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War, Debt, Gold and the Mirage of Dollar Alternatives

This study analyses revolutionary Iran's gradual rise over 47 years (1979-2026) to wage war with the United States in the Middle East. It examines the cost implications of war and the unavoidable expansion of debt; the history and role of gold in the international monetary system and the significance of current events for its utility; as well as the potential future of the US dollar. This exploration of the past enhances our understanding of current affairs and helps us develop a more informed view of possible future trajectories.

War

In peace, sons bury their fathers. In war, fathers bury their sons.

- Herodotus

If we have learned anything from observing nations waging war in the Middle East - Iran-Iraq (1980-1988), Russia-Afghanistan (1979-1989), and the United States-Afghanistan (2001-2021) - it is that while wars are easy to initiate, they are much more difficult to conclude. Iran's turbulent history, characterised by periods of both grandeur and defeat, has left an indelible mark on the collective psyche of its people, who value their sovereignty. The country's pre-Islamic history begins with the Achaemenid Empire (circa 546-334 BC), the largest empire the world had ever seen. At its height, it stretched from the Aegean in the west to Punjab in the east, and from Uzbekistan in the north to Oman in the south. This mighty empire collapsed after Alexander the Great defeated the Persian armies in 334 BC, and its vast territory was divided among his generals after his death. After less than a century of rule, Alexander's successors were defeated by the Persian Parthians, who established another empire (247 BC to AD 224), followed by the rise of the large Sassanid Empire (224-651 AD), which rivalled Rome and Byzantium.

The course of Iranian history changed when the Islamic army defeated the Sassanids and captured parts of Persia in 651. Over time, Iranians gradually abandoned Zoroastrianism, the country's official religion, and converted to Islam. Founded by the Persian prophet Zoroaster (around 1500-1000 BC), Zoroastrianism emphasises personal ethical conduct and salvation through good thoughts, good words, and good deeds; Islam focuses on submission to Allah. Although both religions originated in the same broad geographic and cultural region and share some structural similarities, their core metaphysical frameworks, views on evil, human purpose, and relationships with God and the world, differ greatly. They possess distinctly different worldviews. During the golden age of Islam, from the eighth to the 13th century, renowned Persians revolutionised mathematics with Hindu-Arabic numerals and algebra, producing texts that served as the standard reference for medicine for centuries. This remarkable period of Islamic cultural flourishing was interrupted by the destructive invasions of Genghis Khan and his Mongols in the early 13th century. Following this, the Safavid dynasty (1501-1722) not only established Shia Islam as the state religion but also expanded their empire far beyond today's borders of Iran. It was during the reign of the Qajar dynasty (1789-1925) that Iran's decline as a regional power began, as it faced challenges from European nations and Russia, driven by industrialisation and democratisation, and supported by vibrant capitalist economies. Britain and Russia emerged as dominant foreign powers, conspiring to undermine Iran's sovereignty and territorial integrity, keeping it subordinate to their imperial interests. The secret Anglo-Russian convention of 1907 effectively divided Iran into Russian and British spheres of influence. Later that year, oil was discovered in Iran, and William Knox D'Arcy established the Anglo-Persian Oil Company (APOC), now known as BP. In 1914, Winston Churchill, then First Lord of the Admiralty, ordered the

Royal Navy to shift from coal to oil as its main fuel source. This decision not only heightened the importance of oil but also increased Iran's strategic value for British imperial ambitions.

Despite declaring neutrality, Iran was invaded by British, Russian, and Ottoman troops during the First World War. Subsequently, Cossack army officer Reza Khan, with tacit British approval, staged a coup against the Qajar king in 1921. Four years later, he overthrew the Qajar dynasty and crowned himself Reza Shah Pahlavi, founding the Pahlavi dynasty (1925-1979). Reza Shah restored internal order, launched a bold programme of industrialisation and secularisation, modernised the armed forces, reformed Iran's antiquated educational and judicial systems, and introduced progressive social reforms—including banning women from wearing hijab—and in 1935 issued a decree officially changing the country's international name from 'Persia' to 'Iran'. APOC became the Anglo-Iranian Oil Company.

Reza Shah's fortunes tragically declined during the Second World War when, despite official declarations of neutrality, Iran was invaded in 1941 by Soviet, British, and American forces. Fearing a challenge from the powerful leader Reza Shah, Britain and the Soviet Union first exiled him to Mauritius, then to South Africa, where he died in July 1944, allowing his 22-year-old son, Mohammad Reza Shah, to inherit the throne. Washington's dedication to Iran's territorial integrity at this crucial moment greatly increased its popularity, and the young Shah, aware of public support for the US in Iran, drew closer to Washington, hoping to establish a strategic alliance to counter Britain and the Soviet Union's influence.

On 15 March 1951, exactly 75 years ago, Iran's Majlis (parliament) unanimously passed a bill to nationalise the oil industry. Iranian Prime Minister Mohammad Mosaddegh formalised this on 1 May,



expropriating AIOC's assets in Iran and establishing the National Iranian Oil Company. The government rightly believed that Iran could not exercise its sovereignty unless it had full control over its main source of revenue—the oil industry. This action not only challenged the very foundations of British influence in Iran but also inspired other anti-British movements, such as Egypt's nationalisation of the British- and French-controlled Suez Canal in 1956. Mosaddegh ultimately took the bold step of formally severing diplomatic relations with Britain in October 1952 and expelling British diplomats. The dynamics of the Anglo-Iranian dispute shifted when General Dwight Eisenhower became president in January 1953. He extended support to British Prime Minister Winston Churchill, who harboured strong hostility towards Mosaddegh, leading to his overthrow in a joint CIA-MI6 coup d'état, codenamed Operation Ajax, in August 1953. The Shah, who had earlier fled the country, returned home and resumed leadership. The coup proved to be a Pyrrhic victory for the US and the Shah, as it sowed the seeds of the 1979 revolution.

The Shah was tainted as being beholden to Washington, making the US a toxic brand among many Iranian nationalists and leftists. Iran resumed diplomatic relations with Britain and became an ally of the United States in containing the Soviet Union during the Cold War. The Iranian oil industry was denationalised, and a Western-dominated oil consortium was established, with American companies holding a major share. The US expanded its economic ties to Iran and began modernising its armed forces. The Shah swiftly consolidated his authoritarian rule while granting considerable social, cultural, and religious freedoms. The Shah's rule appeared impregnable, with the US firmly entrenched as Iran's leading foreign power.

Beneath the appearance of internal stability, political tensions were simmering. Under pressure from the Kennedy administration, the Shah introduced a series of reforms in 1963, collectively known as the White Revolution, which granted women the right to vote. At this point, Ayatollah Ruhollah Mousavi Khomeini, a relatively

obscure religious leader, challenged both the Shah and the US. He published his first major treatise, a book called *Kashf al-Asrar*, or 'Secrets Unveiled', a sharp critique of Reza Shah's secularisation policies and his enforced unveiling of women. Khomeini used the pulpit to denounce the Shah's reforms and women's enfranchisement and, in the early 1960s, declared war on the Shah and his policies, accusing him of selling out the country and turning it into a US colony. Britain withdrew from the Persian Gulf in 1968. For many years in the 1970s, Iran was the world's top buyer of American weapons, accounting for 25% of all Foreign Military Sales orders between 1970 and 1978. While the Shah modernised Iran's economy and society, the country's politics remained archaic and autocratic. Mohammad Reza Shah was forced into exile on 16 January 1979 and, overwhelmed by cancer and grief, died in Egypt on 27 July 1980, at the age of 60, far from the homeland he served and loved, mirroring the fate of his father.



Iranian women protesting forced hijab, Tehran (1979)

Source: My Stealthy Freedom

In the Islamic Revolution of 1979, Khomeini not only overthrew the Shah but also dismantled a monarchy that had endured for more than 2,500 years. He established a theocratic government—an Islamic republic—and implemented a fundamental change in Iranian foreign policy that reshaped the Middle East's landscape. He called the United States 'the Great Satan' and adopted the slogan 'No East, No West' as the guiding principle of the country's foreign policy, prominently displayed at the entrance of the Foreign Ministry in Tehran. Iran no longer acted as the policeman of the

Persian Gulf. On 5 May 1979, the Islamic Revolutionary Guard Corps (IRGC) was founded not only to protect the Shia integrity of the Islamic Revolution in Iran but also to promote the revolution across the Islamic world. The deep state created its own police forces through thousands of neighbourhood committees managed by armed vigilantes, who worked to suppress opponents of the Islamic Republic. The main aims were to Islamise the political landscape, support the just struggles of the *mustadh'afun* [the downtrodden] against the *mustakbirun* [the arrogant] worldwide, and eradicate Israel. To protect themselves from the export of the Islamic Revolution, Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman united to establish the Gulf Cooperation Council in February 1981.

There are four pillars to Iran's strategy: first, the expansion of power through the promotion of Islam; second, establishing a covert regional network of allies and militias trained in asymmetric and hybrid warfare – the preferred and cost-effective option for the weaker party compared to the powerful, as it avoids the risk of escalation to conventional war, and is strengthened by the willingness of its members to face martyrdom; third, mitigating threats through tactical alliances with countries like Syria and Russia; and fourth, creating a self-sufficient military-industrial complex to oversee the country's nuclear programme, produce advanced missiles and drones, arm and equip its regional network, and serve as the foundation of Iran's defence doctrine.

The most significant consequence of the Iran-Iraq war—during which Saddam Hussein's ambitious and irrational optimism about a swift victory led to his country's bankruptcy and ruin, with the war's total cost surpassing the combined oil revenues from Iran's discovery of oil in 1907 until 1988—was the rise of the IRGC as the country's most powerful military and security force. The US invasion of Iraq in 2003 acted as a catalyst for Iran's growth, especially after declaring Iran, Iraq, and North Korea an Axis of Evil, threatening global peace.¹ The rapid collapse of Saddam's regime during the Shock and Awe military operation alarmed Iranian leaders. Two

¹ Bush, George W, *State of the Union*, January 29, 2002

major events damaged American credibility and strengthened anti-American and pro-Iranian forces. First, it was confirmed that the US had committed blatant human rights violations in Iraq's notorious Abu Ghraib prison by torturing detainees accused of terrorism, including waterboarding. Second, the intelligence report on Iraq's weapons of mass destruction stated that there were none, discrediting the primary public justification for the US invasion. This mistake significantly harmed the US's credibility internationally. After the invasion, many Sunnis formed an unofficial and hostile alliance with al-Qaeda against both the US and Shia groups. The mastermind behind this alliance was the notoriously anti-Iran and anti-Shia Abu Musab al-Zarqawi, who described Shias as 'the lurking snake, the crafty and malicious scorpion, the spying enemy' whose aim was to 'establish a Shia state stretching from Iran through Iraq, Syria, and Lebanon, ending the cardboard kingdoms of the Gulf'.² ISIS (Islamic State of Iraq and Syria) emerged directly from al-Qaeda in Iraq, an unintended consequence of the US invasion. Led by Abu Bakr al-Baghdadi, an Iraqi-born militant previously imprisoned by the US in Iraq, ISIS imposed a reign of terror across millions in Iraq and Syria, collecting taxes and enforcing strict Sharia law in the territories it controlled. The international community recognised the severity of the ISIS threat in August 2014 when it released a video of one of its members beheading James Foley, an American journalist. Iran's campaign against ISIS not only protected its national security but also increased its influence in Iraq and strengthened its capacity to retaliate against the US.

The inauguration of President Trump in January 2017 marked a turning point. As president, he imposed harsh sanctions on Iran aimed at pressuring Tehran into accepting a more favourable nuclear deal. Iran adopted a confrontational stance of maximum resistance. The US took the unprecedented step of designating IRGC, an official branch of the armed forces of a sovereign nation, a Foreign Terrorist Organisation and even imposed sanctions on the office of Ayatollah Khamenei. In response, Iran designated the US Central Command a 'terrorist entity'. In a bold move, Iran then shot

down a highly sophisticated, unmanned Navy RQ-4 Global Hawk surveillance aircraft valued at \$220 million over the Strait of Hormuz in June 2019. In reply, the US launched cyberattacks and imposed additional sanctions on Iran.

Washington's policy of enforced regime change can lead to unintended and potentially damaging consequences for all involved. The US operation in Iraq was a strategic failure, as Iran became the main beneficiary of the invasion. The economic and human costs of the US invasion of Iraq have been enormous. The financial burden on US taxpayers from 2003 to early 2023, along with the anticipated future costs for medical care of US Iraq War veterans, totals an astonishing \$1.79 trillion. 4,492 members of the US armed forces were killed, and 32,292 were wounded, making it the deadliest conflict involving America since Vietnam.



William Knox D'Arcy and George Reynolds discover oil, Persia (1907)

Source: British Petroleum (BP)

Hezbollah

Iran's influence in the region includes, in 1982, supporting the creation of Hezbollah, one of the main intellectual proponents of Shiism and by far the largest guerrilla organisation in the world, to oppose Israel in Lebanon. Kidnappings, targeted assassinations,

hijackings, and suicide bombings are the organisation's main tactics. In November 1982, a car packed with explosives drove into the IDF (Israel Defence Force) headquarters in Lebanon, killing 75 Israelis along with more than a dozen Lebanese and Palestinian prisoners. In April 1983, a suicide bomber drove a truck laden with explosives into the US embassy compound in Beirut, killing 63 people, including Robert Ames, the CIA's chief analyst for the Middle East. In October 1983, another suicide bomber targeted the US Marine Headquarters in Beirut with an explosives-laden truck, killing 241 military personnel. Simultaneously, a suicide bomber attacked the French troops' headquarters, resulting in the deaths of 58 servicemen. In response, the US withdrew its troops from Lebanon, demonstrating, sadly, how terrorism – or what Tehran called 'martyrdom operations' – can be an effective tool for achieving political aims. Such acts offset the military imbalance between the two sides by inflicting painful losses on the more powerful. The US placed Iran on its list of State Sponsors of Terrorism in January 1984.

In February 1992, Ayatollah Khamenei played a key role in selecting Hassan Nasrallah as Hezbollah's third secretary general, following the assassination of Seyyed Abbas Mousavi in an Israeli missile strike. When Hezbollah won 12 seats in the Lebanese parliamentary elections in 1992, Khamenei gave Nasrallah carte blanche to manage Lebanon's internal policies as he saw fit. Nasrallah did not moderate Hezbollah's strongly anti-American and anti-Israeli stance. In retaliation for Israel's assassination of Mousavi, the group's new leadership targeted innocent civilians as far away as Argentina, detonating a bomb under the Israeli embassy in Buenos Aires killing twenty-nine people in 1992, and killing 85 people two years later when a suicide bomber drove his explosives-packed van into the city's Jewish cultural centre. The Islamic Republic's policy towards Lebanon has been primarily Hezbollah-centric, supporting the organisation by supplying it with more lethal and precise missiles, drones, and other military equipment, along with increased financial assistance. By 2019, the US estimated that Iran was providing Hezbollah with upwards of \$700 million annually. Its

² al-Zarqawi, Musab, English translation of terrorist letter obtained by the United States Government in Iraq, February 2004.



budget, income, expenses, everything it consumes, its weapons and rockets — all are funded by the Islamic Republic of Iran.

Syria

A second strategic move after the 1979 revolution was that Iran, a non-Arab country with a Shia majority and a theocratic government, forged a political alliance with Syria, a secular Arab nation with a Sunni majority that embraced nationalism and pan-Arabism. It operated reciprocally. Assad was so eager to improve relations with Tehran that he sent a Quran to Khomeini. His vice-president, Abdul Halim Khaddam, praised the Islamic Revolution as 'one of the most important developments in our modern history'. For the Islamic Republic, an alliance with Syria was a crucial initial step in expanding its influence in Lebanon and spreading its pro-Palestine, anti-US, and anti-Israel narratives across the Arab world. Syria became Iran's main Arab ally against Iraq. The Islamic Republic responded generously by selling oil to Syria at discounted rates. Syria provided a vital lifeline by facilitating weapons procurement, selling limited quantities of arms, and aiding acquisitions through black markets during a period when the US had imposed strict arms sanctions on Iran. Moscow was Iraq's primary weapons supplier, and the US occupation heightened the threat perception in Tehran and Damascus.

Arab Spring

Protests erupted in Tunisia after Mohammad Bouazizi, a poor street vendor, had his cart and scales confiscated by municipal police in Sidi Bouzid on 17 December 2010, for operating without a permit. He protested that he needed the cart to feed his family. A female police officer (Fadia Hamdi) allegedly slapped him, spat on him, and insulted his deceased father. Humiliated and desperate, with no recourse (police and officials routinely extorted vendors), Bouazizi went to the governor's office to complain but was turned away. Around 11:30 a.m., he returned to the government building, doused himself with a can of paint thinner, and set himself on fire

³ Mazetti, Mark et al, *Behind the sudden death of a \$1 billion secret CIA war in Syria*, New York Times, 2 August, 2017.

in protest. He suffered severe burns over 90% of his body and died from his injuries on 4 January 2011. His death unleashed the simmering rage of a population living under a long-running dictatorship. This was the spark that ignited a fire of grassroots protests for democracy and human dignity across the Arab world. Organised by people from all walks of life, popular protests led to the downfall of four long-serving and deeply entrenched Arab dictators: Tunisia's President Zine El Abidine Ben Ali, who had ruled Tunisia autocratically since 1987; Egypt's Hosni Mubarak, in power for 30 years; Muammar Gaddafi, who governed Libya for 32 years; and Ali Abdullah Saleh, who wielded authority over Yemen for 22 years.

In January 2011, demonstrations reached Syria and erupted into civil war. This posed a threat to the land bridge between Syria and Lebanon, which was vital for Iran's transfer of arms to Hezbollah. Six years earlier, the two countries – Syria and Iran – signed a mutual self-defence pact aimed at jointly neutralising threats from the US and Israel, an agreement that played a key role in enabling Tehran's increasing military and naval presence in Syria, prompting it to directly intervene in Syria's civil war, as did the US and its allies. Saudi Arabia, Turkey, the UAE, and Qatar were involved in the CIA's \$1 billion clandestine operation Timber Sycamore, which funded, trained, and equipped Assad's opponents in Jordan and Turkey.³ By 2013, Iran had reportedly deployed 4,000 troops. This number rose to 9,200 by 2016, including Green Berets (Special Forces) with expertise in asymmetric warfare. Iran changed the course of the civil war by appealing to Shia internationalism. In a heinous attack against its own innocent people, the Syrian government deployed sarin gas in a suburb of Damascus, claiming the lives of more than one thousand people, including hundreds of children.

By mid-2015, Tehran had formed a tactical alliance with Russia, which over the past three centuries had annexed a vast amount of Iranian territory through force. Russia had been eager to establish itself as a military power in the Middle East following the

<https://www.nytimes.com/2017/08/02/world/middleeast/cia-syria-rebel-arm-train-trump.html>

disintegration of the Soviet Union in 1991. It sought to revive its longstanding military ties with Syria, dating back to the Cold War era, regain access to the Tartus naval base in the Mediterranean Sea (established in 1971 following the Soviet-Syrian agreement), and utilise the Hmeimim air base in Latakia as a hub for its military operations in Syria, as well as a strategic point in the border region of the Middle East and North Africa. With the support of Iranian-led ground forces and the backing of the Russian air force, the balance of power swiftly shifted in favour of Assad's regime. This enabled, in December 2016, the regime to win the battle of Aleppo, one of the world's oldest cities. Samantha Power, former US ambassador to the UN, described the battle as 'joining the ranks of those events in world history that define modern evil, that stain our conscience decades later – Halabja, Rwanda, Srebrenica and now Aleppo'.⁴ 25,000 civilians died during months of siege and bombing, and starvation was used as a deliberate tactic: no mercy, no accountability. Trump's policy towards Syria was partly driven by the goal of reducing Iranian influence in the country. To pressure Iran to withdraw from Syria, the US reached out to Russia. As early as mid-2014, Israel warned that Iran, which spent between \$20-30 billion in the Syrian civil war, was creating a new Hezbollah in Syria.

Yemen

Iran's third regional move was in Yemen, where a civil war caused a humanitarian disaster: by the end of 2021, a UN report found that a child under five was dying every nine minutes. Yemen's modern history, like that of many other Arab nations, bears the lasting impact of the British and Ottoman empires. In 1839, the British took control of the port city of Aden. Ottoman rule over the region ended with the empire's collapse during the First World War. Britain withdrew from the Persian Gulf east of Suez in 1967. The Yemen Arab Republic (North Yemen) was among the first nations to recognise the Islamic Republic and forge friendly ties with Tehran. After North Yemen unified with Communist South Yemen in May 1990 and following the Iran-Iraq War, Iran grew more interested in

⁴ Laila Bassam et al., *Battle of Aleppo Ends after Years of Bloodshed with Rebel Withdrawal*, Reuters, December 13, 2016. <https://www.reuters.com/article/idUSKBN1420H5/>



the new Republic of Yemen. It began expanding its soft power through investments in small development projects and by increasing its spiritual influence. Around 2,000 Yemenis converted to Twelver Shiism – the state religion of Iran - during this time. For a brief period, there were no visa restrictions between the two countries, enabling some Yemeni students to study in Iranian universities and Shia seminaries. President Saleh visited Iran in April 2000 and met with Ayatollah Khamenei. Khamenei emphasised to his guest the need for Islamic countries to unite against the American strategy of dividing the Islamic world. In May 2003, President Khatami visited Yemen and met Saleh to sign several agreements, covering security, commerce, scholarships for Yemeni students, cultural exchanges, and investments to upgrade Hodeidah’s oil port.

Houthis

In 2004, Hussein Badr al-Din al-Houthi, a charismatic cleric who founded and led Yemen’s Houthi movement— a Zaydi Shia revivalist group from northern Yemen with the slogan ‘Death to America, Death to Israel, Curse the Jews, Victory to Islam’— rose against the Saleh government. The government killed him in cold blood, aiming to crush the emerging movement before it gained strength. Paradoxically, Hussein Houthi became more dangerous dead than alive, as his martyrdom revitalised the Houthi movement. Saleh, who had supported Saddam Hussein during the Iran-Iraq War, accused Iran of aiding and empowering the Houthis. When the Arab Spring reached Yemen in early 2011, hundreds of thousands of people took to the streets to overthrow President Saleh’s dictatorial regime and establish a more transparent, accountable, and representative government. Tehran began to expand its influence in Yemen by forming an alliance with the Houthis. The Islamic Republic has openly acknowledged its political support for the Houthis, considering it both a religious and constitutional duty. Tehran remains the Houthis’ primary supporter. UN Resolution 2216, passed in 2015, explicitly bans the ‘direct or indirect sale or transfer

of arms to Houthis’.⁵ By 2018, Saudi Arabia’s air campaign against Yemen had failed to defeat the Houthis but had left the country in ruins, causing an unprecedented man-made famine. The core issue was that Saudi Arabia entered the conflict without a clear endgame. Its flawed strategy relied on the mistaken belief that overwhelming air power alone, without deploying ground troops, could secure victory. It also hoped that its allies—such as Pakistan, Oman, and Egypt—would offer military assistance; they did not. Saudi Arabia also faced inconsistent support from the United Nations and, occasionally, criticism. The US and Britain provided logistical and intelligence support to Saudi military efforts but avoided direct involvement in the civil war. Neither country was willing to halt its lucrative multi-billion-pound arms sales to the kingdom. Both opposed Iran’s backing of the Houthis and its military presence in the Arabian Peninsula. Despite these reservations, they backed Saudi Arabia’s military campaign. Under President Joe Biden, US-Saudi relations became strained as he pledged to isolate Saudi Arabia as a pariah nation due to its human rights abuses, involvement in Yemen’s civil war, and the murder of journalist Jamal Khashoggi. Nonetheless, arms sales to the kingdom continued.

Iran’s support for the Houthis indirectly damaged the Iranian economy and heightened tensions with Saudi Arabia, many other Arab countries, and the United States. Saudi Arabia was spending at least \$5-6 billion a month on the conflict. Tehran shared some strategic objectives with the Houthis, which is why it conveniently ignored the organisation’s heinous violations of human rights and acts of sexual violence against women, who were detained for months, beaten, electrocuted, and gang-raped to extract confessions and punish ‘disloyalty’.

Nearly one-fifth of the world’s oil and substantial amounts of its seaborne trade pass through the Hormuz Strait, and a significant volume of oil, fuel, and goods from the Indian Ocean traverse Bab-al-Mandab to reach the Mediterranean Sea via the Suez Canal; the security of these two vital maritime routes is thus crucial for the

global economy. The effect of the recent closure of the Hormuz Strait has reverberated through the global economy due to the dramatic increase in oil prices.

Hamas

Harakat al-Muqawama al-Islamiyya, commonly known as Hamas, is the Islamic resistance movement founded by Sheikh Ahmed Yassin in late 1987. It emerged from the Muslim Brotherhood's Gaza branch. Its official charter, written in 1988, called for the destruction of Israel. It was welcomed by Khamenei. As with the establishment of Palestinian Islamic Jihad (PIJ, discussed below), Tehran did not play a role in founding Hamas and only began providing financial and military support years after its establishment. On the morning of 7 October 2023, Operation Al-Aqsa Flood, masterminded by Yahya Sinwar, leader of Hamas in the Gaza Strip since 2017 and planned over several years with the help of the IRGC, which approved the operation five days before the attack, saw Palestinian insurgents launch a violent spree through civilian areas, perpetrating indiscriminate and indefensible atrocities and acts of terrorism. Massacres, sexual violence, mutilation, and burning victims alive were reminiscent of the Red Army entering Germany in the winter of 1945, killing all men under the age of 60 and brutally gang-raping younger women before nailing them to the doors of their houses. The abhorrent violence in Israel resulted in the loss of 1,200 Israeli lives, including soldiers, women and children, as well as the capture of more than 250 hostages. This unprecedented operation caused more Jewish casualties than any single day since the Holocaust. Ayatollah Khamenei praised the operation, affirming Iran’s unwavering opposition to Israel and its steadfast support for Hamas and the Palestinian cause. Israel declared its aim to dismantle Hamas as a military force.

⁵ United Nations Security Council, *Resolution 2216 (2015) Adopted by the Security Council at its 7426th meeting, on 14 April 2015*.
[https://docs.un.org/en/S/RES/2216%20\(2015\)](https://docs.un.org/en/S/RES/2216%20(2015))



US Secretary of State Dean Acheson meets then Prime Minister of Iran, Mohammad Mosaddegh, Washington DC (1951). Two years later, Mosaddegh would be overthrown in the joint CIA-MI6 Operation Ajax.

Source: Getty Images

Persia has a longstanding history with the Jewish people. Cyrus the Great (c.600-530 BC), founder of the Achaemenid Empire, is honoured in the Hebrew scriptures for liberating the Jews from Babylonian captivity. He allowed the Jews to return to Jerusalem, rebuild their ruined temple, and practise their faith freely. While some chose to return to Jerusalem, others decided to stay in Iran. Since then, Iran's Jewish community has contributed significantly to Iranian civilisation. In November 1947, the UN General Assembly adopted Resolution 181, leading to the creation of Israel.⁶ Iran voted against that resolution and against Israel's entry into the UN (Resolution 273).⁷ This voting pattern masked pro-Israeli tendencies common among Iran's elites. Mohammed Reza Shah, eager to build strategic ties with the United States, maintained a friendly

⁶ UN General Assembly Resolution 181 (Partition Plan), November 29, 1947. <https://www.inss.org.il/wp-content/uploads/2018/12/All-UN-Resolutions.pdf>

relationship with Israel. Iran and Israel, both pro-US at that time, shared common interests in opposing pan-Arabism and communism. Iran's relations with Israel flourished in the 1960s and 1970s, forming an informal strategic alliance. As noted by the CIA, Iran was Israel's main supplier of crude oil until Israel began operating the Sinai oil fields after its conquest of the territory in the Six-Day War. After Israel returned the fields to Egypt under the Sinai II Agreements in 1975, Iran again became Israel's primary oil source, providing around 70% of Israel's needs until 1979. In return, Israel assisted Iran with water resources and agriculture and regularly sold armaments to Iran. With the Islamic Revolution, Israel lost its most important ally.

As early as 2008, Israeli experts warned that Hamas had become both an agent of Tehran and an Iranian satellite in Gaza. In February 2012, Hamas relocated its headquarters from Damascus in Syria to Doha in Qatar, hoping to expand relations with the affluent Arab countries of the Persian Gulf. Hezbollah leader Hassan Nasrallah recalled that it was General Soleimani who formulated Iran's policy towards Hamas, integrating it into the Axis of Resistance – Iran's informal network of proxy militias and allied states - arming it, and providing it with financial support. Iranian funding for Hamas and other Palestinian groups reached its height at around \$100 million annually in 2018. Iranian support for other terrorist organisations comes close to \$1 billion per annum. Soleimani was assassinated in 2020.

President Joe Biden denounced Hamas for committing *'atrocities that recall the worst ravages of ISIS, unleashing pure unadulterated evil upon the world'*.⁸ There is no Hamas without Iran; no Hezbollah either.

Palestine Islamic Jihad

Shia clerics condemned Israel as an illegitimate entity imposed by Western colonialism to divide Muslims. In late 1978, while in Paris,

⁷ UN General Assembly Resolution 273, *Admission of Israel to membership of the United Nations*, May 11, 1949. https://ecf.org.il/media_items/469

⁸ Biden, Joe, *Remarks by President Biden on the October 7 Terrorist Attacks and the Resilience of the State of Israel and its People*, October 18, 2023.

Khomeini unequivocally declared that after the revolution, Iran would cut all ties with Israel. He proved to be true to his word. Even before making anti-Americanism the core principle of Iran's foreign policy, he established an anti-Israel and pro-Palestine stance as a foundation. It reflected the sentiment of a country deeply immersed in revolutionary idealism and at war with the global order. Khomeini's goal was to Islamise the Palestinian cause while advocating for the eradication of Israel. In Tehran, Egyptian-born Mohammad Abdel Rouf Arafat al-Qudwa al-Husseini, commonly known as Yasser Arafat, declared that 'a new era has begun between Iran and Palestine'. In a highly publicised gesture, the key to the Israeli embassy in Tehran was handed over to Arafat, and the street where it was located was renamed Palestine Street. Khomeini and the Palestine Liberation Organisation (PLO), founded by Arab leaders in Cairo in 1964 to fight for a Palestinian state and headed by Arafat, formed a marriage of convenience based on their mutual hostility towards Israel. The Islamisation of Palestinian politics began with the establishment of Palestine Islamic Jihad (PIJ) in 1981 and Hamas in 1987 in Gaza. PIJ was founded by Fathi Shaqaqi and the cleric Abd al-Aziz Awda. Shaqaqi was born in 1951 in a refugee camp in Gaza, one of the most densely populated places on earth. Like many of his generation, he was drawn to the ideas of Hassan al-Banna, who founded the Muslim Brotherhood in 1928 (which Arafat joined while studying civil engineering at Cairo University). A pioneering Islamic thinker, al-Banna believed in countering Western colonialism through an Islamic revival. PIJ symbolised the future of the Palestinian struggle by synthesising the liberation of Palestine with the revitalisation of Islam. It considers all Israelis to be legitimate targets of violence. The Islamic Republic has been one of the main sources of funding for PIJ. In 1992, Israeli Foreign Minister Shimon Peres warned that 'Iran is the greatest threat and greatest problem in the Middle East because it seeks the nuclear option

<https://ge.usembassy.gov/remarks-by-president-biden-on-the-october-7th-terrorist-attacks-and-the-resilience-of-the-state-of-israel-and-its-people-tel-aviv-israel/>



while holding a highly dangerous stance of extreme religious militancy'.⁹

On 22 January 1995, PIJ carried out one of its first suicide attacks: the Beit Lid massacre, killing 21 IDF soldiers at a bus stop as they waited to go on their weekend leave. Four months later, another PIJ militant rammed his car into a bus full of soldiers heading to Kfar Darom and detonated a bomb, killing seven soldiers and one American citizen. The PIJ has remained Iran's most trusted partner in Palestine, even though it lacks the massive popular support Hamas enjoys.

Muslim Brotherhood

The common thread among these organisations is the Muslim Brotherhood, whose worldview is outlined in *The Future of This Religion*, written by Sayyid Ibrahim Husayn Qutb (1906-1966). It was translated from Arabic by none other than a young Khamenei, who praised Qutb as an exceptional and inspiring Muslim thinker and a perceptive interpreter of the holy Quran.

The eldest of five children, Qutb had memorised the Quran by the age of 10. He received an MA in Education from Teachers College at the University of Northern Colorado, where he was shocked by what he perceived as sexual promiscuity and the worship of the dollar. In 1954 a Muslim Brother tried to assassinate Nasser, because of which, many of the brethren, including Qutb, were imprisoned. Qutb was sent to Tura prison for a 25-year term, where he was tortured and spent much of his time in the infirmary. He was released in 1964, after the intervention of the president of Iraq. Eight months later, he was again jailed on the charge of armed revolt and terrorism. On 29 August 1966, he was hanged. As prison no doubt affected his ideas, it is also no doubt true that prison and execution elevated him to martyrdom for the Islamist cause. His ideas influenced generations of Islamist militants throughout the Muslim world: most notably Muhammad Abd al-Salam Faraj, head of the Cairo branch of Tanzim al-Jihad, better known as Egyptian Islamic Jihad (EIJ), which orchestrated the assassination of

President Anwar Sadat on 6 October 1981; as well as Ayman al-Zawahri, who led EIJ and merged it with al-Qaeda in 1998; and also Osama bin Laden, founder of al-Qaeda and architect of some of the deadliest terrorist attacks in history, including the 9/11 attacks. The prison experience radicalised Qutb's ideas, which took the form of arguing for the superiority of Islam over other Western religions. His interpretation of the Quran is not based on previous interpretations of medieval jurists, imams or clerics, but of his own independent opinion. He believed Christianity was Romanised more than Rome was Christianised, which resulted in a modification of the original Oneness of Jesus' prophetic message. At the Council of Nicaea (May 20 to July 25, 325 AD), the newly converted Christian Emperor Constantine wanted a cohesive religio-political formation that fit the Empire and would meld the theological fanaticism of Christian sects into a common unified platform: a godhead composed of separate entities of father, son, and holy ghost, as expressed in the Nicene Creed. Qutb compared this Trinitarianism with the polytheism of ancient Egypt, a duplication of the triad of Osiris, Isis, and Horus. He believed the conviction that reason and faith are two distinct realms weakened Europe and brought it to the verge of catastrophic collapse. As Pope Benedict XVI echoed half a century later, *Europe is losing its soul. Not only are we no longer Christian; we're anti-Christian. So we don't know who we are.* 10

The merging of daily politics and religion is at the heart of Qutbian political Islam. If sovereignty is a core attribute of God, only God's laws are to be followed, not those of the state, or school board, or country planning commission, the exercise of which is, by definition, a usurpation of a prerogative of God. Obeying the law (being a good citizen) is denying God (being a heretic). People live either according to Islam, following it as a way of life and socio-political system, or else in a state of *jahiliyyah* – unbelief, falsehood, and error. Qutbian religion is a direct challenge to the established political order. Human history is composed of nothing but man-made sovereignties – kingdoms, empires, tribes, clans, and latterly nation-states. It is the duty of Islam to annihilate all such systems.

The effort expended in establishing the Islamic system for the benefit of all – both Muslims and non-Muslims alike – is termed *jihad*. When we understand the nature of Islam, we realise the inevitability of *jihad*.

Preamble to Conflict

In December 2023, Israel killed General Razi Mousavi, a senior IRGC advisor in Syria. On 1 April 2024, Israeli missiles struck Iran's consulate in Damascus, demolishing the compound and killing General Mohammad Reza Zahedi and two other senior IRGC officers. Commander Zahedi was the highest-ranking Iranian military official killed since the assassination of General Soleimani in 2020.

Iran's rise as an anti-American force in Iraq, Syria, Lebanon, Yemen, and, to a lesser extent, the Gaza Strip, stands out as one of the most significant developments in the Middle East since the Second World War. Despite previous efforts by the United States to contain it, Iran has successfully expanded its regional influence and emerged as a quintessential revisionist power, aiming to alter the US-dominated regional order for its own benefit. Its armed forces were ranked as the 17th most powerful in the world, with highly advanced missile and drone capabilities, as well as the necessary infrastructure, expertise, and capacity to rapidly develop a nuclear bomb if it decided to do so.

When the US removed Saddam Hussein, it eliminated the strongest counterweight to Iranian expansion. With Iraq neutralised, Iran became involved in conflicts in Lebanon, Syria, Yemen, and Gaza. This extensive military involvement in multiple conflicts produced a battle-hardened, hybrid armed force with deep familiarity with the Middle East's fault lines. It drove the expansion of a relatively self-sufficient military-industrial complex. Over time, the complex evolved to produce advanced drones, missiles, and other weaponry. This complex was not only the chief supplier of arms and ammunition to the Axis of Resistance – Hezbollah in Lebanon, Hamas and PIJ in Gaza, the Houthis in Yemen, and various Shia

⁹ Peterson, Scott, *Imminent Iran Nuclear Threat*, Christian Science Monitor, November 8, 2011



claimed, 'Tis mere opinion that sets a value upon money,'¹⁰ yet war consumes vast amounts of it. It is estimated that Saudi Arabia spent \$200m a day during its 2015 war with Yemen, while last year Russia allocated \$186 billion to defence. Ray Dalio's authoritative trilogy on sovereign debt crises outlines the grim reality: empires that borrow excessively eventually resort to printing money; when monetary expansion erodes credibility, they turn to force. The United States is now printing money and fighting, much like Mongol Emperor Kublai Khan in the 13th century. China's Yuan Dynasty, over which Khan declared himself emperor, lasted only 97 years — the shortest of the major dynasties — undermined by hyperinflation, a crippling economic ailment and one of the most perilous threats to wealth and wellbeing.

Fast forward 800 years, and today the United States finds itself 39 trillion dollars in debt, around 120% of its GDP. Power — broadly defined as the ability to impose one's will upon others through coercion, persuasion, or other means — serves as the foundation of international relations. Power is, as Machiavelli observed, 'the pivot on which everything hinges'. All states tirelessly seek to expand their power, ensure their survival, and safeguard their security. In an international system lacking comprehensive law enforcement, conflict and wars become inevitable.

Debt levels higher than GDP aren't anything new. The Roman Empire's debt-to-GDP ratio reached 200% in 200 AD;¹¹ the Spanish Empire's 150% at the time of the Armada in 1588;¹² and after waging war against Napoleon in 1815, Britain's debt to GDP ratio hit 250%.¹³ A high debt ratio does not spell doom and disaster, provided the debt is in a domestic currency the country controls, and the savers trust the government. By Waterloo, Britain had borrowed more than twice its entire annual output, yet the pound held because investors trusted the Bank of England and Parliament's promise to pay.¹⁴

In more modern times, the Japanese economy was the first to cross the 100% debt-to-GDP threshold, which it surpassed in 1994, after the '89 bubble popped. During the late '80s boom, the Japanese commercial real estate market had become so inflated that the land under Tokyo's Imperial Palace, totalling 1.31 square miles, was worth more than all the land in California.¹⁵ Today, Japan's borrowing is 230% of GDP, the highest in the world.¹⁶ Provided the savers — those holding the debt — keep the faith and are willing to buy more sovereign bonds, the country can march on. In the case of the US, today's primary disciples are Japan, China, the UK, Belgium, Canada, Luxembourg, the Cayman Islands, France, Ireland and Taiwan. Most creditors are happy to finance their largest customer.

The US government's interest payments on its debt last year totalled \$970 billion. Expectations are that this annual servicing bill will double to two trillion dollars over the next decade. Dalio's model is unforgiving: debt outpaces GDP; interest service costs consume fiscal headroom; central-bank monetisation occurs - until confidence collapses. The Federal Reserve's balance sheet, already swollen by the 2008 systemic bailout during the Great Financial Crisis, has been further enlarged by pandemic-era largesse. Meanwhile, the US Administration funds proxy conflicts in Ukraine, Gaza, Lebanon, and now Iran. Each Tomahawk missile operation Epic Fury fires costs millions; each carrier strike group in the Persian Gulf, billions. Every dollar spent abroad is a dollar borrowed—often from adversaries the Bureau of Political-Military Affairs simultaneously arm; such is the irony of war.

Gold

Gold will be money when the dollar and the euro and the yuan and the ringgit are mere memories.

- Richard Russell

Gold used to be the backbone of the financial system. Today it is an altogether different picture: global GDP is over \$100 trillion; the total value of the world's stock markets is over \$111 trillion; global bond markets are worth around \$140 trillion; the value of financial assets held by investors and central banks is \$280 trillion; and the world's real estate is worth around \$650 trillion. Yet if you add up the value of all the gold bullion traded, all the gold mining companies, the funds, and anything related, you do not even reach \$1 trillion. In the context of the global financial system, gold is almost irrelevant. The total value of all the world's 200,000 tonnes of gold is not so insignificant, at \$23 trillion. However, gold futures, at \$233 billion per day, are the second most heavily traded asset in the world, more heavily traded than US Treasury Bills, or euro-sterling, or euro-yen futures. Only S&P 500 futures, at \$300 billion per day, exceed them.¹⁷

Unlike gold, reserve currencies are mortal. The Spanish peso, the world's first genuinely international currency, thanks in part to Vasco da Gama's voyages, dominated global trade in the sixteenth century until it was debased by the Habsburg wars. Today's US dollar descends from this Spanish predecessor, which is a humorous historical quirk given the current state of diplomatic relations between the two countries. The pirate's parrot cries 'pieces of eight' because there were eight reales to the peso. The coin was literally a piece of eight; it even bore a figure of 8 stamped on it. This, along with the old sign for peso, forms the basis of today's '\$' symbol.

The Dutch guilder, a dominant currency of the seventeenth century, grew in strength on the back of Amsterdam's banking power until Anglo-Dutch conflicts and French invasions led to its decline. Britain's pound sterling replaced it from the eighteenth century through to the mid-twentieth century, supported by the gold standard — invented by Sir Isaac Newton, Master of the Mint in 1699 — which allowed paper money to be exchangeable for physical gold

¹⁰ Shirras, G and Craig, J, *Sir Isaac Newton and the Currency*, The Economic Journal, Vol.55, No.218/219, June-September 1945.

¹¹ Temin, Peter, *The Roman Market Economy*, Princeton, 2013

¹² Parker, Geoffrey, *The Grand Strategy of Philip II*, Yale, 1988

¹³ Ferguson, Niall, *The Cash Nexus: Money and Power in the Modern World*, Basic Books, 2001

¹⁴ Mitchell, B.R., *British Historical Statistics*, Cambridge University Press, 1988

¹⁵ Sterngold, James, *The Evolving Outlook of Japan's No. 1 Banker*, New York Times, May 30th, 1994

¹⁶ <https://usdebtclock.org/world-debt-clock.html>

¹⁷ Frisby, Dominic, *The Secret History of Gold*, Penguin Random House, 2025.



at a fixed rate - a novel concept. Being on a gold standard is like owing debts in a foreign currency: creditors can demand gold payments, and policymakers cannot freely print money because doing so would cause people to redeem their currency for gold. Unlike money, gold is limited; it cannot be created out of thin air. Governments are constrained by this economic reality until they sever the link to gold, which all nations do, eventually.

Depression in America

Between the stock market crash of 1929 and Franklin D. Roosevelt's inauguration in March 1933, the US money supply shrank by a third, the stock market collapsed by 80%, unemployment soared to 25%, and over 9,000 banks - half of the US total - disappeared. Not only was America's gold leaving the country, but citizens also began hoarding gold at home. In the four days before Roosevelt took office, the public handed over \$200 million in paper dollars. On his sixth day in office, Roosevelt issued an executive order temporarily suspending the convertibility of the dollar into gold by banning all domestic gold payments and restricting international gold movements. Then, on 5 April 1933, came Executive Order 6102 'Forbidding the Hoarding of Gold Coin, Gold Bullion, and Gold Certificates' and instructing 'All persons are hereby required to deliver on or before May 1, 1933, to a Federal Reserve Bank...all gold coin, gold bullion and gold certificates now owned by them'. Non-compliance was punishable by 'fine, imprisonment, or both'. Overnight, owning gold became a criminal offence. In the subsequent months, citizens surrendered around 500 tonnes of gold, including certificates issued as far back as the Civil War. They believed this was a temporary measure, a national emergency, and viewed the exchange as a civic duty. They would not be allowed to own gold again for over 40 years. The dollar declined by 28%, and the gold price—steady at \$20.67/oz for 99 years since 1834—rose to \$27/oz. America exited the gold standard. At the end of January 1934, Roosevelt announced a fixed price of \$35/oz, which remained until 1968. Over the following 15 years, US gold reserves increased to unprecedented levels, growing by 50% to 9,000 tonnes. So much gold was amassed that a specialised facility was built next to the Fort Knox military installation in Kentucky, safely inland, far from

more vulnerable coastal cities. It became a symbol of American strength. By the eve of the Second World War, official holdings stood at 15,679 tonnes, peaking in 1949 at 22,000 tonnes, buoyed by ongoing buying as European central banks sold their gold holdings for the dollars needed to rebuild their shattered economies.

On Sunday evening, 15 August 1971, President Nixon famously took the US off the gold standard for a second time, ending the postwar system in a televised address to the nation that lasted less than two minutes. Today, no currency in the world operates on Newton's gold standard. This is one reason why, for generations, wealthy families have hoarded gold. Swiss private bankers say that in 1939, most family fortunes comprised about 20% in gold bars, either in Swiss vaults or buried in their gardens.

Sterling's link to gold was severed when Britain, nearly bankrupt due to two world wars, had to borrow heavily from America. By 1945, Britain's debt-to-GDP ratio had climbed again to 250%, echoing the levels of the Napoleonic era, but this time most of the debt was owed not to domestic investors, but to the United States. This scenario paved the way for the establishment of the postwar system. Founded in 1944 at Bretton Woods hotel in New Hampshire under the guidance of England's John Maynard Keynes, 45 nations agreed to exchange gold for dollars. The International Monetary Fund was established. Sterling lost its status as the global reserve currency. Nevertheless, it was Britain's finest hour: fascism had been defeated. Sterling may have fallen, but liberty endured. Borrowing may have weakened the Empire, but what was the alternative? A world under swastika banners and Britain as a National Socialist puppet. There are times when governments must spend to save themselves and their people.



Walter Thornton selling his luxury Chrysler 75, New York (1929)

Source: Getty Images

Dalio estimates that a currency's lifespan averages around eighty years. Like human mortality, there are exceptions. The dollar's dominance began in 1945, so we are now in its eighty-first year. Interest payments on US government debt today match US defence spending; the country's rivals are accumulating gold at an unprecedented rate and exploring digital alternatives. We are not at the precipice - the point of total collapse where the currency crashes, hyperinflation ensues, and there is a mass sell-off of Treasuries – but we may be at the turning point, where things begin to decline quickly. In this climate, gold persists; aurum protestas est - gold is power.

Dominic Frisby's *The Secret History of Gold* highlights its indifference to politics. Gold endured beyond Rome's currency debasement. The Roman silver coin, the denarius, was originally 95-98% pure silver. By 275 AD, the silver content had fallen to less than 1%, and the coin had shrunk in size. Rome fell not to barbarians, but to monetary decay. Frisby's conclusion: The collapse of the Roman empire was driven by monetary issues, not military ones. Gold remained honest; the denarius did not.



Iran's rial has plummeted by eighty-five per cent since 2022. Since the outbreak of the war, its currency has reached a new low. Having fallen from 42,000 rials to the dollar in 2022 to 800,000 this year, today one might need to spend 1.5 million IRR to buy a single USD. No wonder Tehran is rolling out a new 10 million rial banknote, its highest-ever denomination. Sanctions, the war with Iraq, oil-price shocks, and the weakening of its key ally, Russia, have all contributed to undermining Iran's currency, and at a time when hard cash is in demand, as inevitably it is during war. It is no surprise that last year, the Central Bank of Iran repatriated 13 tonnes of gold it had stored in South Africa, to bolster its reserves. It regards gold as a vital part of those reserves, as would any central banker worth their salt. War can cause a sharp decline in any currency: in 1913, the German Mark was worth 2.38 US dollars; by 1922, one US cent was worth 100 Marks.

When currency fails, invention follows. The petrodollar — 1974's Saudi-American pact — priced oil in dollars and guaranteed Gulf security. That agreement lapsed unrenewed in June 2024. Riyadh has been flirting with China's yuan; some crude flows have already shifted into this currency. Could recent events weaken this trend? Iran has taken military action against 15 countries — the USA, UAE, Saudi Arabia, Qatar, Kuwait, Jordan, Iraq, Bahrain, Israel, Oman, Syria, Cyprus, France, Italy, and the United Kingdom. On the basis that the enemy of my enemy is my friend, if anything was needed to bolster the dollar and maintain the status quo, look no further than this unlikely coalition of nations seeking stability in suddenly uncertain surroundings.

Every non-dollar barrel of oil or million British thermal units of gas (MMBtu) weakens the dollar's status as the world's reserve currency: the fewer Treasuries recycled, the less demand there is for greenbacks. The de-dollarisation movement began quietly: In May 2014, Russia and China signed the Power of Siberia gas accord, a 30-year gas deal worth \$400 billion. In September 2022, Russia's Gazprom signed a gas payment agreement with China National Petroleum Corporation (CNPC), which shifted payments for gas flowing through the Yakutia-Khabarovsk-Vladivostok pipeline away from dollars to an approximate 50:50 mix of yuan and roubles.

Bilateral trade between the two nations now exceeds two hundred billion in largely non-dollar transactions. Later in 2022, India also followed suit, paying in rupees for Russian oil after Russia's invasion of Ukraine, enabling Putin to circumvent both sanctions and his country's excommunication from the Society for Worldwide Interbank Financial Telecommunication (SWIFT). BRICS PAY, launched in 2018, allows decentralised trade across the BRICS member states — Brazil, Russia, India, China and South Africa — in their local currencies, without using the SWIFT system.

Meanwhile, in the UAE, there are three million crypto users, billions in Bitcoin ETFs, and Dubai is testing tokenised oil. While the Blockchain may offer a solution, tempting though bitcoin itself may appear, it remains highly volatile. This is why oil states like Saudi Arabia and the UAE won't bet their barrels on it. The blockchain's fast, borderless, lawless exchange mechanism appeals to many, but its volatility is toxic to a country's reserves; a single bad dip wipes out years of savings. Michael Saylor's Strategy Inc lost \$12.4 billion as bitcoin fell below the company's average buying price, sending the company's shares down more than 70%. Oil states like to invest cautiously. Gold is steady; crypto is speculation, too wild for thawb-wearing oil traders stewarding sovereign wealth.

The surface story might be that this war accelerates the dollar's decline. Every drone attack, every blockade at Hormuz, every escalation fuels de-dollarisation. Hamas, Hezbollah, the Houthis, PIJ and Iran fight not just Israel but the system that funds it. Functioning free markets that act as sources of capital with independently determined prices are simply incompatible with either authoritarian socialist dictatorships or communism.

The more the US intervenes, the more it borrows and prints, the more the world may start to question the security of its currency. But viewed from an alternative perspective, there is a different reality altogether. No one desires war, but few want Iran controlled by an Islamic Republic and its Islamic Revolutionary Guard Corps (IRGC). Paralleling Hitler's Schutzstaffel (SS) in fanaticism and autonomy, the IRGC's governance has been unimaginably brutal, slaughtering thousands (and probably tens of thousands) of its own people. While the SS was explicitly racial, IRGC's 'purity' is

theological. And no one wants to play nuclear poker with a regime where the UN watchdog cannot verify if it has suspended its nuclear enrichment programme.

Hamas injured both Palestinians and Israelis in the 7 October 2023 attacks but continues to receive money and weapons from the Islamic Republic. There will never be peace in the Middle East while the regime stays in power. That is why King Abdullah of Saudi Arabia told the US 'cut off the head of the snake' in a diplomatic cable dated April 20, 2008.

Surprise remains the most crucial element for success in war. This January, US forces detained Venezuelan President Maduro and lifted Venezuelan sanctions; now Chevron and Exxon pump 300,000 barrels per day into the United States, all in dollars. Iraq's oil revenues continue to be controlled by the US. Greenland? The new frontier. Beneath the world's second-largest island lie as much as 13% of the world's untapped oil and over 30% of the world's natural gas, not to mention rare-earth metals. No wonder Dmitry Medvedev called it the 'Mecca of Resources', and in August 2007, using a Mir submarine, Russia planted its titanium flag on the seabed of the Lomonosov Ridge, some 14,000 feet below the surface of the Arctic Ocean.

We should not be surprised by President Trump's recent overtures in the region. These are imperial instincts — securing supplies, enforcing the petrodollar, Make America Great Again. They buy time — five, ten, maybe twenty years. Meanwhile, rivals hoard gold and develop alternatives. The administration delays but does not prevent; for now, it maintains the upper hand. With no clear successor, the dollar persists. The yuan remains constrained by capital controls, opacity, and limited liquidity. BRICS PAY is experimental. Bitcoin is volatile. Gold shines and will endure, but we are a far cry from it practically being used in transactions. The world craves diversification yet lacks conviction. As Napoleon, who wisely quipped that the only one wiser than anyone is everyone, warned, 'Let China sleep, for when she wakes, she will shake the world'. She is awake but seems unprepared. The dollar retains its crown. The US borrows, prints, fights. The rest of the world hedges. The fissures deepen. The foundation holds — until it does not. As



Hemingway warned in September 1935, 'the first panacea for a mismanaged nation is inflation of the currency; the second is war. Both bring a temporary prosperity; both bring permanent ruin. But both are the refuge of political and economic opportunists'.¹⁸

While this may be a war of ideologies, it is not a world war, and Iran is not Iraq. It was not created by the secret 1916 Sykes-Picot Agreement between Britain and France that divided Ottoman territories into spheres of influence. Iran is a descendant of Persia, one of the most successful civilisations in history. It has a sophisticated, capable, young population yearning for a new government. They have been asking for help. The issue is not the desire for war, but whether humanity's cause justifies the risk.

The seemingly sudden US invasion results from years of strategic geopolitical planning: The US assassination of Iran's most powerful and celebrated military leader, General Qassem Soleimani, in January 2020 marked the beginning of Iran's decline; the fall of Syrian President Bashar al-Assad, Tehran's most vital Arab ally, inflicted a severe blow to Iran's regional influence, comparable to the fall of the Shah in 1979; on 31 July 2024, Hamas's political chief Ismail Haniyeh was assassinated in an IRGC guesthouse in Tehran, marking Iran's most humiliating intelligence failure; on 17 and 18 September 2024, coordinated explosions of thousands of Hezbollah communication devices in Lebanon and Syria killed over 40 officials and injured more than 3,500, including the Iranian ambassador to Lebanon; on 27 September 2024, an Israeli airstrike destroyed Hezbollah's Beirut command hideout, killing Secretary General Hassan Nasrallah and senior IRGC officer Abbas Nilforoushan, leader of Hezbollah — the crown jewel in Iran's Axis of Resistance; on 13 June 2025, Operation Rising Lion killed Hossein Salami (IRGC Commander-in-Chief), Mohammad Bagheri (Chief of Staff), Gholam Ali Rashid (Commander of Khatam al-Anbiya Central HQ), Amir Ali Hajizadeh (Head of the IRGC Aerospace and Missile Force), along with 14 nuclear scientists involved in sensitive projects. This simultaneous loss of battlefield leadership and technical expertise

represented the gravest military crisis the Islamic Republic has faced since its founding in 1979.

Iran's ability to regroup and retaliate is as impressive as the effectiveness of the Israeli strikes. Few regimes in modern history could have survived such a decapitation. Then, on 21 and 22 June 2025, the United States attacked Iran for the first time, justifying the strikes by claiming that Iran was close to developing a nuclear bomb. The Cold War that began after the 1979 Islamic Revolution escalated into open warfare. Iran was attacked only after the Axis had been significantly weakened.

Conclusion

The war that erupted in February 2026 is the culmination of 47 years of ideological and strategic confrontation between revolutionary Iran and the United States. What began as a theocratic rejection of Western influence in 1979 has evolved - through proxy networks, asymmetric warfare, nuclear ambiguity, and regional destabilisation - into direct military engagement. The cost has been immense: trillions in accumulated debt, eroded fiscal credibility, and a world increasingly hedging against the dollar's long reign.

Yet the deeper story is one of power's fragility and resilience. Empires borrow to fight, debase to survive, and cling to reserve status until trust fractures. Gold, indifferent to politics, waits in the wings as the only money that has never defaulted. The dollar endures not because it is invincible, but because no credible successor has yet emerged.

Iran's Islamic Republic, like all regimes that weaponize ideology against their own people and their neighbours, has proved brittle under sustained pressure. The current campaign - following years of targeted decapitations, intelligence humiliations, and proxy attrition - may prove decisive. Should it succeed, the region stands to gain a measure of stability, women a restoration of basic dignity,

and the global economy a modest reprieve for the dollar's battered throne.

The question is no longer whether war can be avoided. It is whether the cause of humanity justifies its price. History answers that liberty has sometimes required borrowing against the future; it also warns that such debts, if left unchecked, eventually demand repayment in full.

The fissures deepen. The floor still holds. But the moment of reckoning draws nearer. We pray for peace.

James Maltin is the Chief Investment Officer of Ridgeway Investment Management (www.rim-bvi.com). The thoughts expressed here are his own and do not necessarily reflect current portfolio positioning. If you are a custodian of capital and would like an opinion on the current risks you face and how best to mitigate them, please get in touch.

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