

# War, Martial Law, and the Economic Crisis

Excerpt from "The Global Economic Crisis: The Great Depression of the XXI Century"

By [Prof Peter Dale Scott](#)

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*The following text is an excerpt of a chapter by Peter Dale Scott from the book, "[The Global Economic Crisis: The Great Depression of the XXI Century](#)" Global Research Publishers, 2010.*

## The U.S. Treasury's Financial Bailout

The bailout measures of late 2008 may have consequences at least as grave for an open society as the response to 9/11 in 2001. Many members of Congress felt coerced at the time into voting against their inclinations, and the normal procedures for orderly consideration of a bill were dispensed with.

The excuse for bypassing normal legislative procedures was the existence of an emergency. But one of the most reprehensible features of the legislation, that allowed Treasury Secretary Henry Paulson to permit bailed-out institutions to use public money for exorbitant salaries and bonuses, was inserted by Paulson after the immediate crisis had passed.

According to Congressman Peter Welch (D-Vermont) the bailout bill originally called for a cap on executive salaries, but Paulson changed the requirement at the last minute. Welch and other members of Congress were enraged by "news that banks getting taxpayer-funded bailouts are still paying exorbitant salaries, bonuses, and other benefits." [1] In addition, as the Associated Press reported in October 2008, "Sen. Charles Schumer, D-N.Y. questioned allowing banks that accept bailout bucks to continue paying dividends on their common stock. 'There are far better uses of taxpayer dollars than continuing dividend payments to shareholders,' he said." [2]

Even more reprehensible is the fact that after the bailouts, Paulson and the Treasury Department refused to provide details of the Troubled Assets Relief Program (TARP) spending of hundreds of billions of dollars, while the New York Federal Reserve refused to provide information about its own bailout (using government-backed loans) that amounted to trillions. This lack of transparency was challenged by Fox TV in a FOIA suit against the Treasury Department, and a suit by Bloomberg News against the Fed. [3]

The financial bailout legislation of September 2008 was only passed after members of both Congressional houses were warned that failure to act would threaten civil unrest and the imposition of martial law.

U.S. Sen. James Inhofe, R-Okla., and U.S. Rep. Brad Sherman, D-Calif., both said U.S. Treasury Secretary Henry Paulson brought up a worst-case scenario as he pushed for the

Wall Street bailout in September. Paulson, former Goldman Sachs CEO, said that might even require a declaration of martial law, the two noted.[4]

Here are the original remarks by Senator Inhofe:

Speaking on Tulsa Oklahoma's 1170 KFAQ, when asked who was behind threats of martial law and civil unrest if the bailout bill failed, Senator James Inhofe named Treasury Secretary Henry Paulson as the source. "Somebody in D.C. was feeding you guys quite a story prior to the bailout, a story that if we didn't do this we were going to see something on the scale of the depression, there were people talking about martial law being instituted, civil unrest... who was feeding you guys this stuff?," asked host Pat Campbell. "That's Henry Paulson," responded Inhofe. "We had a conference call early on, it was on a Friday I think - a week and half before the vote on Oct. 1. So it would have been the middle... what was it - the 19th of September, we had a conference call. In this conference call - and I guess there's no reason for me not to repeat what he said, but he said - he painted this picture you just described. He said, 'This is serious. This is the most serious thing that we faced.'"[5]

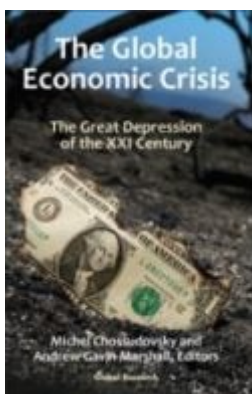
Rep. Brad Sherman (D-CA 27th District) reported the same threat on the Congressional floor:

The only way they can pass this bill is by creating a panic atmosphere... Many of us were told that the sky would fall... A few of us were even told that there would be martial law in America if we voted no. That's what I call fear-mongering, unjustified, proven wrong.[6]

So it is clear that threats of martial law were used to get this reprehensible bailout legislation passed. It also seems clear that Congress was told of a threat of martial law, not itself threatened. It is still entirely appropriate to link such talk to the Army's rapid moves at the time to redefine its role as one of controlling the American people, not just protecting them. In a constitutional polity based on balance of powers, we have seen the emergence of a radical new military power that is as yet completely unbalanced.

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## Continuity of Operations (COOP)

The Army's New Role in 2001: Not Protecting American Society, but Controlling It. This new role for the Army is not wholly unprecedented. The U.S. military had been training troops and police in "civil disturbance planning" for the last three decades. The master plan, Department of Defense Civil Disturbance Plan 55-2, or "Operation Garden Plot," was developed in 1968 in response to the major protests and disturbances of the 1960s.

But on January 19, 2001, on the last day of the Clinton administration, the U.S. Army promulgated a new and permanent Continuity of Operations (COOP) Program. It encapsulated its difference from the preceding, externally oriented Army Survival, Recovery, and Reconstitution System (ASRRS) as follows:

a. In 1985, the Chief of Staff of the Army established the Army Survival, Recovery, and Reconstitution System (ASRRS) to ensure the continuity of essential Army missions and functions.

ASRRS doctrine was focused primarily on a response to the worst case 1980's threat of a massive nuclear laydown on CONUS as a result of a confrontation with the Soviet Union.

b. The end of the Cold War and the breakup of the former Soviet Union significantly reduced the probability of a major nuclear attack on CONUS but the probability of other threats has increased. Army organizations must be prepared for any contingency with a potential for interruption of normal operations.

To emphasize that Army continuity of operations planning is now focused on the full all-hazards threat spectrum, the name "ASRRS" has been replaced by the more generic title "Continuity of Operations (COOP) Program.[7]

This document embodied the secret Continuity of Government (COG) planning conducted secretly by Rumsfeld, Cheney and others through the 1980s and 1990s.[8] This planning was initially for continuity measures in the event of a nuclear attack, but soon called for suspension of the Constitution, not just "after a nuclear war" but for any "national security emergency". This was defined in Reagan's Executive Order 12656 of November 18, 1988, as "any occurrence, including natural disaster, military attack, technological emergency, or other emergency, that seriously degrades or seriously threatens the national security of the United States." The effect was to impose on domestic civil society the extreme measures once planned for a response to a nuclear attack from abroad.[9] In like fashion, ARR 500-3 Regulation clarified that it was a plan for "the execution of mission-essential functions without unacceptable interruption during a national security or domestic emergency."

Donald Rumsfeld, who as a private citizen had helped author the COG planning, promptly signed and implemented the revised ARR 500-3. Eight months later, on 9/11, Cheney and

Rumsfeld implemented COG, a significant event of which we still know next to nothing.[10] What we do know is that plans began almost immediately - as foreseen by COG planning the 1980s - to implement warrantless surveillance and detention of large numbers of civilians, and that in January 2002 the Pentagon submitted a proposal for deploying troops on American streets.[11]

Then in April 2002, Defense officials implemented a plan for domestic U.S. military operations by creating a new U.S. Northern Command (CINC-USNORTHCOM) for the continental United States.[12] In short, what were being implemented were the most prominent features of the COG planning which Oliver North had worked on in the 1980s.



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#### “Deep Events” and Changes of Party in the White House

Like so many other significant steps since World War Two towards a military-industrial state, the Army’s Regulation 500-3 surfaced in the last days of a departing administration (in this case the very last day). It is worth noticing that, ever since the 1950s, dubious events - of the unpublic variety I have called deep events - have marked the last months before a change of party in the White House. These deep events have tended to a) constrain the incoming president, if he is a Democrat or, alternatively, b) to pave the way for the incomer, if he is a Republican.

Consider, in the first category, the following (when a Republican was succeeded by a Democrat):

- In December 1960 the CIA secured approval for the Bay of Pigs invasion of Cuba, and escalated events in Laos into a crisis for which the Joint Chiefs proposed sending 60 000 troops. These events profoundly affected President Kennedy’s posture towards Cuba and Indochina.
- In 1976 CIA Director George H.W. Bush installed an outside Team B intelligence unit to enlarge drastically estimates of the Soviet threat to the United States, eventually frustrating and reversing presidential candidate Jimmy Carter’s campaign pledge to cut the U.S. defense budget.[13]

Equally important were events in the second category (when a Democrat was succeeded by a Republican):

- In late 1968 Kissinger, while advising the Johnson administration, gave secret information to the Nixon campaign that helped Nixon to obstruct the peace agreement

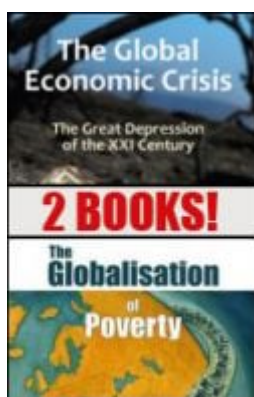
in Vietnam that was about to be negotiated at the peace talks then taking place in Paris. (According to Seymour Hersh, “The Nixon campaign, alerted by Kissinger to the impending success of the peace talks, was able to get a series of messages to the Thieu government” in Saigon, making it clear that a Nixon presidency would offer a better deal. This was a major factor in securing the defeat of Democratic candidate Hubert Humphrey.[14] Kissinger was not the kind of person to have betrayed his president on his own personal initiative. At the time Nixon’s campaign manager, John Mitchell (one of the very few in on the secret), told Hersh, “I thought Henry [Kissinger] was doing it because Nelson [Rockefeller] wanted him to. Nelson asked Henry to help and he did.”[15]

- In 1980 the so-called October Surprise, with the help of people inside the CIA, helped ensure that the Americans held hostage in Iran would not be returned before the inauguration of Reagan. This was a major factor in securing the defeat of incumbent Jimmy Carter.[16] Once again, the influence of the Rockefellers can be discerned. A CIA officer later reported hearing Joseph V. Reed, an aide to David Rockefeller, comment in 1981 to William Casey, the newly installed CIA Director, about their joint success in disrupting Carter’s plans to bring home the hostages.[17]

Both the financial bailout, extorted from Congress and the escalated preparations for martial law can be seen as transitional events of the first category. Whatever the explanations for their timing, they constrained Obama’s freedom to make his own policies. Moreover they have the consequence of easing this country into unforeseen escalations of the Afghan war.

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## The Intensive Quiet Preparations for Martial Law

Let us deal first with the preparations for martial law. In late September 2008, at the height of the financial meltdown, The Army Times announced the redeployment of an active Brigade Army Team from Iraq to America, in a new mission that “may become a permanent part of the active Army”:

The 3rd Infantry Division’s 1st Brigade Combat Team has spent 35 of the last 60 months in Iraq patrolling in full battle rattle, helping restore essential services and escorting supply convoys.

Now they’re training for the same mission – with a twist – at home.

Beginning Oct. 1 for 12 months, the 1st BCT will be under the day-to-day control of U.S. Army North, the Army service component of Northern Command, as an on-call federal response force for natural or manmade emergencies and disasters, including terrorist attacks... After 1st BCT finishes its dwell-time mission, expectations are that another, as yet unnamed, active-duty brigade will take over and that the mission will be a permanent one... They may be called upon to help with civil unrest and crowd control.[18]

This announcement followed by two weeks the talk of civil unrest and martial law that was used to panic the Congress into passing Paulson’s bailout legislation. Not only that, the two unprecedented events mirror each other: the bailout debate anticipated civil unrest and martial law, while the announced positioning of an active Brigade Combat Team on U.S. soil anticipated civil unrest (such as might result from the bailout legislation).

Then on December 17, 2008, U.S. Northern Command chief General Renuart announced that “the US military plans to mobilize thousands of troops to protect Washington against potential terrorist attack during the inauguration of president-elect Barack Obama.”[19]

The U.S. Army War College also raised the possibility of the U.S. Army being used to control civil unrest, according to the Phoenix Business Journal:

A new report by the U.S. Army War College talks about the possibility of Pentagon resources and troops being used should the economic crisis lead to civil unrest, such as protests against businesses and government or runs on beleaguered banks.

“Widespread civil violence inside the United States would force the defense establishment to reorient priorities in extremis to defend basic domestic order and human security,” said the War College report.

The study says economic collapse, terrorism and loss of legal order are among possible domestic shocks that might require military action within the U.S.[20]

It is clear that there has been a sustained move in the direction of martial law preparations,

a trend that has been as continuous as it has been unheralded. Senator Leahy was thus right to draw our attention to it on September 29, 2006, in his objections to the final form of the Fiscal Year 2007 National Defense Authorization Act, which gave the president increased power to call up the National Guard for law enforcement:

It... should concern us all that the Conference agreement includes language that subverts solid, longstanding Posse Comitatus statutes that limit the military's involvement in law enforcement, thereby making it easier for the President to declare martial law. There is good reason for the constructive friction in existing law when it comes to martial law declarations.[21]

This quiet agglomeration of military power has not "just grewed", like Topsy, through inadvertence. It shows sustained intention, even if no one has made a public case for it.

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## NOTES

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