ECONOMIC WARFARE: AMERICAN MARKET MANIPULATION, DEBT-DEMAND ENGINEERING, MONETARY CONFIDENCE CONDITIONING AND COMPELLED COMPLIANCE

The repertoire for suppressing United States borrowing costs, sustaining demand for dollars and Treasuries, and postponing disorderly fiscal adjustment

EXECUTIVE SUMMARY

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Series in International Political Economy: Economic Warfare in the Era of Western Decline - Paper I: The American repertoire

> *"Why would I want to blow up the global financial system?" (Scott BESSENT, U.S. Treasury Secretary, 24 August 2026)*

> *"Strategic misdirection can postpone recognition. It cannot repeal arithmetic."*

This Executive Summary condenses a 90-page research paper. It preserves the structure and the argument of the full paper but omits most evidentiary detail, the figures and the reference list. All factual claims, quotations and figures below are sourced. The full paper contains the complete references for the existing analysis; the late sources incorporated on 2 September 2026 are identified in the text. ***The complete 90-page paper, with full references, is available on request.***

1. Purpose and scope

This paper analyses the American conduct of economic warfare in 2026 as a single, integrated repertoire operating in two directions at once: **outward,** against Iran, through Operation Economic Outcast; and **inward,** against the United States' own bond market and confidence in the Dollar system, through market manipulation, debt-demand engineering, monetary confidence conditioning and compelled compliance. It situates the financial counter-measures adopted by the U.S. Treasury within the broader strategic context that made them necessary: the failure of the U.S.-Israeli war against Iran launched on 28 February 2026, the successful Iranian economic counter-attack, and a parallel Western failure in Ukraine. A second paper in the series will analyse the Iranian repertoire.

The central claim is not that the United States is collapsing. It is that an unusually concentrated cluster of non-routine interventions has become necessary under war conditions, and that this concentration points towards the risk that

Dollar-Treasury hegemony is becoming less self-sustaining at the margin. The repertoire can buy time. It cannot repair the arithmetic.

2. The argument in ten propositions

1. The United States and the wider West are declining economically, financially and strategically, but **continue to act on outdated assumptions of hegemonic power.**

2. The U.S.-Israeli campaign against Iran - an Israeli project sold to Washington under a nuclear pretext the American intelligence community did not endorse - failed to achieve the objectives for which the war was undertaken, because Iran had studied the threat, **anticipated the method, prepared the response and pre-positioned its capabilities.** (Read with the author's ZAI paper on new forms of ambushes, 16 August 2026.)

3. Iran shifted the struggle to the strategic-economic level, converting pressure on energy flows into pressure on oil prices, inflation, Treasury yields, casualties and TRUMP's domestic political position, and timing its Hormuz strikes to puncture the official narrative at critical moments.

4. The Western strategy has suffered strategic defeat in both theatres. In Iran, tactical destruction did not secure the intended political-military result and instead strengthened Iranian cohesion. In Ukraine, enormous U.S.-NATO support has not prevented cumulative Russian gains, while Ukraine faces a compounding crisis and Western economies bear a rising cost.

5. The American response is a single economic-warfare repertoire operating outward (Operation Economic Outcast) and inward (Treasury intervention to sustain demand for American debt, suppress borrowing costs and preserve confidence in the dollar), accompanied by narrative and cognitive warfighting pushed to the point of incredulity. Its execution is increasingly centralised and personalised: the weakening of professional dissent concentrates error and connects presidential affect more directly to military and financial action.

6. The repertoire is both Strategic Diversion and a Strategy of Denial: it conceals failure and keeps both conflicts open in the hope that protraction destabilises the adversary.

7. The strategy is miscalculated three times over, because the economic centre of gravity has moved to China and Eurasia and protraction now burdens the sponsor more than the target.

8. The dollar-Treasury system is simultaneously America’s principal weapon and a principal vulnerability; the growing need to condition confidence and compel compliance points towards the risk that hegemony is becoming less self-sustaining.

9. The “**steel porcupine**” - the heavily armed American proxy implanted on a Eurasian periphery - is an older and serious Strategy of Denial concept, not merely a contemporary metaphor: distributed, survivable and asymmetric defensive power is intended to make conquest prohibitively costly. It is the common strategic form of Israel, Taiwan and Ukraine. Russia has grasped that the implant must be removed; the Mecca Defence Alliance has not yet grasped that the Israeli implant is the source of its region’s insecurity.

10. The interventions can suppress symptoms and buy time; they cannot resolve the structural and fiscal crisis.

3. The ideological licence, the command architecture and the presidential variable

The intellectual climate of the August 2026 offensive is captured by Gad SAAD’s *Suicidal Empathy* (May 2026), promoted by MUSK and ACKMAN, which reclassifies restraint, negotiation and regard for the adversary as “suicidal” and prescribes the recovery of a civilisational “survival instinct”. The paper reads this as the ideological licence for a Western political class that has convinced itself that domination is self-defence - euphemised as “muscular foreign policy” and “peace through strength”. SAAD supplies the ideology; HEGSETH the kinetic force; BESSENT the financial weaponry.

The imperial register is older. In 2017 PRINCE and FEINBERG proposed, at the request of BANNON and KUSHNER, to privatise the Afghan war under an “American viceroy” on the model of the East India Company. That viceregal self-image has since become explicit policy language: Gaza (“We’ll own it”), Greenland, Canada as the fifty-first state, the Panama Canal and “we take the oil”. The Venezuelan oil revenues now held in U.S. Treasury accounts are the completed case. Operation Economic Outcast is the financial expression of the same mindset: access to the world economy as a revocable grant of the viceroy. The underlying driver is the white anxiety of a declining West facing demographic and global power shifts, and the settler-colonial sequence it revives is stable: invasion or overwhelming asymmetry; co-option of intermediaries; decree; redefinition of ownership; enforcement through law; violent policing of resistance as “terrorism”; and normalisation of the result as property.

The administration's economic warfare cannot be understood through Treasury alone. BESSENT (financial-economic statecraft), VOUGHT (fiscal-administrative command through OMB as the President's "air-traffic control system") and MILLER (political-security policy and narrative framing) occupy parallel centres of influence converging in a highly centralised system of presidential direction. Bombing, sanctions, administrative direction and storytelling can be sequenced as one campaign. This concentration increases speed and coherence, but also concentrates error.

The presidential variable: affective decision-making and the erosion of institutional restraint. The public record supports analysis of a decision style, not a clinical diagnosis. The relevant variables are the personalisation of policy; rapid affective response to status threat; humiliation avoidance; reactive aggression; escalation of commitment; risk-seeking under perceived loss; cognitive narrowing under stress; and a preference for loyalty-confirming advice. In such a system, an adversary's strike is liable to be processed simultaneously as an operational fact, a reputational injury and a personal challenge to the President's authority. Retaliation can then become psychologically and politically rewarding even when it is strategically counterproductive. Jeffrey SACHS's description of TRUMP in his 1 September DURAN interview as "deeply psychologically unstable" is treated here as an attributed political judgement, not as clinical evidence; the analytical claim rests on observable decision behaviour.

Institutional filtering failure. Recent departures turn that presidential variable into an institutional risk. The pattern includes the April dismissal of Army Chief of Staff General Randy GEORGE; the June removal of the head of U.S. Army Europe and Africa; the blocking of senior promotions; and Army Secretary Dan DRISCOLL's resignation on 31 August after he had raised concerns about Army transformation and readiness and about the removal of generals responsible for those programmes. Taken individually, these events do not prove psychological dysfunction. Taken together, they show that the channels through which professional military judgement corrects presidential impulse are thinning during a major war. The Financial Times now describes the condition as "Pentagon chaos" and reports the warning that the leadership disruption risks "generational damage" to the Army. The result is not merely personnel turbulence but the erosion of the institutional shock absorbers between presidential emotion and military action.

The escalation loop. The American escalation problem is therefore becoming endogenous to its decision system: military setback produces anger, humiliation or reputational threat; that threat produces a demand for visible retaliation;

retaliation produces an Iranian counter-strike; and the counter-strike is experienced as a further challenge requiring a larger response. Iran need not diagnose TRUMP clinically to exploit this pattern. It need only identify the observable triggers - casualties, market pressure, public contradiction and visible damage to American prestige - and time its actions accordingly. This is the political-psychological mechanism linking the command architecture to the operational warning developed below.

The establishment mind under decline. Kurt CAMPBELL and Rush DOSHI's September/October Foreign Affairs essay, How Alliances Survive, argues that converging concerns over China and Russia and the durability of alliance institutions can generate greater "allied scale". In his DURAN discussion of the essay, SACHS identifies the deeper premise: multipolarity is imagined as a Hobbesian vacuum, great-power co-operation as implausible or unfavourable, Chinese pre-eminence as catastrophic, and coalition balancing as the only tolerable order. The structure treats any order the United States does not dominate as disorder. SACHS calls this an effort to "protect a hegemony that no longer exists" and "the logic of walking into war". His phrase "everything is grandiosity" captures the cognitive dysfunction examined here: relative decline is misrecognised as chaos, co-operation as defeat and escalation as the restoration of normality.

The war of 28 February 2026 was an Israeli project the United States was brought to adopt. NETANYAHU made the "hard sell" to TRUMP in the Situation Room on 11 February; on 30 August, on Israel's Channel 14, he boasted that it had taken him years to bring his own security establishment and then the United States to the war, and that he had done so through "close to a thousand hours on American television". The American intelligence community had testified in March 2025 that Iran was not building a nuclear weapon. The "nuclear threat" was a manufactured threat. The Israeli template is equally discernible in the Gaza starvation blockade and in the sanctions regimes against Russia and Iran: siege as a method of war. Blockade is a declaration of war; the starvation of civilians is a war crime under Additional Protocol I, the Fourth Geneva Convention, the Rome Statute and the San Remo Manual, as the ICJ provisional measures of 2024 and the ICC warrants of 21 November 2024 confirm. A hegemon that adopts the same method against Iran and Russia is executing the same template, and the responses of the besieged are defensive by definition.

4. Strategic diversion

Strategic diversion is the manufacture of attention away from domestic weakness or policy failure by means of an external confrontation, real or rhetorical. The evidentiary test is not a memorandum saying “distract the public” but whether the communication pattern, timing and political effects are consistent with the displacement of attention. The paper draws on the diversionary theory of war (LEVY, MORGAN and BICKERS, SMITH, GELPI, TIR), gambling for resurrection (DOWNS and ROCKE, OAKES), threat inflation (KAUFMANN, THRALL and CRAMER), rhetorical coercion (KREBS and LOBASZ), political spectacle and agenda-setting (EDELMAN, HERMAN and CHOMSKY, McCOMBS and SHAW) and the classical theory of propaganda (BERNAYS, ELLUL).

The most directly relevant contribution is ARAS’s peer-reviewed analysis of Israeli executive rhetoric from 1973 to 2024, which finds the 2026 war to have been driven by “diversionary rhetorical entrapment”: NETANYAHU’s hostility toward Iran peaked months before 7 October 2023, when his government was paralysed by domestic protest, and a lag of roughly 24 months separates peaks of securitisation from military escalation. The paper extends the mechanism to the United States: the TRUMP administration, embattled by inflation, a bond-market revolt and looming mid-terms, has been drawn by the same rhetoric into the same trap, and now practises diversion from the far side of defeat. The misdirection is double-layered: Iran is portrayed as the central external danger while the war itself intensifies the inflationary and bond-market pressures that constitute the domestic vulnerability. The six-step repertoire is: externalise the crisis; narrate victory; deny contradiction; escalate coercion; appropriate resources where possible; repeat when the previous round fails.

5. The Strategy of Denial and the triple miscalculation

Elbridge COLBY’s *Strategy of Denial* (2021) - its author now Under Secretary of Defense for Policy - argued for the China contingency that the United States should deny a peer adversary a fait accompli and regional hegemony rather than seek decisive defeat. In the China case present American practice is better captured by XI Jinping’s description: “containment, encirclement and suppression”.

The paper’s theatre-specific extension - clearly labelled as its own inference, not COLBY’s doctrine - is the open-wound and metastasis mechanism observable in Russia-Ukraine and Iran: deny consolidation of the adversary’s victory; keep the conflict open below the threshold of general war; exploit protraction in the hope that unresolved pressure erodes the adversary internally; contain the domestic cost; and calibrate time and cost-benefit, since the party that can bear the cost of an open wound longest wins the denial contest. The domestic financial repertoire is the cost-containment side of that posture.

Denial was conceived for a world in which the economic centre of gravity lay in the West. That world has gone. China is the leading trading partner of nearly twice as many economies as the United States; South-South trade has risen from 11 per cent of world merchandise trade in 2000 to 28 per cent in 2025; Iran and Russia trade, settle and finance increasingly outside the dollar perimeter. The West therefore miscalculates three times: it overestimates its own fiscal, industrial, energy and legitimacy base (an SPR at its lowest since 1982, $40 trillion of debt with $1 trillion of annual interest, a 30-year yield at a nineteen-year high, depleted interceptor inventories); it underestimates the asymmetric power of its adversaries; and it misreads a world in which the targeted regimes have economic hinterlands that did not exist when denial was theorised. An open wound in a body with alternative circulation does not metastasise; it is bypassed. The consequence is the inversion of denial: protraction now taxes the sponsor more than the target.

The FT's internal recognition of systemic decline. Martin WOLF's 2 September column is titled "The wheels are coming off the US world order" and writes that, in TRUMP's conception, there are "no allies, only satellites". This is not evidence of instantaneous American collapse. It is evidence that recognition has moved inside the establishment: the alliance-based order is being replaced by unilateral compulsion at the same time that the material capacity to compel is weakening. The gap between the inherited mental map and the changed distribution of power is the capability illusion at the centre of this paper.

6. The Iranian counter-attack: how Iran manoeuvred the United States into a quagmire

Strategic defeat. The war pursued expansive aims: regime change, disarmament, elimination of missile and nuclear capabilities, neutralisation of regional partners and the reopening of Hormuz on American terms. None was achieved. The Islamic Republic survived the death of Ali Khamenei and major leadership and infrastructure losses; its capabilities were not conclusively eliminated; it retained capacity for disruption; and by late August its leadership had coalesced around a hard-line core preparing for prolonged confrontation. “Strategic defeat” is used precisely: it does not deny American or Israeli tactical successes; it denotes the failure to convert them into the intended political-military outcome, combined with adverse second-order effects. MEARSHEIMER, DAVIS and SACHS independently reach the same judgement. In late August the service chiefs and combatant commanders warned that the operational tempo was unsustainable, and the Army Secretary resigned amid Pentagon leadership tensions.

Iran had studied the American attacks on Iraq in 1991 and 2003 and drawn seven lessons: it took its military-industrial complex underground; built missile and drone superiority designed to impose an unfavourable interceptor economy on the defender; built coastal-defence and maritime-denial systems that made Hormuz an instrument rather than a vulnerability; secured its economic survival against siege; dismantled the dissident and intelligence networks on which decapitation depended; decentralised command in mosaic form to absorb leadership losses; and built systems to ensure regime unity. Its military counter-attack concentrated on the radar and communications infrastructure of the American basing network, damaging 228 structures at fifteen U.S. sites, raising the domestic political cost to host states of hosting U.S. forces.

The strategic counter-attack on TRUMP’s vulnerabilities. What distinguishes the Iranian campaign is that it was aimed not at territory but at the constraints under which TRUMP governs. The chain of transmission runs: Hormuz disruption to oil prices; oil to inflation (3.4 per cent in July 2026); inflation to the term premium (the 30-year Treasury yield reached 5.33 per cent on 18 August, a nineteen-year high); depletion of the SPR to 293.4 million barrels, its lowest since 1982; casualties (18 killed and 757 wounded on the official count of 21 August, with independent tallies above 900); and the November mid-terms, which TRUMP enters with approval at 32 per cent, support for the war at 31 per cent, four in five Americans saying the war has raised food and fuel prices, and Democrats leading the generic ballot. Inflation, casualties and public trust are the three variables that have historically sunk American presidents; Iran targets all three. The administration's own calculation, reported by Fortune, is that reopening Hormuz would take pressure off the bond market. Iran's attack on the strait is therefore an attack on the Treasury market, and the economic offensive against Iran is a defensive operation for American borrowing costs. That is the quagmire: every military move raises the price of the debt that finances it.

The bond market confirms the transmission mechanism. The 2 September FT View records sovereign yields reaching "worrying new highs", identifies the renewed Iran escalation as an immediate cause through energy prices and rate expectations, and then states the structural diagnosis: "governments are spending beyond their means". It explicitly places BESSENT's enlarged long-dated buybacks within the risk of financial repression and concludes that "financial engineering can at best buy time". This is exactly the distinction made here. The Iran war is the trigger and amplifier; fiscal overextension is the underlying condition. Each military exchange transmits through oil, inflation expectations and the term premium into the price of the debt required to sustain the exchange.

Cognitive and narrative warfighting. The Western response operates on three planes: kinetic (force held in reserve), cognitive (systematic Friday and weekend claims of imminent agreement, issued when markets are closed so that Monday's opening prices in the desired belief before any document exists) and narrative (an "economic D-Day", the "most crushing economic operation ever", an "endgame"). The narrative plane has been pushed to outright falsehood: on 1 March TRUMP said the war would last four to five weeks; on 9 March he declared Iran's military destroyed; six days later he was asking NATO allies and China to help reopen the strait. Iran has understood the rhythm: a material event in Hormuz on a Saturday punches a hole in Monday's narrative at negligible cost, because the price action then registers the event rather than the spin. Cognitive warfare is symmetrical, and each such event depletes the confidence instrument further as markets learn to wait for the weekend's facts before pricing the weekend's words.

Diplomacy as deception. TRUMP has denied himself the diplomatic option. He withdrew from the JCPOA in 2018; the strikes of June 2025 and February 2026 were both launched while negotiations were in progress; the Islamabad Memorandum of 17 June 2026 was declared "over" by TRUMP on 8 July, suspended by Iran on 18 July and expired on 17 August. A state that tears up its own agreements twice and attacks under cover of negotiation cannot credibly offer a third; what remains is militarism or capitulation.

The pause as Campaign Between Wars, and the kinetic return. The “pause” of August was not peace but, in Israeli doctrinal vocabulary, a Campaign Between Wars: economic strangulation, intelligence preparation and inventory replenishment before the next kinetic evolution. It has now generated that evolution. On 30 August U.S. forces struck two Iranian launchers on Larak Island, citing preparations to launch rockets carrying sea mines into the strait; Iran retaliated with ballistic-missile attacks on two U.S. air bases in Jordan; on 1 September CENTCOM began a wider round of strikes around Qeshm, Bandar Abbas and Chabahar. Reports of American intelligence casualties at the Jordanian bases remain unverified. The operational rhythm is now visible: bombing, declaration of success, narrative and economic offensive, negotiating pause, renewed limited strike, counter-strike, more bombing. As the intervals compress - a month-long lull gave way to strike, counter-strike and wider attack within roughly forty-eight hours - CBW approaches continuous war at varying intensities. The exchange immediately raised oil prices by about two per cent, which is why BESSENT’s interventions are operational rather than decorative.

Mine warfare. A low-cost weapon creates strategic uncertainty. One confirmed mine obliges navies and insurers to assume a field exists; the economic effect precedes clearance. Iran can combine drifting or floating mines, conventional moored mines, sea-bottom influence mines, decoys and rapidly delivered replacement fields. Floating mines create immediate navigational danger; bottom mines complicate detection, classification and neutralisation; decoys consume time; and reseeding can invalidate an apparently cleared channel. The problem is therefore not simply the number of mines but the need to conduct slow, specialist clearance inside an Iranian missile, drone and coastal-fire envelope. U.S. mine-countermeasure capacity is limited relative to the scale of the waterway and the force-protection burden, and a Pentagon estimate put clearance at as long as six months under hostile conditions. Iran need not defeat the U.S. Navy ship for ship; it can impose a clearance problem whose duration, casualty risk and market effects exceed Washington’s political tolerance.

Active Defense and the warship alert. Iran has converged functionally on the Chinese doctrine of Active Defense - strategic defence through operational initiative - in three moves: the elastic trigger of 6 January 2026, which widened legitimate defence to include “objective signs of threat”; punishment made actual after 28 February; and declared offensive intent, most recently REZAEI’s warning of 23 August that if the economic war continues “not a single drop of oil” will leave the Persian Gulf and that participation in America’s economic war will be treated as an act of war. PEZESHKIAN’s conditional diplomatic formula at Bishkek and

QALIBAF’s coercive warning of 1 September move the threshold closer, though the decision remains subject to Iranian escalation control.

The renewed American strikes materially increase the maritime danger. CENTCOM confirmed that U.S. Navy assets participated with precision munitions, while open-source reporting identified ship-launched Tomahawk cruise missiles among the weapons used. A warship that enforces the blockade and serves as a firing platform is no longer merely exposed; it has acquired direct military utility and heightened political-symbolic value as an Iranian target. Each further launch from the maritime force therefore tightens the causal connection between American naval presence and Iranian retaliation.

The principal escalation danger now lies in the interaction between Iranian Active Defense and an increasingly personalised American decision system. A successful attack on a major U.S. hull would create a high-casualty, high-visibility event especially likely to activate status-threat sensitivity, humiliation avoidance and the retaliation loop described above. The paper therefore retains and strengthens its probabilistic alert: continued blockade operations and ship-launched attacks place American hulls inside Iran’s engagement envelope daily and steadily increase the military and political incentive to strike one. Such an attack is not inevitable. **Its probability is rising as naval exposure, Iranian incentives and American escalation control deteriorate together.**

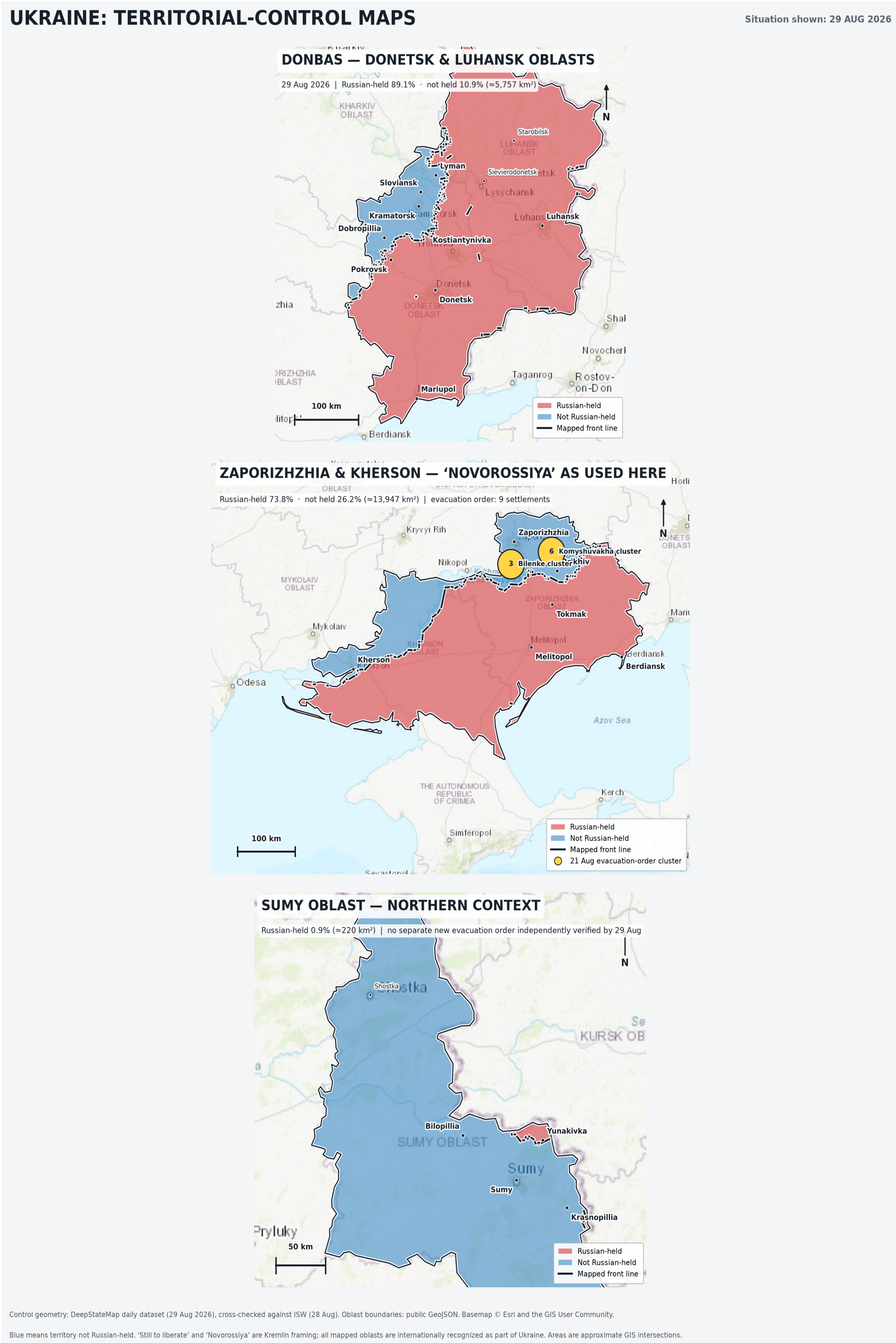
Russia’s technology transfer changes the prospective maritime balance. A 2 September Financial Times investigation identifies a covert multiyear programme, C430L, through which Russian specialists have assisted Iran to develop ramjet propulsion for sustained supersonic cruise missiles. The FT calls it “one of the most significant known transfers of strategic military technology from Moscow to Tehran”. Experts assess the technology as intended for anti-ship and land-attack weapons capable of compressing naval defensive timelines. Iran has flight-tested ramjet technology but has not yet fielded an operational missile of this class; the finding therefore strengthens the forward-looking risk assessment, not any claim about current deployment. It also links the two theatres indirectly: Western pressure on Russia and Iran is accelerating the technological co-operation that makes future coercion more costly.

7. Ukraine: the second diversion

The same six-step repertoire is visible in Ukraine, where the object of diversion is a war of attrition that the West cannot admit it is losing. At 29 August 2026 the Donbas was 89.1 per cent Russian-held and Zaporizhzhia-Kherson 73.8 per cent. Russia is close to completing the Donbas component of its declared geographical objective; attrition is increasingly coupled to breakthroughs (Huliaipole in December 2025; Dobropillia and Kostiantynivka in June-July 2026) and to a logistics campaign against the economic viability of the remaining Ukrainian position. Since 22 July the Russian military has effectively closed the Odessa port complex, through which some 90 per cent of Ukraine's agricultural trade passed. Behind the front the crisis is compounding: BUDANOV has warned that "wars are not won without people" and that Ukraine has "no other option" but to import foreign workers; the defence minister's dismissal in July brought protesters onto the streets; the IMF identifies a financing gap of US$136.5 billion over four years. A belligerent whose deficit is financed externally at that scale has ceded the decision on whether to continue fighting to its financiers.

The documentary record explains why Moscow treats Western agreements as instruments of delay: MERKEL's admission that Minsk was "an attempt to give Ukraine time", and the abandoned Istanbul framework of 2022. The character of the 2014 change of government is not merely a Russian assertion: Stratfor's founder George FRIEDMAN called it "the most blatant coup in history". The comparative economic record is asymmetric. Russia and Iran have built institutions, trade routes, reserves and social expectations around endurance under sanctions; the United States has little modern experience of being the target of sustained external cost-imposition, and its vulnerabilities lie in a highly financialised system whose strength depends on confidence. DALIO places a possible debt crisis, conditionally, within "three years, give or take two"; KRUGMAN rejects panic but concedes that higher long rates feed directly into debt service; SACHS sees the wars leading the West toward "a kind of economic dead end". This is KENNEDY's imperial overstretch. The wound is metastasising in the sponsor. Ukraine is the second diversion in a single Western repertoire, not a second front of the Iranian war: the theatres are linked by the same refusal to admit failure and the same six-step method, not by a common adversary.

Figure 1. Ukraine territorial-control maps - situation at 29 August 2026



Red = Russian-held; blue = not Russian-held. Donbas: 89.1% Russian-held and 10.9% not held (approximately 5,757 km²). Source: DeepStateMap daily dataset (29 August 2026), cross-checked against ISW (28 August 2026).

8. The Mecca Defence Alliance and the porcupine as strategic implantation

The Mecca Joint Defence Agreement of 7 August 2026 (Saudi Arabia, Turkey, Pakistan) is read as part of an American recalibration forced by overextension: Washington has outsourced its Ukraine problem to Western Europe and wants to outsource its Iran problem to the new regional formation - “the guarantor of freedom of navigation asking the beneficiaries to bring their own ships”. If the alliance materialises as an auxiliary it will repeat a historical blunder of Sunni Arab and Muslim states. The alternative is an inclusive regional arrangement that frames the principal threat unambiguously: not Iran, which has been invited to join, but the nuclear-armed, expansionist apartheid regime in Israel, found by the ICJ to maintain an unlawful occupation and whose leaders are subject to ICC warrants.

The “steel porcupine” is the general form of the problem. Its genealogy is Western and alliance-centred: VICKERS’s 1999 “rim and porcupine strategy” for preserving American military superiority; MURRAY’s 2008 application to Taiwan; Ukraine as combat-learning loop from 2022; VON DER LEYEN’s “steel porcupine” of March 2025. Its failure modes are now visible in Ukraine and latent in Taiwan and Israel: passivity; stand-off attack; economic strangulation (Odessa); industrial exhaustion; the political credibility of external support; and above all the security dilemma, in which the porcupine provokes the attack it was meant to deter. A porcupine on Russia’s border was the object the war was fought to prevent; a porcupine is what the West now proposes as the settlement. Iran, by contrast, built a porcupine of its own under siege and converted it into the “honey badger” of Active Defense: the doctrine works for the defender who designs it before the assault, not for the client who improvises it afterwards on external credit. The porcupine is the ZAI form of strategic implantation - the anticipatory pre-positioning of latent capability so that it generates disproportionate effect when conditions change. Israel is the American steel porcupine in Southwest Asia, Taiwan in East Asia, and Ukraine aspired to be one in Eastern Europe. The model produces permanent war on the periphery of each Eurasian power in turn; a regional alliance positioned against the porcupine rather than as its auxiliary would be the first genuinely post-hegemonic security formation of the New Era.

9. The trigger: “economic D-Day” as theatre

On Sunday 23 August BESSENT announced in the Financial Times “an economic D-Day - the single greatest financial offensive ever marshalled against an adversary”, threatening that any nation serving as a financial artery of the Iranian regime would become “a global pariah” and declaring the objective to “sever every economic lifeline” until “Tehran stands alone”. The op-ed’s claim that financial isolation “can obviate the need for American force” is an admission that force has not produced the result. The offensive is not new: American economic warfare against Iran dates from the asset freeze of 14 November 1979.

What was announced on Monday 24 August fell markedly short. Treasury designated some 60 individuals, entities and vessels but stopped short of the trailed secondary sanctions on foreign banks, named no countries and no deadline, and left Chinese financial institutions - the central node of Iran’s oil trade - untouched ahead of a planned TRUMP-XI summit. Pressed on the gradual rollout, BESSENT asked: “Why would I want to blow up the global financial system?” That sentence is the key to the paper: it concedes that the instrument of total isolation cannot be used at full power without destroying the system on which American financing depends. The day “came and went with little of the shock or awe it promised”. By the evidentiary test of strategic diversion, the pattern is consistent with the displacement of attention: the announcement coincided with the week in which selling gripped bond markets from the United States to Japan.

The political claim was falsified within days. On 31 August-1 September PEZESHKIAN sat at the Shanghai Cooperation Organisation Council of Heads of State in Bishkek as the president of a full member, alongside XI, PUTIN and MODI; India held a bilateral meeting, reaffirmed cooperation with Iran in the SCO and BRICS, and invited him to the BRICS summit. Economic injury and strategic isolation are not the same thing: the first can be severe while the second fails. The operation risks accelerating the substitution networks it is intended to suppress. LUCE’s January portrait of BESSENT as TRUMP’s “political attack dog” and BESSENT’s own formula - “the most America First politics that are possible, without incurring market wrath” - identify the constraint precisely: not law, alliance or prudence, but the bond market. Iran has understood this; everything that follows is an attempt to move that constraint.

10. The domestic front: the instruments

The interventions are motivated by the need to reinforce a Dollar hegemony whose relative position is eroding: the dollar's share of allocated official reserves has fallen from about 71 per cent at the turn of the century to 57.1 per cent in 2026Q1; central banks have accumulated gold; and Iran, Russia and China settle a growing share of trade outside the dollar perimeter. Dollar hegemony is sustained through two means corresponding to the two halves of GRAMSCI's hegemony. Monetary confidence conditioning (consent) comprises the instruments that shape belief: verbal intervention, auction guidance, the 3-3-3 narrative, headline aggregation and the strong-dollar liturgy. Compelled compliance (coercion) comprises the instruments that discipline: sanctions, asset freezes and seizures, the threat of exclusion from dollar clearing, the conscription of banks and stablecoin issuers as buyers, and allied dependency on swap lines. Conditioning is cheap while it works; compulsion is expensive and self-undermining, because every act of compulsion gives the compelled an incentive to diversify. A movement from conditioning toward coercion therefore points towards a weakening of consensual hegemony. The instruments, each analysed in the full paper by what it is, the field it belongs to and what it entails in the war logic, are:

- The Treasury General Account as an intervention reserve. Built to roughly $950 billion against $550-600 billion under the previous administration; drawdown injects liquidity, but it is finite and later rebuilding drains it.
- Long-bond buybacks. On 19 August, after the 30-year yield hit a nineteen-year high, Treasury at least doubled 10-30 year liquidity-support operations to $4 billion. Yields dipped and rose again; the instrument works through signal as much as volume and, funded with bills, shortens maturity and increases rollover exposure.
- Maturity transformation (the "Treasury twist"). More bills, restrained coupons, repurchased long bonds: a movement toward economic perpetuity in which principal is never meaningfully extinguished and the term premium suppressed today is transferred to future taxpayers.
- Stablecoin-based captive demand. The GENIUS framework converts stablecoin growth into automatic demand for bills; a private narrow-banking layer built on public debt, concentrated at the short end and carrying run and sanctions risk.

- Bank balance-sheet engineering. Lowering the enhanced supplementary leverage ratio conscripts banks as buyers of last resort before any crisis, reducing their capacity to absorb the crisis when it comes.
- Leveraged repo demand. The hedge-fund basis trade (near $830 billion) and swap-spread arbitrage supply price-insensitive demand in calm markets and store tail risk that an adversary can trigger by moving oil and inflation expectations.
- Auction design and forward guidance. BESSENT as the nation's "top bond salesman"; optimistic demand claims that may fail at auction.
- Counterparty and clearing reform. Enlarges absorptive capacity while concentrating risk in clearing houses and embedding expectations of rescue.
- Verbal intervention and reflexive confidence management. The recurring sequence - shock, announced contact, claimed progress, relief rally, incomplete implementation - in which credibility is exhaustible and the weekend is the instrument's natural habitat. The clustering of oil-futures and prediction-market positions before presidential Iran announcements is now under Senate and regulatory inquiry.
- Tariff threat-pause-deal sequencing. The manufacture of a loss frame followed by partial withdrawal; tariffs raise inflation and can raise rather than lower yields, and the Canadian case exposes the Great Lakes battleground states TRUMP must hold.
- Sanctions and dollar-network coercion. Operation Economic Outcast: a conditional threat with private timelines that supports dollar demand through network power while financing reserve diversification and alternative payments. China's invocation of its blocking rules in May 2026 shows the threshold at which the instrument fails.
- Exchange-rate and swap operations. The Iran war converted swap architecture into a visible defensive instrument: in April Gulf and Asian allies requested swap lines to prevent disorderly sales of U.S. assets; Saudi Arabia and the UAE cut Treasury holdings by nearly $17 billion in March; in June Treasury examined using Iranian assets to fund Gulf repair; in July Washington encouraged Japan to use swap/FIMA liquidity rather than sell Treasuries. The operations supported allies but simultaneously defended the American yield curve.
- Federal Reserve pressure and policy adjacency. Fiscal dominance - the attempt to remove Governor COOK, the probe of Chairman POWELL, the

WARSH nomination - which can unanchor expectations and raise the term premium.

- Oil, inflation and the 3-3-3 narrative. Inverted by the war: Hormuz raises inflation expectations while the SPR provides roughly 101.7 days of gross net-import cover, about 59.5 days if the announced drawdown proceeds.
- Accounting and headline aggregation. Maximum facility sizes and multi-year "economic exchange" figures presented without implementation rates; the "economic D-Day" belongs to the same family.
- Seizure and confiscation: the new marque. The resurrected colonial and piratical practice traced from the letter of marque to its administrative form. The Venezuelan case is complete: the head of state removed by force on 3 January 2026; oil revenue placed in U.S. Treasury accounts by executive order; and on 28 August century-long rights over some 65 billion barrels granted to a U.S.-linked private vehicle. The Israeli record (the Absentees' Property Law of 1950, the Land Acquisition Law of 1953) supplies the path dependency: force creates the fact; the state created by force writes the law; the law converts the taking into title; the dispossessed who resist are criminalised. Seizure is compelled compliance in its purest form, and its resurrection is the clearest evidence that the confidence instruments are no longer sufficient. A hegemon that has begun to steal openly has announced that its promises are worthless, and every holder of dollar assets has been told to draw the conclusion.

Two further instruments belong to the same repertoire: narrative and cognitive warfighting, of which the unilateral renaming of seas and mountains and the "Ukraine is winning" fairytale are textbook cases; and neo-colonial resource seizure, of which Venezuelan oil and Greenland's critical minerals are the cases.

11. Keeping both wars open and below the threshold

The instruments converge on a single strategic form. Externally, the United States keeps the Iran conflict open but below the threshold at which China's banks would be sanctioned or the global financial system "blown up". Internally, it keeps the fiscal deterioration open but below the threshold at which a failed auction, a basis-trade unwind or a disorderly dollar decline would force adjustment. This is the management of two crises so that neither resolves and neither explodes: the Strategy of Denial on two fronts. Two denials face each other - Iran's strategic denial of rapid capitulation and Washington's denial of consolidation - and the difference is that one is being paid for in Treasuries.

Three consequences follow for the adversary's strategy. The relevant measure of success is not American collapse but American cost: each week of Hormuz disruption, each basis point of term premium, each drawdown of the SPR is a transfer from the American balance sheet. The thresholds are known and can be approached deliberately, because BESSENT has announced them. And the domestic instruments are exhaustible: the TGA is finite, buyback credibility decays, leveraged demand can reverse, and the interval between announcement and verification is shrinking. Everyone, it seems, has found TRUMP's vulnerabilities except Russia: Canada attacks politically, Iran through oil and the bond market, China through its blocking rules and the summit card, the Gulf states by hedging into the Mecca pact. Russia's attrition wins territory but does not touch TRUMP's constraints, which is why it struggles to convert kinetic advance into settlement. Iran's campaign threatens "market wrath" directly. That is why the Treasury, not the Pentagon, has become "the tip of the spear", and why HEGSETH's force is held in reserve while BESSENT performs.

12. Conclusion

The analysis identifies three interacting vulnerabilities: **the fiscal constraint**, **the military constraint** and **the decision system itself**. Their convergence is visible in **the rising risk of an attack on a U.S. warship**. The concentration of authority can coordinate economic, administrative, narrative and kinetic instruments rapidly, but the simultaneous erosion of professional dissent makes correction slower and retaliation faster. The strategic risk is generated not by presidential temperament alone, but by the coupling of affective decision-making to a command architecture with weakening institutional restraint.

BESSENT's repertoire is state-directed balance-sheet orchestration conducted under war conditions: a distributed support system spanning banks, hedge funds, stablecoin issuers, money funds, allied governments and Gulf sovereign wealth institutions. The analytical significance lies in the concentration of measures and the causal chronology: Gulf and Asian swap requests after the Iran shock; efforts to prevent disorderly sales of U.S. assets; Gulf reconstruction planning; Saudi-UAE Treasury reductions; the unusual July U.S.-Japan currency operation; and enlarged long-end buybacks after the August yield spike. A fiscally secure system can employ each instrument routinely. Their clustered use under war pressure points towards rising marginal dependence on active official support.

The August 2026 offensive against Iran and the August 2026 defence of the Treasury market are the same operation seen from two sides, and both are responses to the same strategic reversal: Iran, by fighting at the strategic-economic level, prevented the U.S.-Israeli campaign from achieving its objectives and turned a material share of the war's cost back onto the financial system that funds it. The op-ed promised total isolation; the press conference delivered a warning; Bishkek supplied an immediate falsification. The United States is fighting an economic war in which its principal weapon and one of its principal vulnerabilities are the same object. Every use of the weapon accelerates diversification; every defence of the object limits the weapon.

The failure has an author. NETANYAHU has boasted, in Hebrew, that he brought both his own security establishment and the United States to the war. TRUMP, having torn up the JCPOA and the Islamabad Memorandum and attacked twice under cover of negotiation, is left with militarism or capitulation; the economic offensive is the interval between the two. The lesson for countries facing American-Western wrath is correspondingly clear: a declining hegemon that lashes out in desperation reveals its constraints in the act; they can be studied, pre-positioned against and attacked. The return to open seizure is the most explosive element of the conjuncture, because it converts the confidence on which the dollar system rests into a calculable risk for every holder, and because the settler-colonial pattern it revives has always ended in the violent suppression of those who resist.

The measures analysed here can lower measured borrowing costs and postpone the reckoning; they kick the can forward without solving the arithmetic. Their price is higher rollover exposure, denser sovereign-financial interdependence, greater political coercion and a larger eventual credibility test. Strategic diversion can postpone recognition. It cannot repeal arithmetic.