government's debt of US$2 billion, and the Soeharto government's debt continued to grow until at the end of its reign it left a total debt of US$126 billion.
- The loans were in return for the government's actions towards East Timor. In 1975 when Soeharto successfully occupied East Timor, instead of being rewarded, he was rewarded with more than 100 billion dollars in loans over the next two decades, as well as arms sales.

2) These loans cannot be the responsibility of anyone who did not receive and enjoy the proceeds of the loans, and under international law they are odious debts.

The debts incurred by dictators, peel off in a sour smelling entanglement of history that eventually becomes a legacy of debt, which must be borne by the next generation, and that next generation is you.

The Birth of the Expression "Sour Smell of History"

The phrase "sour smell of history" in the title above comes from the book *Clash of Fundamentalism* written by Tariq Ali. This phrase eventually gave rise to another expression, "history without a subject," which originates from David Ashley's 1997 book. This phrase describes the absence of truth and authentic reality, where the world around us becomes merely a copy of layers upon layers of imitation. The situation is a simulacra, where a state of reality can only be recognized after it has been falsified. Therefore, the foundation of reality becomes nihilistic because a simulacrum (the singular form of simulacra) represents nothing, except a knowingly manufactured and contrived reality. This "history without a subject" situation causes the narrative of a nation to appear without emotional depth and, beyond that, fails to provide a foothold for the future. What emerges are tautological statements (a collection of words without substance) devoid of historical consciousness and sociological reality.

The phrase "sour smell history" originates from the book *Clash of Fundamentalism* written by Tariq Ali. This phrase reflects the post-World War II period (1939-1945) when the United States (US) emerged as a world power. The rise of the United States was marked by the global economic development that had entered a period of "a way from society," moving towards its extreme form, namely the new domination of the capitalist system based on the military-industrial complex.

The United States Formulates Its New Role

The United States formulated its new role by establishing its influence through solidifying its own political hegemony and building a military industry that drove global economic development, rooted in the military-industrial complex. According to Tariq Ali, this industry stimulated the growth of heavy industry, electronics research, aircraft production, chemicals, and aerospace. The global industrialization process we see today largely stems from the military industry.

This is what made the U.S. domestic economy more stable, less affected by economic fluctuations. As Tariq Ali put it, "It helps to cushion the impact of the recession." As a result, the American economy is relatively insulated from devastating disasters, such as the 2008 crisis and other financial crises that have plagued countries in Europe, Asia, Africa, and Latin America.

The strength of the military industry must be driven by the entire economic network needed on a global industrial scale. To maintain this military-based economic chain, the United States must continue to uphold its dominance over the global capital structure, which is assembled by expanding global markets in the Middle East, Africa, Europe, Latin America, and Southeast Asia (including Indonesia).

The Superiority of the Military Industry

The superiority of the military industry is not merely a matter of technology distributed to global markets; it also involves changing the mindset and culture of the countries where this industry, along with its economic chain, is imposed. This superiority is physically maintained by deploying military forces to expand control over countries with rich natural resources. Out of 187 UN member states, the United States has stationed its military in 100 of these countries to strengthen its control.

The U.S. builds the economies of its client states through the concept of "culture consensus." This becomes a significant power to sustain its regime through the supply of debt. This debt supply fuels the arms trade in the cycle of the U.S. industrial military-origin economy, under the protection of The Arms Export Control Act. As Paul Commack stated in his book *Capitalism and Democracy*, the U.S. seeks to instill a "way of life" in the countries under its control due to the ongoing debt burden, fostering modernization within a debt-driven network.

Through the concept of debt-based capital distribution, a new wave of economic globalization emerges, infiltrating the lifestyles of authoritarian rulers. Debt is expanded to serve political interests and to maintain power. During the Cold War, U.S.-backed government models, like the Suharto regime, lasted a long time (Suharto's regime being one of the longest in the world). The loans provided by Western governments, such as IGGI during the Suharto era, eventually turned Suharto's government into one of the world's longest-lasting dictatorships. This regime's debt burden becomes a historical legacy for future generations who bear the dictator's debt.

Joseph Hanlon refers to this kind of debt as *Odious Debt*. If this odious debt is forced upon future generations, whose parents were victims of the dictator's regime, it becomes a "reward" for those who take on further debt to repay the odious debt, potentially encouraging them to do so again in the future.

Odious Debt

During the Cold War era, following World War II, two major influences emerged: communism and capitalism. The United States built an autonomous form of capitalism, positioning itself as the world's policeman (global gendarme). To achieve this, it developed a superior military industry compared to its rival, the Soviet Union. To supply its military industry's needs, the U.S. had to expand its influence in countries rich in natural resources, containing raw materials such as oil, iron ore, coal, bauxite, copper, gold, silver, aluminum, nickel, and chemicals like manganese.

The Cold War was not fought like World War II with open warfare, armed conflict, and killing. Instead, it was waged through economic-political alliances with regional rulers (Heads of State/Governments), using political intervention strategies such as orchestrating coups or direct military presence in strategic areas like Latin America, Africa, the Middle East, and Southeast Asia (including Indonesia). The U.S. influence was conceptually maintained by creating "democratic dictatorship" (engineered democracy) through compensatory capital assistance in the form of loans.

One-fifth of all debt given to developing countries was in the form of loans that supported the rise of dictators like Mobutu, Marcos, and Suharto. These individuals and other rulers who managed to seize and retain power in their countries were supported by political engineering/intervention funded by loans. These loans were used by the ruling regimes as a reward for toppling governments and committing mass killings, all in the name of engineered political democracy. Most of the loans were provided as export credits, enabling them to purchase goods from the United States for military needs, economic necessities, and other commodities related to the interests of the ruling regimes.

The Mechanism of Debt for the Benefit of Ruling Regimes

During the Cold War era, the two major ideologies—capitalism and communism—provided debt support to their allies. The capitalist countries, especially the United States and its allies, were more active in disbursing loans compared to their rival, the Soviet Union. A clear example of this mechanism is the case of Zaire under the leadership of Mobutu Sese Seko, a leader known for his extreme corruption and who became a symbol of "kleptocracy." Mobutu became one of the richest people in the world, with his personal wealth estimated at over $10 billion, owning palaces in Europe and Zaire. Despite his dictatorial rule, the West, particularly the United States and its allies, saw Mobutu as a loyal ally due to his support for the United States and for Unita in Angola.

In 1978, the IMF placed one of its own, Edwin Blumenthal, in an important position at the Central Bank of Zaire. However, Blumenthal soon felt uncomfortable and resigned from his position two years later. He complained to the IMF about the severe and pervasive corruption, repeatedly stating that Zaire "could not possibly" repay its debts. Ironically, despite these revelations, the IMF continued to make Zaire one of its largest loan recipients, with debt reaching $5 billion. By 1998, when Mobutu fell from power and passed away, Zaire's national debt had soared to over $13 billion. (*Six years after the Blumenthal report, the IMF loaned Zaire $600 million, and the World Bank $650 million. Total Western lending in those six years to Mobutu was nearly $3 trillion in contrast to the commercial banks refusing to lend to Mobutu during that period (quoted from Joseph Hanlon op citpg 6*).

Similar to the story of loans in Zaire, the same type of debt was incurred by the Marcos regime in the Philippines. According to Patricia Adams in her book *Odious Debt*, the wealth of President Marcos and his wife, Imelda Marcos, was estimated at $10 billion, a third of which was siphoned from the total loans received by the Philippines (*Patricia Adams ,Odius Debt, Earthscan , London 1991. (Joseph Hanlon op cit*). A significant portion of these loans was used for payments and securing aid and project funds for the country. In 1993, the U.S. granted a loan of $29 million to the Philippines, 10% of which was used for a single project—a nuclear reactor built in collaboration with Westinghouse, an American company.

Nigeria's debt was supplied by the United Kingdom, one of the most active countries in lending to dictators. Of all the loans given globally, one-third, or £3 billion, was funneled to Nigeria, all of which occurred during military rule. Another example is Sudan, the fourth-largest debtor to the British government, with a debt burden of £32 million. In another part of Africa, Algeria, the UK granted loans to this country only after the government canceled democratic elections. Today, Algeria's debt stands at £166 million. The newly established Democratic Republic of Congo, born from revolution, received a loan from the UK of £134 million. In 1985, Mobutu of Zaire received an additional loan from the UK, ironically granted after he had transferred state wealth into his personal accounts.

In 1976, just a few months after Soweto exposed the Apartheid system through a political speech broadcasted worldwide, the IMF, with support from the United States and the United Kingdom, provided a substantial loan to South Africa. The political interests of creditor countries played a significant role in this loan, which was more about political support for the Apartheid system than economic aid. This white regime legitimized its government under Western political protection for 15 years. The largest loans were given to the Apartheid regime in South Africa during the 1970s and 1980s. By 1990, the white regime had accumulated:

- $14 billion in debt to international banks,
- $3.8 billion in debt to British banks,
- $2.6 billion in debt to German banks,
- $2.3 billion in debt to French banks.

As part of the Cold War, many loans were given to dictators by Western countries and the financial institutions they controlled. The Soviet Union also provided large loans to dictators in Afghanistan, Ethiopia, and Somalia. The loan recipients were required to purchase exports from the lenders, primarily to support arms sales.

The condition of the debt that is flooded by these influential countries, which is channeled through the leaders of developing countries who are conditioned to rule authoritatively, is actually a loan that is forced even though for them it is a confusing part and is not needed by their countries. And these borrowers (authoritarian leaders) then look for other ways when money is wasted. How debt is wasted, the Afesel case is clearly related to apartheid policies, Rwanda because the debt was used by the ruling regime that was involved in the massacre of its own people.

Tracing the discussion on wasted money, let's look back at the New Order government, according to Joseph Hanlon, there is a strong possibility that the New Order falls into the category of users of unclean debt. Unclean debt-based money is money from debt that is used for activities that are against the will of the people. Many facts have been stated about the many "development refugees" in the past that are known to the international community, for example the case of Kedung Ombo or Nipah. Other victims, although not directly related to the development process, such as the Tanjung Priok case, the Lampung case and the like. One can add in another dimension, environmental damage or the erosion of forests and other natural resources - which ultimately also harms the people in the past, present and future - that occurs because of ill policies, and not because of preventable causes, such as natural disasters.

Furthermore, the policy of mega corruption and collusion, leakage of development funds approaching 30%, and in his article Hanlon said that Soeharto was the largest dictator receiving debt from international funding agencies. If the repayment obligations of odious debts are forced on the next generation who are the victims of the debt regime, then this practice will continue. From debt to debt, because even if there is a default, someone will bear it, and even if the government acts arbitrarily to implement fraudulent democracy, it will still be supported by creditors (investor countries) and SUNs will still sell.

Sustainable debt (Debt paid by debt) is sourced from the IMF's HIPC (Highly Indebted Poor Countries) initiative. This concept was born in 1996 negotiated case-by-case with measurable meters. The substance of HIPC gives creditors the maximum opportunity to impose additional conditions to ensure that at least part of the debt is still repaid with new debt instruments.

The HIPC initiative calls for debt reduction to a level that the IMF calls "sustainable" debt, i.e. the level at which a country can meet its current and future debt servicing obligations in full without the need for further debt forgiveness, even assuming a continuous flow of debt relief with concessional loans. And this sustainable debt is allowed to synergize with the interests of the recipient government, not necessarily linked to whether or not it disrupts economic "growth".

The HIPC incentive uses a benchmark of only two parameters:

1) The Net Present Value (NPV) of the debt must be between 200% and 250% of annual exports. That means the value of the debt is equivalent to the total exports for two to two and a half years.

2) Annual debt installments (interest plus principal) of between 20% and 25% of annual exports. If these are met, then up to 80% of the NPV of the debt can be recovered.

If a comparison can be made, the HIPC criteria in practice only hoard debt or rather cannot be paid or accumulate debt, we can find a case in Indonesia, the accumulation of debt continues from one government to the next, and at this nadir the amount of Indonesia's national debt has touched Rp 7000 trillion.

Summary

The Net Present Value (NPV) is the amount of money that a borrower needs in a bank account, earning interest at the market interest rate, to be able to service both the interest and principal of the debt when it comes due. If the debt interest rate is higher than the market interest rate, as is the case with mortgages in the UK, the NPV will be higher than the book value of the debt. Conversely, if the interest rate is subsidized, as with World Bank loans, and payments are spread out over a long term, the NPV will be lower than the book value. For example, the NPV of Malawi's debt is less than half of its book value.

The Ministry of Finance reported that the government debt reached IDR 4,778 trillion by the end of 2019. This represents an increase of IDR 359.7 trillion from IDR 4,418.3 trillion at the same period the previous year. However, Finance Minister Sri MulyaniIndrawati stated that the debt-to-Gross Domestic Product (GDP) ratio of 29.8 percent is still considered safe. According to Law No. 17 of 2013 on State Finance, the government debt ratio is allowed to reach up to 60 percent of GDP. She also mentioned that compared to neighboring countries, Indonesia's debt ratio remains relatively safe. "Indonesia's debt ratio is maintained at 30 percent. Compared to other countries, we are still quite cautious," said Sri Mulyani during a press briefing in Jakarta on Tuesday (7/1/2020), as reported by Kompas.com in the article titled "Tembus Rp 4.778 Triliun.

When the New Order regime collapsed, its debt reached IDR 126 trillion. In the twenty years since then, the debt has approached IDR 5,000 trillion. Averaging annually, this amounts to IDR 250 trillion. Each year, the government's debt increase is compared to the New Order regime, which lasted for 32 years. The debt of the reform government each year is more significant (an increase of 200%) compared to the total debt of the New Order regime.

Thus, the HIPC model leads to a cycle where governments build their nations with the motto "no day without debt." When creditors seriously impose sustainable debt on developing countries like Indonesia, it is clear that "there's no such thing as a free lunch." They add various tools to encourage economic growth and, using economic growth theories (which could potentially involve conspiracy theories to engineer growth), they assure and publicize through the media that the country (including Indonesia) can pay off its debts, citing the logical reason of "good economic growth" as their justification. The favorable treatment of debtor countries by creditors, despite their approach, is contrary to the expectations of improving the welfare of their citizens.

These ongoing (sustainable) debts follow a business cycle, flowing continuously along this current. This bad habit stems from debt inducement, as debts are issued without gold backing, merely with legal tender notes based on laws. The money issued is also just paper without gold backing, legalized by laws. Under the legal protection of these laws, pieces of paper with numbers can be used as a medium of exchange. The banking system then transforms these notes (SUN bonds) into credit lines. This debt route turns life into a state of constant borrowing, where life adorned with debt transforms into an easy-going existence.

The ease of obtaining debt is used for ongoing economic growth, while the goal of improving the welfare of the people is a constitutional idea. With government bonds (SUN) as instruments, the government seeks easy money. Therefore, it should come as no surprise when we suddenly read news from Kompas.com stating:

"The government immediately accelerated debt issuance at the beginning of 2020. The amount reached IDR 63.3 trillion. This debt issuance consisted of two rounds of government bond (SUN) auctions. The first auction of rupiah-denominated SUN was held on January 7, 2020, amounting to IDR 20 trillion. This amount was significantly smaller than the total bids received, which reached IDR 81.5 trillion.

The government has conducted bond sales in two foreign currencies (dual-currency). These foreign currency bonds include USD 1.2 billion or IDR 16.8 trillion (at an exchange rate of IDR 14,000 per USD), USD 800 million or IDR 11.2 trillion, and EUR 1 billion or IDR 15.3 trillion (at an exchange rate of IDR 15,300 per EUR). 'This dual-currency bond sale transaction was carried out by the government by taking advantage of the relatively stable financial market conditions and strong investor sentiment at the beginning of the year.'"

Such arguments are derivatives of sustainable debt. With the government aiming for economic growth above 5 percent, a target that is better than previous years, Finance Minister Sri MulyaniIndrawati, a former World Bank staff member, believes that despite the national debt reaching IDR 4,778 trillion, the government is confident it can repay its debts based on the assumption of improved economic growth.

The ease of obtaining loans provides political opportunities for those in power, who are often political actors. While there is nothing inherently wrong with the issuance of government bonds (SUN), as it is legally sanctioned, paying off the debt requires increasing taxes. Consequently, bondholders need to receive interest, which means they must get returns higher than the various taxes they must pay to the government. Citizens are often unaware that they are paying interest on the bonds issued by the government today, with the burden of repayment falling on future generations.

Debt-based money is a system that leaves a historical burden for future generations, whether during the Cold War era or post-Cold War. It is a monetary system that lacks the goodwill of the government, as its assumption is focused solely on growth projections. These projections do not erase past debts but instead continuously add to the burden, like a song that climbs up the mountain peak

Although we live in a democratic system, nothing surpasses this system except the issues highlighted previously. Democracy does not have a more persistent and dangerous enemy than the power of money. This statement implies that we are in a monetary system where economic growth is measured by the extent of credit growth (circulation of government bonds). This system grants significant freedom to a few individuals (ministries). Consequently, mistakes made, as Andrew suggests, whether forgivable or not, can have far more severe effects, demonstrating that this system fails to improve the welfare of its people.

This system places trust in individuals' freedom because democracy grants the winners of elections the power to issue government bonds, backed by high legal authority from political institutions (such as the DPR). However, it lacks effective oversight, making debt-based money a more serious problem than the constitution itself.

The issue with the power of money is the supply of money itself. Milton Friedman’s observation is accurate: “I know that no severe depression occurs in any country or at any time without a sharp decline in the money supply. Similarly, no sharp decline in the money stock occurs without a severe depression.”

In addition to the previous statement, there are also startling remarks from Sir Josiah Stamp, Director of the Bank of England from 1928 to 1941:

- "The modern banking system creates money out of nothing. This process may be the most shocking aspect of any magic ever created. Banking is conceived in iniquity and born in sin."

He further stated:

- "Take away the earth from them, but when you leave them with the power to create money, then with a snap of their fingers, they will create money to buy it back."
- "Remove this great power from them and eliminate all great wealth like mines, and they will disappear. This would make a better and happier world. However, if you wish to continue being a slave to the banks and paying for your own enslavement, then let bankers continue to create money and control debt."

Indeed, for those of us who read the article, the ornament of the banking practitioner's (banker) speech shows how bad the story of the history of debt-based money is, more sharply it can be said to be the history of sour-smelling financial politics. And indeed, the statements from Sir Josiah Stamp and the broader discussion illustrate the harsh reality of debt-based monetary systems and their impact on financial politics. The portrayal of such systems as “history of stinky financial politics” reflects a deep skepticism about the inherent flaws and consequences of how money and debt are managed in modern economies. This perspective emphasizes the critical need for awareness and reform in financial practices to address these issues.

Conclusion

1. **The End of the Gold-Backed Dollar:** The abandonment of gold backing for the dollar has transformed money into pure fiat currency. Money, which once had authentic value guaranteed by a nation's gold reserves, is now a mere paper instrument with historical baggage. As fiat currency, money has evolved from a medium of exchange to a payment tool. When a country defaults, it is often said that divine responsibility is invoked, as seen in the phrases "In God We Trust" on US dollars and "Dengan Rahmat Tuhan Yang Maha Esa" on Indonesian rupiah.
2. **Debt and Future Generations:** Although the immediate need for debt may not seem alarming, the potential for future generations to live well in resource-rich countries like Indonesia is overshadowed by exploitative financial practices. Contracting debt based on depleting natural resources and seeking immediate gains should be approached with caution.
3. **Sustainable Debt and HIPC Initiative:** The concept of sustainable debt, often driven by the HIPC (Highly Indebted Poor Countries) initiative by the IMF, was introduced in 1996. This approach allows creditors to impose additional conditions to ensure that at least part of the debt is repaid through new debt instruments.
4. **Debt-Based Budget Policy:** The use of debt-based money as a budgetary tool aligns with government interests in covering budget deficits through bonds (government securities), ultimately creating a cycle of sustainable debt.
5. **Paradox of Sustainable Debt:** Sustainable debt is a political effort to prevent economic growth disruptions but creates a paradox where debt intended to stabilize the economy burdens future generations.
6. **Debt as a Future Consumption:** Debt represents the consumption of future income, which is essentially income belonging to future generations. Interestingly, "future generations" could well be us.
7. **Economic Growth and Debt Paradox:** Using money and debt to prevent economic disruptions presents a paradox: "No one can do better without making someone else worse off."

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