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Paulson's Financial Bailout

It is becoming clear that 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 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 it 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.

Paulson's bailout

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 AP reported in October, "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 since the bailouts, Paulson and the Treasury Department have refused to provide details of the Troubled Assets Relief Program spending of hundreds of billions of dollars, while the New York Federal Reserve has refused to provide information about its own bail-out (using government-backed loans) that amounts to trillions. This lack of transparency has been 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 (Rep. Sherman later downplayed his remarks slightly on the Alex Jones show):

> "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 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 see the emergence of a radical new military power that is as yet completely unbalanced.

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.

Continuity of Operations 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]

Much to the delight of Carter, Juniper's COOP solution perfectly balanced Security and Access during times of disaster.

COOP program lampooned: Balancing security and access

This document embodied the secret Continuity of Operations (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. 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. [10]

Then in April 2002, Defense officials implemented a plan for domestic U.S. military operations by creating a new U.S. Northern Command (CINC-NORTHCOM) for the continental United States. [11] In short, what were being implemented were the most prominent features of the COG planning which Oliver North had worked on in the 1980s.

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 incoming presidents, if the incomer 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. [12]

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. [13] 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 that "I thought Henry [Kissinger] was doing it because Nelson [Rockefeller] wanted him to. Nelson asked Henry to help and he did." [14]

* In 1980 the so-called October Surprise, with the help of people inside 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. [15] 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. [16]

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 will constrain Obama's freedom to make his own policies. I fear moreover they may have the consequence of easing this country into unforeseen escalations of the Afghan war.

The Intensive Quiet Preparations for Martial Law

Let us deal first with the preparations for martial law. On September 30, 2008, 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. [17]

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, US 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." [18]

The US Army War College has 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. [19]

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 back 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. [20]

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

How the Bush Administration Protected Predatory Lending and Let the Financial Crisis Grow

Let us now consider the financial crisis and the panic bailout. No one should think that the crisis was unforeseen. Back in February Eliot Spitzer, in one of his last acts as governor of New York, warned about the impending crisis created by predatory lending, and reveled that the Bush Administration was blocking state efforts to deal with it. His extraordinary warning, in the *Washington Post*, is worth quoting at some length:

> Several years ago, state attorneys general and others involved in consumer protection began to notice a marked increase in a range of predatory lending practices by mortgage lenders. …
>
> Even though predatory lending was becoming a national problem, the Bush administration looked the other way and did nothing to protect American homeowners. In fact, the government chose instead to align itself with the banks that were victimizing consumers. . . . Several state legislatures, including New York's, enacted laws aimed at curbing such practices. . . .Not only did the Bush administration do nothing to protect consumers, it embarked on an aggressive and unprecedented campaign to prevent states from protecting their residents from the very problems to which the federal government was turning a blind eye.

> Let me explain: The administration accomplished this feat through an obscure federal [Treasury] agency called the Office of the Comptroller of the Currency (OCC). The OCC has been in existence since the Civil War. Its mission is to ensure the fiscal soundness of national banks. For 140 years, the OCC examined the books of national banks to make sure they were balanced, an important but uncontroversial function. But a few years ago, for the first time in its history, the OCC was used as a tool against consumers.
>
> In 2003, during the height of the predatory lending crisis, the OCC invoked a clause from the 1863 National Bank Act to issue formal opinions preempting all state predatory lending laws, thereby rendering them inoperative. The OCC also promulgated new rules that prevented states from enforcing any of their own consumer protection laws against national banks. The federal government's actions were so egregious and so unprecedented that all 50 state attorneys general, and all 50 state banking superintendents, actively fought the new rules.
>
> But the unanimous opposition of the 50 states did not deter, or even slow, the Bush administration in its goal of protecting the banks. In fact, when my office opened an investigation of possible discrimination in mortgage lending by a number of banks, the OCC filed a federal lawsuit to stop the investigation. [21]

Eliot Spitzer submitted his Op Ed to the *Washington Post* on February 13. If it had an impact, it was not the one Spitzer had hoped for. On March 10 the *New York Times* broke the story of Spitzer's encounter with a prostitute. According to a later *Times* story, "on Feb. 13 [the day Spitzer's Op Ed went up on the *Washington Post* website] federal agents staked out his hotel in Washington." [22]

Predatory lending exposed by Spitzer

It is remarkable that the Mainstream Media found Spitzer's private life to be big news, but not his charges that Paulson's Treasury was prolonging the financial crisis, or the relation of these charges to Spitzer's exposure. As a weblog commented,

> The US news media failed to draw the obvious connection between the bizarre federal law enforcement investigation and leak campaign about the private life of New York Governor Spitzer and Spitzer's all out attack on the Bush administration for its collusion with predatory lenders.
>
> While the international credit system grinds to a halt because of a superabundance of bad mortgage loans made in the US, the news media failed to cover the details of Spitzer's public charges against the White House.
>
> Yet when salacious details were leaked about alleged details of Spitzer's private life, they took that information and made it the front page news for days. [23]

After Spitzer's Op Ed was published, according to Greg Palast, the Federal Reserve, "for the first time in its history, loaned a selected coterie of banks one-fifth of a trillion dollars to guarantee these banks' mortgage-backed junk bonds. The deluge of public loot was an eye-popping windfall to the very banking predators who have brought two million families to the brink of foreclosure." [24]

What are we to make of Spitzer's charge that the Bush administration interfered to preempt state laws against predatory lending, and of the fact that the mainstream media did not report that? A petty motive for the OCC's behavior in 2003 might have been to allow the housing bubble to continue through 2003 and 2004, thus facilitating Bush's re-election. But the persistence of Treasury obstruction thereafter, despite the unanimous opposition of all fifty states, and the continuing silence of the media about this disagreement, suggest that some broader policy intention may have been at stake.

One is struck by the similarities with the Savings and Loan scandal which was allowed to continue through the Reagan 1980s, long after it became apparent that deliberate bankruptcy was being used by unscrupulous profiteers to amass illegal fortunes at what was ultimately public expense. [25]

In the same way, the long drawn-out housing bubble of the current Bush decade, and particularly the derivative bubble that was floated upon

it, allowed the Bush administration to help offset the trillion-dollar-plus cost of its Iraq misadventure, [26] by creating spurious securities that sold for hundreds of billions, not just in the United States, but through the rest of the world.

The $3 trillion war in Iraq

In the long run, this was not a sustainable source of wealth for America's financial class, which is now suffering like everyone else from the consequent recession. But in the short run, the financial crisis and bailout made it possible for Bush to wage a costly war without experiencing the kind of debilitating inflation that was brought on by America's Vietnam War.

The trillion dollar meltdown, [27] in other words, can be rationalized as having helped finance the Iraq War. When we turn to the martial law preparations, however, they are being made in anticipation of civil unrest in the future. Why such intense preparation for this?

The obvious answer of course is memory of the rioting that occurred in San Francisco and elsewhere during the great depression of the 1930s. Indeed that thought may be uppermost among those who recently arranged for the redeployment of a Brigade Combat Team from Iraq to America. But the planning for martial law in America dates back almost three decades, from the days when Reagan appointed Rumsfeld, Cheney and others to plan secretly for what was misleadingly called Continuity [i.e., Change] of Government. Concern about the 2008 recession cannot have been on their minds then, or on those who introduced the Army's "Continuity of Operations (COOP) Program" on January 19, 2001. Instead the "full all-hazards threat spectrum" envisaged in that document was clearly ancillary to the doctrine of "full-spectrum dominance" that had been articulated in the Joint Chiefs of Staff blueprint, *Joint Vision 2020*, endorsed eight months earlier on May 30, 2000. [28]

The interest of Cheney and Rumsfeld in COG planning, including planning for martial law, also envisaged full spectrum dominance. This is made clear by their simultaneous engagement in the 1990s in the public Project for the New American Century (PNAC). PNAC's goals were stated very explicitly in their document *Rebuilding America's Defenses*: to increase defense spending so as to establish America's military presence throughout the world as an unchallengeable power. This would entail permanent U.S. forces in central as well as east Asia, even after the disappearance of Saddam Hussein. [29]

In short PNAC's program was a blueprint for permanent overseas American empire, a project they recognized would not be easily accepted by an American democracy. Their call frankly acknowledged that it would be difficult to gain support for their projected increase in defense spending to "a minimum level of 3.5 to 3.8 percent of gross domestic product, adding $15 billion to $20 billion to total defense spending annually." "The process of transformation," the document admitted, "is likely to be a long one, absent some catastrophic and catalyzing event—like a new Pearl Harbor." [30]

There is of course every reason to hope that the disastrous era of Rumsfeld and Cheney is about to end, with the election of Barack Obama. Obama has made it clear that he will pursue a foreign policy dedicated to diplomacy and multilateralism. In this spirit he has declared his willingness to talk to Iran without preconditions.

But Obama's stated reason for disengagement from Iraq – "The scale of our deployments in Iraq continues to set back our ability to finish the fight in Afghanistan" [31] – is very ominous. Few serious students of the Afghan scene believe that America can "finish the fight in Afghanistan," any more successfully than could the Russians or British before them. The U.S. position there is visibly deteriorating, while the U.S. strategy of cross-border attacks is having the effect of destabilizing Pakistan as well. The U.S.-backed Karzai regime has so little control

over the countryside that Kabul itself is now coming under rocket attack. Experts on the scene agree that any effort to "finish" will be a long-term proposition requiring at a minimum a vastly escalated commitment of U.S. troops. [32]

One cannot predict the future, but one can examine the past. For thirty years I have been writing about the persistence in America of a war mentality that, time after time, trumps reasonable policies of negotiation, and leads us further into armed conflict. This dominant mindset is not restricted to any single agency or cabal, but is rather the likely outcome of on-going tensions between hawks and doves in the internal politics of Washington.

If a container of rocks and gravel is shaken vigorously, the probability is that the gravel will gravitate towards the bottom, leaving the largest rocks at the top. There is an analogous probability that, in an on-going debate over engaging or withdrawing from a difficult military contest, the forces for engagement will come out on top, regardless of circumstances. Available military power tends to be used, and one of the most remarkable features of history since 1945 is that this tendency has not so far repeated itself with atomic weapons.

Let me explain this metaphor in more concrete detail. Progressive societies (in this era usually democracies) tend to expand their presence beyond their geographic boundaries. This expanded presence calls for new institutions, usually (like the CIA) free from democratic accountability. This accretion of unaccountable power, in what I have elsewhere called the deep state, disrupts the public state's system of checks and balances which is the underpinning of sane, deliberative policy.

We might expect of progressive democracies that they would evolve towards more and more rational foreign policies. But because of the dialectic just described, what we see is the exact opposite – evolution towards foolish and sometimes disastrous engagements. When Britain became more democratic in the late 19th Century, it also initiated the Boer War, a war very suited to the private imperial needs of Cecil Rhodes, but irrelevant if not deleterious to the interests of the British people. [33] Hitler's dreams of a Third Reich, entailing a doomed repeat of Napoleon's venture into the heart of Russia, suited the needs of the German industrialists who had financed the Nazis; but from the outset sane heads of the German military staff could foresee the coming disaster.

For over a half century now, beginning with Vietnam, unaccountable forces have been maneuvering America into unsustainable adventures on the Asian mainland. We now know that Kennedy did not intend ever to commit U.S. combat troops to Vietnam. [34] But the fatal planning to expand the Vietnam War north of the 17th parallel was authorized in the last week of his aborted presidency, probably without his being aware. [35] When elected, Jimmy Carter was determined to reduce the size and frequency of CIA covert operations. [36] Yet his national security advisor, Zbigniew Brzezinski, initiated maneuvers in Afghanistan that led to the largest CIA covert operation (and in my view, one of the most deleterious) of all time. [37]

Our archival historians have not yet fully understood either paradox, or the forces behind them. And as the philosopher George Santayana famously observed, "Those who cannot remember the past are condemned to repeat it." [38]

The Future: Military Escalation Abroad and at Home?

Like both Kennedy and Carter, Barack Obama is a complex mix of hopeful and depressing qualities. Among the latter are his unqualified desire to "finish" (i.e., "win") the war in Afghanistan, and his support, along with his party's, for the final version of the Paulson bailout. In my view they go together.

Like the government negotiated resolution of the savings-and-loan-scandal of the 1980s, the financial bailout undisguisedly taxed the public wealth of the republic to protect and even enrich those who for some time had been undeservedly enriching themselves. Old-line leftists might see nothing unusual about this: it conforms to their analysis of how the capitalist state has always worked.

But it is only characteristic of the American state since the Reagan revolution of the 1980s. Before that time governmental policies were more likely to be directed towards helping the poor; afterwards the ideology of free-market liberalism, even under Clinton, was invoked in numerous ways for the enriching of the rich.

The result of these government policies has been summarized by Prof. Edward Wolff:

> We have had a fairly sharp increase in wealth inequality dating back to 1975 or 1976. Prior to that, there was a protracted period when wealth inequality fell in this country, going back almost to 1929. So you have this fairly continuous downward trend from 1929, which of course was the peak of the stock market before it crashed, until just about the mid-1970s. Since then, things have really turned around, and the level of wealth inequality today is almost double what it was in the mid-1970s…..
>
> Up until the early 1970s, the U.S. actually had lower wealth inequality than Great Britain, and even than a country like Sweden. But things have really turned around over the last 25 or 30 years. In fact, a lot of countries have experienced lessening wealth inequality over time. The U.S. is atypical in that inequality has risen so sharply over the last 25 or 30 years. [39]

Past excesses of American wealth, as in the Gilded Age and the 1920s, have been followed by political reforms, such as the income tax, to reduce wealth and income disparity. But as Kevin Phillips has warned, this type of reform must happen again soon, or it may not happen at all:

> As the twenty-first century gets underway, the imbalance of wealth and democracy in the United States is unsustainable. . . . Either democracy must be renewed, with politics brought back to life, or wealth is likely to cement a new and less democratic regime—plutocracy by some other name. [40]

Judged by this criterion, the Paulson bailout as passed was not just an opportunity missed; it was a radical leap in the wrong direction. It is not reassuring that the bailout was passed with the support of Obama and the Democratic Party. This is rather a sign that plutocracy will not be seriously challenged by either party in their present state.

Warren Buffett may have been correct in saying that the bailout was necessary. But it is not hard to think of reforms that should have accompanied it:

1) there should have been transparency, not secrecy

2) public funds should not have been made available for bonuses or dividends (The richest 10 percent of Americans own 85 percent of all stock). [41]

And as a bailout for the automobile industry is debated, two more reforms seem self-evident:

3) any reduction in income should not affect workers alone, but all levels of employees equally

4) as has often been suggested, a limit should be established by law to the maximum ratio of the highest remuneration to the lowest in any industry – perhaps a ratio of twenty to one.

I am not making these obvious suggestions with any expectation that they will be passed or seriously debated. The plutocratic corruption of both our parties makes such a prospect almost unthinkable.

What I do want to contemplate is the serious prospect of war. America escaped from the depression of the 1890s with the Spanish-American War. [42] It only escaped the Great Depression of the 1930s with the Second World War. There was even a recession in the late 1940s from which America only escaped with the Korean War. As we face the risk of major depression again, I believe we inevitably face the danger of major war again.

In the meantime, some aspects of the financial meltdown, although they arose for many reasons and were not the result of some conspiratorial cabal, may be prolonged because of their utility to the war-minded. Consider that, from the perspective of maintaining America's imperial thrust into Afghanistan (and even Pakistan), the financial crisis has had some desired consequences:

1) The dollar's value against other international currencies, notably the euro, has improved, thus improving America's balance of payments and also offsetting the threat to the dollar's important role as the primary unit of international trade.

2) Thanks to the determined international marketing of overvalued derivatives based on predatory lending, the resulting financial crisis has been internationalized, with economies elsewhere suffering even greater shocks than the United States. This has relatively improved America's capacity to finance a major war effort overseas (which has always had a major impact on the U.S. balance of payments).

3) The price of oil has plummeted from $147 a barrel last July to under $40, thus weakening the economies of Russia, China, and especially Saudi Arabia, the country whose international foundations have been supporting Al Qaeda.

The Afghan situation is grim, but it is not hopeless. Two skilled observers, Barnett R. Rubin and Ahmed Rashid, have proposed a political solution for the entire region that would promise greater security for the entire area than Obama's ill-considered proposal to send 20,000 more U.S. troops. [43] In Rashid's words,

> President-elect Obama and Western leaders have to adopt a comprehensive approach that sees the region [with Afghanistan's neighbors, including Pakistan, India, Russia, China, Iran, and the former Soviet states] as a unit with interlocking development issues to be resolved such as poverty, illiteracy and weak governance. There has to be a more comprehensive but more subtle approach to democratising the region and forcing powerful but negative stakeholders in local power structures - such as the drug mafias - either to change their thinking or be eliminated. [44]

That observers with such recognized status are offering a sensible political solution does not provide me with much optimism. For three decades now Barnett Rubin has been offering sound advice on Iran and Afghanistan to Washington, only to be ignored by those lobbying for covert operations and military solutions. This dialectic is reminiscent of the Vietnam War, where for over a decade reasonable proposals to demilitarize the conflict were similarly ignored.

I repeat that the future is unpredictable. But I fear that Obama's proposal to send 20,000 additional troops will carry the day, with its predictable consequences of a wider war in both Afghanistan and Pakistan. [45] With this I also fear an increased use of the U.S. Army to control protests by the American people.

I earnestly hope that my fears are misplaced. Time will tell.

Peter Dale Scott, a former Canadian diplomat and English Professor at the University of California, Berkeley, is the author of Drugs Oil and War*,* The Road to 9/11*,* The War Conspiracy: JFK, 9/11, and the Deep Politics of War*. His* American War Machine: Deep Politics, the CIA Global Drug Connection and the Road to Afghanistan *is in press from Rowman & Littlefield.*

His website, which contains a wealth of his writings, is here.

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Notes:

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[1] WCAX, Burlington, Vermont - December 22, 2008, Cf. CNBC, October 30, 2008: "`You can get paid $30 million under this program,' says Michael Kesner, who heads Deloitte Consulting's executive compensation practice. `There's no limit on what you can get paid.'"

[2] John Dunbar, AP, October 25, 2007.

[3] David Hirst, "Fox joins battle cry for details of US bail-out," BusinessDay, December 24, 2008,

[4] http://phoenix.bizjournals.com/phoenix/stories/2008/12/15/daily34.html.

[5] http://www.blacklistednews.com/news-2367-0-13-13--.html.

[6] Rep. Brad Sherman, in the House, 8:07 EST PM, October 2, 2008. Rep. Sherman later issued the following clarification: "I have no reason to think that any of the leaders in Congress who were involved in negotiating with the Bush Administration regarding the bailout bill ever mentioned the possibility of martial law -- again, that was just an example of extreme and deliberately hyperbolic comments being passed around by members not directly involved in the negotiations." Cf. Rep. Sherman on Alex Jones show.

[7] Army Regulation 500-3, Emergency Employment of Army And Other Resources, Army Continuity Of Operations (COOP) Program, emphasis added. Cf. Tom Burghardt, "Militarizing the `Homeland' in Response to the Economic and Political Crisis: NORTHCOM's Joint Task Force-Civil Support," GlobalResearch, October 11, 2008.

[8] Peter Dale Scott, *The Road to 9/11: Wealth, Empire, and the Future of America* (Berkeley and Los Angeles: University of California Press, 2007), 183-87; cf. James Mann, *The Rise of the Vulcans: The History of Bush's War Cabinet* (New York: Viking, 2004), 138-45.

[9] Scott, *The Road to 9/11*, 183-87.

[10] Ritt Goldstein , "Foundations are in place for martial law in the US," *Sydney Morning Herald*, July 27 2002.

[11] Peter Dale Scott, *The Road to 9/1*1, 240-41.

[12] Scott, *The Road to 9/11*, 60-61.

[13] Robert Parry, "Henry Kissinger, Eminence Noire," ConsortiumNews, December 28, 2008: "Kissinger, … – while serving as a peace-talk adviser to the Johnson administration – made obstruction of the peace talks possible by secretly contacting people working for Nixon, according to Seymour Hersh's 1983 book, *The Price of Power* [p. 21].

[14] Hersh, *Price of Power*, 18. Cf. Jim Hougan, *Spooks: The Haunting of America* (New York: William Morrow, 1978), 435: "Kissinger, married to a former Rockefeller aide, owner of a Georgetown mansion whose purchase was enabled only by Rockefeller gifts and loans, was always the protégé of his patron, Nelson R[ockefeller], even when he wasn't directly employed by him."

[15] Scott, *The Road to 9/11*, 93-118.

[16] Scott, *The Road to 9/11*, 82-87, 91, 104-05.

[17] "Brigade homeland tours start Oct. 1," *Army Times*, September 30, 2008. Cf. Michel Chossudovsky, "Pre-election Militarization of the North American Homeland, US Combat Troops in Iraq repatriated to `help with civil unrest,'"GlobalResearch, September 26, 2008.

[18] Agence France-Presse, December 17, 2008.

[19] http://phoenix.bizjournals.com/phoenix/stories/2008/12/15/daily34.html.

[20] Remarks Of Sen. Patrick Leahy, National Defense Authorization Act For Fiscal Year 2007 Conference Report, *Congressional Record*, September 29, 2006.

[21] Eliot Spitzer, "Predatory Lenders' Partner in Crime: How the Bush Administration Stopped the States From Stepping In to Help Consumers," *Washington Post*, February 14, 2008; A25. Three months earlier, on November 8, 2007, Governor Spitzer and New York Attorney General Andrew Cuomo had published a joint letter to Congress, "calling for

continued federal action to combat subprime lending practices."

[22] David Johnston and Philip Shenon, "U.S. Defends Tough Tactics on Spitzer," *New York Times*, March 21, 2008.

[23] "Why Eliot Spitzer was assassinated: The predatory lending industry had a partner in the White House," Brasscheck TV, March 2008.

[24] Greg Palast, "Eliot's Mess: The $200 billion bail-out for predator banks and Spitzer charges are intimately linked," Air America Radio's Clout, March 14, 2008.

[25] Without suggesting that the scandal was in any way centrally orchestrated or directed, it can be argued that the scandal was permitted to drag on so long because it was allowing profits from the illegal drug traffic to recapitalize the American economy and strengthen the beleaguered U.S. dollar.

[26] Joseph E. Stiglitz and Linda J. Bilmes, *The Three Trillion Dollar War: The True Cost of the Iraq Conflict* (New York: W.W. Norton, 2008). Cf. Joseph Stiglitz and Linda Bilmes, "The three trillion dollar war," *The Times* (London), February 23, 2008: "On the eve of war, there were discussions of the likely costs. Larry Lindsey, President Bush's economic adviser and head of the National Economic Council, suggested that they might reach $200 billion. But this estimate was dismissed as "baloney" by the Defence Secretary, Donald Rumsfeld. His deputy, Paul Wolfowitz, suggested that postwar reconstruction could pay for itself through increased oil revenues. Mitch Daniels, the Office of Management and Budget director, and Secretary Rumsfeld estimated the costs in the range of $50 to $60 billion, a portion of which they believed would be financed by other countries. (Adjusting for inflation, in 2007 dollars, they were projecting costs of between $57 and $69 billion.) The tone of the entire administration was cavalier, as if the sums involved were minimal."

[27] Charles R. Morris, *The Trillion Dollar Meltdown: Easy Money, High Rollers, and the Great Credit Crash* (New York: PublicAffairs, 2008).

[28] *Joint Vision 2020*; Scott, *The Road to 9/11*, 20, 24. "Full spectrum dominance" repeated what had been outlined earlier in a predecessor document, *Joint Vision 2010* of 2005, but with new emphasis on the statement that "the United States must maintain its overseas presence forces" (*Joint Vision 2020*, 6). Cf. *Joint Vision 2010*, 4: "We will remain largely a force that is based in the continental United States."

[29] Project for the New American Century, *Rebuilding America's Defenses*; Scott, *The Road to 9/11*, 23-24, 191-93.

[30] *Rebuilding America's Defenses*, 51, 75.

[31] "War in Iraq," BarackObama.com.

[32] See e.g. Andrew Bacevich, *Newsweek*, December 8, 2008: "In Afghanistan today, the United States and its allies are using the wrong means to pursue the wrong mission. Sending more troops to the region, as incoming president Barack Obama and others have suggested we should, will only turn Operation Enduring Freedom into Operation Enduring Obligation. Afghanistan will be a sinkhole, consuming resources neither the U.S. military nor the U.S. government can afford to waste." Cf. PBS, Frontline, "The War Briefing," October 28, 2008.

[33] For the role of the Rhodes-promoted Jameson Raid in instigating the Boer War, see

Elizabeth Longford, *Jameson's Raid: The Prelude to the Boer War* (London: Weidenfeld and Nicolson, 1982).

[34] Gordon M. Goldstein, *Lessons in Disaster: McGeorge Bundy and the Path to War in Vietnam* (New York: Times Books/Henry Holt, 2008).

[35] John Newman, *JFK and Vietnam: Deception, Intrigue, and the Struggle for Power* (New York: Warner Books, 1992), 375-77, 434-35, 447; Peter Dale Scott, *The War Conspiracy: JFK, 9/11, and the Deep Politics of War* (Ipswich, MA: Mary Ferrell Foundation Press, 2008), 25-26, 28.

[36] Ofira Seliktar, *Failing the Crystal Ball Test: The Carter Administration and the Fundamentalist Revolution in Iran* (Westport, CN: Praeger, 2000), 52.

[37] Brzezinski later boasted that his "secret operation was an excellent idea. It drew the Russians into the Afghan trap" ("Les Révélations d'un ancien conseiller de Carter," interview with Zbigniew Brzezinski, *Le Nouvel Observateur*, January 15–21, 1998; French version; quoted at length in Peter Dale Scott, *Drugs, Oil, and War: The United States in Afghanistan, Colombia, and Indochina* (Lanham, MD: Rowman & Littlefield, 2003), 35). For my negative assessment of what some have described as the CIA's most successful covert operation, see *The Road to 9/11*, 114-37.

[38] George Santayana, *Life of Reason, Reason in Common Sense* (New York: Scribner's, 1905), 284.

[39] Edward Wolff, "The Wealth Divide: The Growing Gap in the United States Between the Rich and the Rest," *Multinational Monitor*, May 2003. Cf. Edward Wolff, *Top Heavy: The Increasing Inequality of Wealth in America and What Can Be Done About It* (New York: New Press, 2002).

[40] Kevin Phillips, *Wealth and Democracy: A Political History of the American Rich* (New York: Broadway Books, 2002), 422; quoted in Scott, *The Road to 9/11*, 3.

[41] Wolff, "The Wealth Divide."

[42] For McKinley's mercantilist "large policy" as a response to depression, see Philip Sheldon Foner, *The Spanish-Cuban-American War and the Birth of American Imperialism, 1895-1902* (New York: Monthly Review Press, 1972).

[43] Barnett R. Rubin and Ahmed Rashid, "From Great Game to Grand Bargain: Ending Chaos in Afghanistan and Pakistan," *Foreign Affairs*, November/December 2008.

[44] Ahmed Rashid, "Obama's huge South Asia headache," BBC, January 2, 2009.

[45] Cf. Zia Sarhadi, "America's "good war" turns into quicksand," MediaMonitors, January 5, 2009: "Obama's announcement to send 20,000 additional troops to the `good war' in Afghanistan has been greeted by the Taliban with glee. They regard it as an opportunity to attack a `bigger army, bigger target and more shiny new weapons to take from the toy soldiers.' American generals have talked in terms of 40,000 to 100,000 additional troops, levels that are simply not available. America's killing of hundreds of Afghan civilians in indiscriminate aerial attacks has been the most effective recruiting tool for the Taliban. Even those Afghans not keen on seeing the Taliban back in power are appalled by the level of brutality inflicted on civilians."