

# Reviewing Naomi Klein's "The Shock Doctrine"

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Global Research, September 19, 2007

19 September 2007

Region: [USA](#)

Theme: [Global Economy](#)

Naomi Klein is an award-winning Canadian journalist, author, documentary filmmaker and activist. She writes a regular column for The Nation magazine and London Guardian that's syndicated internationally by the New York Times Syndicate that gives people worldwide access to her work but not its own readers at home.

In 2004, she and her husband and co-producer Avi Lewis released their first feature documentary - "The Take." It covered the explosion of activism in the wake of Argentina's 2001 economic crisis. People responded with neighborhood assemblies, barter clubs, mass movements of the unemployed and workers taking over bankrupt companies and reopening them under their own management.

Klein is also the author of three books. Her first was "No Logo - Taking Aim at the Brand Bullies" (2000) that analyzes the destructive forces of globalization. Next came "Fences and Windows - Dispatches from the Front Lines of the Globalization Debate" (2002) covering the global revolt against corporate power.

Her newest book just out is "The Shock Doctrine: The Rise of Disaster Capitalism" that explodes the myth of "free market" democracy. It shows how neoliberal Washington Consensus fundamentalism dominates the world with America its lead exponent exploiting security threats, terror attacks, economic meltdowns, competing ideologies, tectonic political or economic shifts, and natural disasters to impose its will everywhere. Wars are waged, social services cut, and freedom sacrificed when people are too distracted, cowed or bludgeoned to object. Klein describes a worldwide process of social and economic engineering she calls "disaster capitalism" with torture along for the ride to reinforce the message - no "New World Order" alternatives are tolerated.

"Free market" triumphalism is everywhere - from Canada to Brazil, China to Bulgaria, Russia to South Africa, Vietnam to Iraq. In all cases, the results are the same. People are sacrificed for profits and Margaret Thatcher's dictum applies - "there is no alternative."

"The Shock Doctrine" is a powerful tour de force, four years of on-the-ground research in the making and well worth the wait. In an age of corporatism partnered with corrupted political elites, it's must reading by an author now firmly established as a major intellectual figure on the left and champion of social justice. Naomi Klein is all that and more. Even for those familiar with her topics, the book is stunning, revealing, unforgettable and essential to know. This review will cover a healthy sample of what's in store for readers in the full exquisitely written text. It's in seven parts with a concluding section. Each will be discussed below starting with a brief introduction.

Introduction - Blank Is Beautiful: Three Decades of Erasing and Remaking the World (into

Hell)

New Orleans, post-Katrina, is a metaphor for an American-style “New World Order” with unfettered capitalism unleashed in its most savage form. Klein quotes Republican congressman Richard Baker telling lobbyists: “We finally cleaned up public housing in New Orleans. We couldn’t do it but God did.” And New Orleans developer Joseph Canizaro added: “I think we have a clean sheet to start again (and take advantage of) big opportunities.” Their scheme is erasing communities and replacing them with upscale condos and other high-profit projects on choice city real estate at the expense of the poor mother nature forced out and government won’t allow back.

Enter the “grand guru” of free-wheeling capitalism, then age 93 and in failing health. This was conservative/libertarian economist Milton Friedman’s moment that he first articulated in his 1962 book “Capitalism and Freedom.” His thesis: “only a crisis – actual or perceived – produces real change. When a crisis occurs, the actions that are taken depend on the ideas that are lying around....our basic function (is) to develop alternatives to existing policies (ones Friedman rejects, and have them ready to roll out when the) the impossible becomes politically inevitable.” Klein calls crises “democracy-free zones,” and Friedman’s thesis “the shock doctrine.” For New Orleans it means “permanent reforms” like destroying public housing and issuing vouchers for privatized schools in lieu of rebuilding public ones with government reconstruction funds.

For Friedman, government’s sole function is “to protect our freedom both from (outside) enemies....and from our fellow-citizens.” It’s to “preserve law and order (as well as) enforce private contracts, (and) foster competitive markets.” In his view, anything else in public hands is socialism that for “free market” fundamentalists like Friedman is blasphemy.

Until 1973, Friedman’s radical doctrine stayed in his classroom, but all that changed on an earlier September 11. Following General Augusto Pinochet’s bloody ascent to power, he had a real life laboratory as advisor to the new Chilean dictator. His prescription came to be known as the “Chicago School” revolution of rapid-fire economic transformation he called “shock treatment,” now known as “shock therapy.” It’s an economic version of “destroy(ing) the village (and country) to save it” from the Vietnam era and nearly as harsh.

Millions know its lessons, but Friedman’s not their hero. It’s central tenets are structurally adjusted mass-privatizations, government deregulation, unrestricted free market access for foreign corporations, and deep cuts in social spending with repressive laws, harsh crackdowns and torture along for the ride to reinforce the core tenet Reaganites call “trickle down” and Brits call “Thatcherism.”

Its recipients call it hell, and Klein explains why – in Chile, Argentina, Uruguay, Bolivia, Brazil, China, Russia, the Falklands, Poland, South Africa, Sri Lanka, New Orleans, Israel, and coming to a neocon-occupied homeland neighborhood near you. It’s “disaster capitalism” unleashed, and business is booming. Klein cites insiders saying opportunities are on a par with a thriving “emerging market...”the deals are even better than the dot-com days, and the ‘the security bubble’ picked up the slack when those earlier bubbles popped.”

Reaganomics adherents are today’s neoconservatives with the “full force of the US military machine (serving their unfettered) corporate agenda” of greed writ large. Its holy policy trinity is: “elimination of the public sphere, total liberation for corporations and skeletal social spending (if any at all).” But instead of lifting all boats as promised, it’s mirror

opposite. It creates a powerful ruling corporatist class partnered with corrupted political elites - "with hazy and ever-shifting lines between the two groups." Russia got billionaire "oligarchs," China "the princelings," Chile "the piranhas," and America the Bush-Cheney "Pioneers."

Everywhere, the scheme is the same: huge public wealth transfers to private hands, exploding public debt most often, "an ever-widening chasm between the dazzling rich and disposable poor, and an aggressive nationalism (like George Bush's permanent "war on terrorism" and the world) that justifies bottomless spending on security." "Inside the bubble" is paradise. Outside, however, is hell with "aggressive surveillance, mass incarceration, shrinking civil liberties," a declining standard of living, and repression and torture reinforcing the message to non-believers.

Klein calls the harshness "a metaphor of the shock doctrine's underlying logic." When applied, it induces a state of "deep disorientation," and shock to force targets "to make concessions against their will." The "shock doctrine" works the same way on a mass scale, and the 9/11 experience proved it. It exploded the "familiar world" and created a period of disorientation and regression the Bush administration jumped on abroad and at home. As Klein put it: "Suddenly we found ourselves living in a kind of Year Zero (with) everything we knew of the world before (now) dismissed as 'pre-9/11' thinking." We became a "blank slate, a clean sheet of paper," and the administration did what was impossible before. It's how the "shock doctrine" works: "the original disaster (terror attack, war, hurricane, market meltdown) puts the entire population into a state of collective shock" enabling policy manipulators to move in for the kill to remake the world in their image and get it done before the shock wears off.

#### Part 1 - Two Doctor Shocks - Torture and Chicago School Fundamentalism

Following a crisis shock, another quickly follows. The corporate piranhas exploit disorientation with economic "shock therapy" along with "police, soldiers and prison interrogators" with torture their method of choice "to build a model country (by) erasing people and then trying to remake them from scratch."

Klein reviews the history of CIA's interest in torture as a way to control the human mind. It began with the Montreal doctor they funded to perform "bizarre experiments on his psychiatric patients (by) keeping them asleep and in isolation for weeks, then administering huge doses of electroshock (plus) experimental (psychedelic LSD and hallucinogen PCP angel dust) drug cocktails."

The experiments were performed at McGill University's Allan Memorial Institute by Dr. Ewen Cameron even though they clearly violated all standards of medical ethics using human guinea pigs without their permission with permanent damage their reward. Cameron believed by blasting the human brain with an array of shocks, he could "unmake and erase faulty minds, then rebuild (on a blank slate) new personalities" cleansed of their previous nature. It was voodoo science, and it failed. His patients were his victims, but CIA gained a wealth of knowledge it now employs with no pangs of conscience or regard for ethics.

Klein traces CIA's interest in mind manipulation to a 1951 trilateral meeting of intelligence agencies and academics in Montreal when concern was that Communists could brainwash POWs to control them. That was when the spy agency engaged Canadian researchers to learn how, and one of them was Dr. Donald Hebb, director of psychology at McGill, who was

working on the problem. Intelligence agencies were impressed enough with his work to fund classified sensory-deprivation experiments on volunteer McGill students.

They proved intensive isolation interferes with clear thinking enough to make people more receptive to suggestion. They were also “formidable interrogation techniques” amounting to torture that Hebb knew violated medical ethics. He later characterized Cameron’s work as “criminally stupid,” but CIA got what it wanted – a way to interrogate “resistant sources” in a “new age of precise, refined torture, not the gory, inexact” kind from the Spanish Inquisition or what Nazis and other tyrants often practiced. Cameron’s experiments with human guinea pigs built on Hebb’s earlier work laying the foundation for CIA’s “two-stage psychological torture method” of sensory deprivation followed by sensory overload. University of Wisconsin historian Alfred McCoy in his book, “A Question of Torture” on CIA interrogation, called it “the first real revolution in the cruel science of pain in more than three centuries.”

Pre-9/11, these techniques were freely used covertly as any form of abuse or torture violates the Geneva, UN and other statutes prohibiting these practices as well as the US Army’s own Uniform Code of Military Justice barring “cruelty” and “oppression” of prisoners. No longer, as “On September 11, 2001, that longtime insistence on plausible deniability went out the window” as well as any claim this nation respects the law and rights of free people everywhere. What once was done sub rosa or by proxy is now condoned and authorized at the highest levels of government on the fraudulent claim of national security to hide the real aim of social control.

Klein notes torture is still technically banned in the US, but only when pain is the “equivalent in intensity to (what accompanies) serious physical injury, such as organ failure.” Simply put, anything goes, but it’s not put that way. In Iraq, it was thought “shock and awe” would be so stunning, Iraqis “would go into a kind of suspended animation.” A second makeover Chicago School fundamentalism shock could then be imposed on a blank post-invasion slate, and bingo, mission accomplished. Klein notes “there was no blank slate, only rubble and shattered, angry people” who were blasted with more shocks when they resisted. Like Cameron and his experiments, “Iraq’s shock doctors can destroy, but they can’t seem to rebuild,” and the same is true wherever these shock doctors show up.

#### Milton Friedman and the Search for a Laissez-Faire Factory

The epicenter of shock ideology is the University of Chicago Economics Department. It came out of the 1950s “in the thrall” (of a) man on a mission to fundamentally revolutionize his profession,” and on that score Milton Friedman succeeded mightily. Friedman, now gone, believed, markets work efficiently and best unfettered of rules, regulations, onerous taxes, trade barriers, entrenched interests, and human interference. Whereas Cameron believed electroshocks could restore natural health, Friedman favored economic shock as extreme and destructive to nations as Cameron and CIA’s methods are to human minds.

Friedman taught this voodoo science and believed to the end, all contrary evidence aside, it was perfect and worked. Chicago School fundamentalism developed at a post-war time in the 1950s when leftist ideas supporting worker rights were gaining ground. Where they “promised (workers) freedom from bosses, citizens from dictatorship (and) countries from colonialism,” Friedman promised “individual freedom” to choose that appealed to owners of capital who embraced him and his thinking.

It stood in stark contrast to what became known as “developmentalism” or “Third World nationalism” in the post-war developing world. Economists in it favored an “inward-oriented industrialization” strategy to break the cycle of poverty and grow. Like Keynesians and social democrats, they showed it worked in Latin America’s Southern Cone with leaders like Juan Peron “put(ing) their ideas into practice with a vengeance (by) pouring public money into infrastructure projects, (providing) local businesses generous subsidies, and keeping out foreign imports with....high tariffs.” It brought prosperity to the South and “dark days” for Friedman, his acolytes, and free-wheeling capitalists losing out to social progress.

It sprung corporate America to action by funding a legion of think tank and Chicago School foot soldiers to change the message and fortunes of their businesses. Friedman was their ideological leader preaching public wealth should be in private hands, rules and regulations out the window, accumulation of profits unrestrained, and social welfare programs curtailed or abolished. In short - deregulate, privatize and get government out of the business of everything besides providing security and enforcing contracts. He also believed taxes were onerous and once said he was “in favor of cutting (them) under any circumstances and for any excuse, for any reason, whenever it’s possible....”

He also said corporations should be exempt from federal taxes claiming what they pay ends up in consumer prices that, in fact, is pure nonsense as every marketing MBA (like this writer) learns straightaway. The fundamental law of pricing is to charge what the market will bear, no more or less. In other words, get all you can but no more than buyers will pay. Soon enough they’d pay plenty in the developing world.

In 1953, the US declared war against “developmentalism” with CIA’s first ever coup against Mohammed Mossadegh in Iran. Another followed the next year in Guatemala, and in both instances democratically elected leaders were ousted because corporate interests opposed them. It was only the beginning, and Friedman and his “Chicago Boys” soon had a real time laboratory to prove their “capitalist utopia” worked.

Salvador Allende’s Popular Unity government electoral victory in 1970 was the opportunity. Three years later he was out giving Friedman the chance he wanted. Klein related the results in what she called “the first Chicago School state” with others to follow. They’re all the same with “an unstoppable hurricane of mutually reinforcing destruction and reconstruction, erasure and creation” following the crisis. Next is unfettered economic shock therapy with torture and disappearances awaiting resisters and anyone guilty of bad thinking. Friedman’s brave new world was beginning to roll. It’s devastation is everywhere including at home.

## Part 2 - The First Test - The Bloody Birth of the Counterrevolution

Counterrevolution began 34 years ago in Chile on another September 11 that should have been unimaginable and had to seem surreal. There were tanks in the streets and fighter jets attacking government buildings in a scene all too real and deadly. It played out in Santiago and around Chile and was just the beginning of a long nightmare. It brought General Augusto Pinochet to power (with plenty of CIA help) who called his action “a war,” not a coup, and to reinforce his message he made it seem like one. Blood in the streets, the presidential palace in flames, and President Salvador Allende dead ended the most vibrant democracy in the Americas. It was a cakewalk with “the junta’s grand battle over by mid-afternoon.”



A state of siege was imposed followed by mass arrests, killings and torture in a climate of fear that enveloped the country. Allende supporters were targeted in Chile's "Caravan of Death." Chileans paid dearly, but the Chicago Boys had their moment of triumph, and they were ready. Rolling off the press was their detailed economic manual for the new government called "The Brick." It was a 500 page Chicago School shock therapy wish list. It was "the first Chicago School state," its first "global counterrevolution" victory, and "a genesis of terror" in a brave new world for Chileans.

The economic playbook was right from Milton Friedman's "Capitalism and Freedom" that's long on free market triumphalism and void on its effects on real people. It was pure Friedman featuring mass privatizations, deregulation and deep social spending cuts flavored generously with corporate-friendly tax cuts, trade unionist crackdowns, savage repression for non-believers, and an end to Chile's social democratic state Friedman condemned.

Pinochet bought it along with a team of Chicago School alumni called "technos." They embarked on a free market binge with disastrous results. In the first year, inflation hit 375%, thousands of Chileans lost jobs, the country was flooded with cheap imports, local businesses closed and hunger grew along with public and small business discontent in this free market "paradise." In desperation, "it was time to call in the big guns" with Milton Friedman coming to Santiago to reinforce his message that for things to improve they first had to get worse. It was classic shock treatment and Chicago School baloney with Friedman preaching patience and promising an "economic miracle" if his prescription was followed.

Pinochet agreed, and slash and burn followed with visions of paradise at the end of the rainbow. It was pure untested fantasy, and the results showed it. After one year of hardened shock therapy, Chile's economy contracted 15%, unemployment rocketed to 20%, and contrary to Friedman's rosy scenario it lasted for years with no social safety net help for desperate Chileans.

Klein notes Chile today is still cited as a model that free market "Friedmanism" works in spite of the clear evidence it doesn't. Growth did resume a decade later, but only after conditions worsened. It forced Pinochet to reinstate Allende policies like renationalizing privatized companies but not his social democratic agenda. Chileans were left with the shambles. When the economy stabilized and rapid growth resumed in the late 80s, poverty was 45%, but the richest 10% saw their incomes rise by 83%. Even today, Klein notes, Chile remains one of the most unequal societies in the world. It's shock therapy miracle shifted "wealth to the top and shock(ed) much of the middle class out of existence."

It's the way it works everywhere and a glimpse of the future: "an urban bubble of frenetic speculation and dubious accounting fueling superprofits and frantic consumerism, ringed by ghostly factories and rotting infrastructure of a development past; roughly half the population (excluded); out-of-control corruption and cronyism; (decimated) nationally owned small and medium-sized businesses; (mass) transfer of (public) wealth (and resources) to private hands (accompanied by) a huge (shift) of private debts into public hands." Inside the Chilean bubble was paradise. Outside was "The Great Depression." Bubble-benefiters reacted with "junkie logic: Where is the next fix?"

It was first across the border in other Latin American Southern Cone countries where the "counterrevolution spread (and) people vanish(ed)." Argentina, Brazil and Uruguay were targeted with similar results as in Chile under juntas replacing democrats. Chicago School fundamentalism was on a roll, and woe to the non-believers. Nations that were

developmentalism models became wastelands with decades of worker gains lost almost overnight. Factories closed, wages fell, unemployment soared, poverty grew severe, dissenters disappeared, and ordinary people suffered to prove what pin-stripped academics knew after Chile went sour. Instead, it was on to the next target.

In them all, the slate was cleansed and terror unleashed, unrestrained by national borders. Former Allende economist and diplomat turned activist Marcos Orlando Letelier became a victim in September, 1976. While living in Washington, he condemned Chile's "economic freedom" for the privileged and paid with his life. Pinochet's DINA secret police killed him and his American colleague, Ronni Moffit, by remote-detonating a bomb planted under his driver's seat. An FBI investigation learned the assassins entered the country under false passports with full CIA knowledge and complicity.

The purging included cleansing wrong ideas and thinkers like legendary left wing Chilean folk singer, Victor Jara. He was seized and taken to Chile's notorious National (killing and torture) Stadium to be reeducated. Soldiers broke his hands so he couldn't play the guitar. Then they shot him 44 times "to make sure he couldn't inspire from....the grave." One culture was being erased and replaced by another. As in Nazi Germany, books were burned, newspapers and magazines shuttered, universities occupied and strikes and political meetings banned. Trade unionists were specially targeted as threats to the new economic order. It's leaders were rounded up, movement members viciously attacked, and "battalions" targeted workers in factories. They were arrested, imprisoned, tortured, and disappeared in a sweeping reign of terror designed to crush opposition and wrong-thinking.

In Argentina, Ford Motor Company's local subsidiary was complicit. It helped soldiers and secret police rid unionists from its factories and supplied vehicles as well. Green Ford Falcon sedans became the feared symbol of terror an Argentine playwright called "death-mobiles." Many thousands kidnapped and disappeared rode off in these cars, never to return.

Farmers involved in land reform struggles also were targeted along with anyone with "a vision of society built on values other than pure profit." It affected community worker activists, many church-connected, who wanted social services like health care, public housing and education the state was erasing through shock therapy and mass repression. Klein noted while "policies attempted to excise collectivism from the culture, inside....prisons (the practice was to) excise it from the mind and spirit." The sickness was democratic socialism, the cure pain and suffering. Wrong-thinkers were taught the hard way, and many paid with their lives. Chicago School fundamentalism is harsh medicine. Its grand guru, Milton Friedman, was unrepentant. He called it "freedom" and took his mathematical model miracle to the grave amidst a hail of undeserved eulogies.

In his memoirs before he died, his "blatant revisionism" on Chile was shameful and disturbing. He falsely claimed Pinochet only asked for help in 1975 when, in fact, the Chicago Boys worked with the military before the 1973 coup, and their policies were implemented on Pinochet's first day in power. Friedman also claimed the junta's repressive years didn't undo Chilean democracy. In his view, it opened up "more room for individual initiative and for a private sphere of life (offering a greater) chance of a return to a democratic society." It was classic convoluted Chicago School thinking. It made him famous courtesy of corporate triumphalism, generous funding and an utter disdain for human rights and dignity.

Friedman also used his 1976 Nobel lecture to argue economics was as scientifically accurate

and objective as other sciences. He failed to mention its dark side – devastating poverty, unemployment, shuttered factories and mass human misery and deaths in the first nation adopting his ideology on its victimized people. Now it's everywhere and savagely enforced in an age of corporate dominance, wars for profit and neglect of human needs to fund them. That's Friedman's real legacy from the barrel of a gun and called "freedom."

### Part 3 – Surviving Democracy

Chicago School dogma became known as Thatcherism in Britain, but its prime minister wasn't an early adherent. Margaret Thatcher thought Chilean shock therapy wasn't possible in a democracy like the UK because voters wouldn't buy it. Three years into her first term, her approval rating was lower than George Bush's. She was in danger of not being reelected and didn't dare risk imposing bitter economic medicine that would sink her chances. That is, until destiny intervened on April 2, 1982 when Argentina invaded the British-held Falkland Islands off its coast that was unimportant to either country except for the political hay to gain from war.

Thatcher jumped at the chance to regain her footing and "went into Churchillian battle mode," even though Argentina's president, General Leopoldo Galtieri, wasn't Adolph Hitler. But defending the British empire was almost as good, and it paid off. Thatcher's political future was at stake. She revived it, more than doubled her approval rating and henceforth was known as the "Iron Lady" that for her was high praise, and she made the most of it.

She launched a "corporatist revolution" based on Chicago School economics she thought impossible earlier. She parlayed her new popularity to a victory against striking coal miners in 1984 with tactics like unleashing 8000 "truncheon-wielding" riot police in a single confrontation. Before the strike ended, thousands of workers were injured, but Thatcher stood firm with a clear message to other unionists. Take what you're offered or get the same medicine.

She didn't stop there, and what followed was a radical economic agenda in a wave of state enterprise privatizations including British Telecom, British Gas, British Airways, British Steel and others in what Klein called "the first mass privatization auction in a Western democracy." It proved Chicago School fundamentalism didn't need repressive dictatorships to advance as long as "Iron Ladies" like Thatcher were around to match the best of them, short of all out tanks in the streets shock therapy, that is. Her eleven and a half years in power proved it, and Britain hasn't been the same since with Labor as committed now as the Tories.

Bolivia was soon targeted as well, but in 1985 was part a democratic wave sweeping the world. It was an election year with two familiar figures facing off for the presidency – former dictator Hugo Banzar and former elected president, Victor Paz Estenssoro. It was close and Banzar thought he won so before final returns were in he named 30 year old Harvard economist Jeffrey Sachs to help develop an anti-inflation economic plan for the country.

Sachs was part Keynesian but larger part Chicago School adherent that made for a bad combination. He bought its orthodoxy in softer form by supporting debt relief and generous aid along with the shock therapy he advised Banzar to adopt as the only solution to hyperinflation.

As it turned out, Banzar lost and Paz won, and while no socialist, he was no Chicago School



adherent either, or so voters thought. Four days into his term, he charged his emergency economic team to radically restructure the economy using shock therapy with a twist. It was much harsher than Sachs proposed with the entire state-centered structure Paz erected decades earlier dismantled in the first 100 days before the public could react. In its place, food subsidies were ended, price controls lifted, wages frozen, oil prices hiked 300%, deep government spending cuts imposed, unrestricted imports allowed, and state-owned companies downsized as a first step to privatizing them. It cost hundreds of thousands of full-time jobs, pensions and safety net protections. Friedman continued to roll.

The results were predictable. The minimum wage never regained its value, and two years later real wages were down 40% and average per capita income dropped from \$845 in 1985 to \$789 in 1987. As in other shock therapy countries, a small elite got richer while the great majority of Bolivians lost out with campesinos faring worst. In 1987, they earned on average \$140 a year, or less than one-fifth the nation's declining average income.

Bolivian misery gave Sachs star status for the country's "Miracle." It launched his new career and brought him to Argentina, Peru, Brazil, Ecuador, Venezuela and Russia later on plus a best-selling book and three-part PBS "success story" series. The only problem was it wasn't true. President Paz had no mandate for shock therapy, and many workers were predictably furious at his betrayal. They went on strike and Paz's response made Margaret Thatcher's earlier action against striking coal miners seem tame by comparison. Tanks rolled in the streets, and riot police raided union halls, a university and factories. Hundreds of arrests followed, including the top 200 union leaders, and oppositional politics was banned. The siege lasted three months during the decisive shock therapy period with more repression and Chicago School medicine later.

It showed shock therapy needs harsh authoritarian rule backing with Bolivia's pin-stripped politicians, economists and bureaucrats administering it, not uniformed soldiers as in Chile. Paz's democratic victory was illusory like others when leaders renege on promises and sacrifice them on the alter of Chicago School orthodoxy.

Argentina was another "textbook case." In the post-Falklands War period, it was burdened with billions in odious debt Washington insisted be serviced and paid. It was far more onerous after the (Paul) "Volker Shock" when the US Federal Reserve Chairman hiked interest rates up to 21% in the early-mid 1980s to fight inflation, so he said. It was painful in the US and disastrous for developing countries turning their debt burdens into crises. New loans were needed to pay off old ones, and the debt spiral was born afflicting nations then and still today. That was the whole idea, or at least one of them.

Argentina, Brazil and other countries had another option they didn't take - defaulting on debt so great it was unrepayable. As Klein put it: "Understandably (new democracies were) unwilling to go to war with Washington (and the international lending agencies it controls so they) had little choice but to play by Washington's rules (and) in the early eighties (they) got a great deal stricter....It was the dawn of the era of 'structural adjustment' - otherwise known as the dictatorship of debt."

In the 1980s, Chicago School economists colonized the IMF and World Bank to advance their corporatist crusade. Economist John Williamson named it "the Washington Consensus" that stuck ever since. It consisted of core economic policies both institutions consider essential for economic health according to their orthodoxy. We know them well: all "state enterprises

...privatized (and) barriers impeding entry of foreign firms....abolished.” There was more that together was classic Friedman dogma: privatization, deregulation, unrestricted free trade (never called fair), and deep cuts in government spending except for security.

Indebted developing countries learned shock doctrine 101 the hard way. Getting aid meant accepting Washington Consensus rules – the whole package. So to save their countries, they had to “sell (them) off.” Klein calls Argentina the “model student” in the 1990s under leaders like Carlos Menem. Appointing Domingo Cavallo economy minister signaled he bought the corporatist package. But as Klein points out: “Argentina was not unique (and by 1999) Chicago School alumni included more than twenty-five government ministers and more than a dozen central bank presidents from Israel to Costa Rica.”

Shock therapy was on a role that in Argentina turned into a textbook case of therapeutically induced disaster. What Time magazine in 1992 called “Menem’s Miracle” became Menem’s Mirage when the economy collapsed in 2001, and Argentina did the unthinkable with Menem gone and a new president in power. It defaulted on an \$805 million debt to the World Bank. It should have ended the neoliberal experiment, but instead it spread. Economic crises fueled it, and when old ones ebbed “even more cataclysmic ones appear(ed): tsunamis, hurricanes, wars and terrorist attacks. Disaster capitalism was taking shape” with shock therapy its tool of choice.

#### Part 4 – Lost in Transition: Slamming the Door on History

Before the Berlin Wall fell, Lech Walesa became a labor hero in Poland and the West by defying the Moscow-controlled government and getting away with it. Solidarnosc (Solidarity) spread from its Gdansk roots to the country’s mines, shipyards and factories and within a year had 10 million members. They won the right to bargain but wanted more. They aspired to take over the state and institute their own alternative economic and political program. It’s radical centerpiece was to transform huge state-run companies into worker-run cooperatives so Solidarity members could be empowered in their own “socialized enterprise.”

Walesa objected, lost the debate, and he feared what then happened. The Jaruzelski government declared martial law, sent tanks to the streets and rounded up thousands of Solidarity members. By the late 80s, the crackdown subsided, the economy was in free fall, workers again struck and Mikhail Gorbachev’s reformist government was in power in Moscow. Solidarity was legalized, a Citizens’ Committee Solidarity wing was formed, its members stood in snap elections and won effective control of the government capturing 260 parliamentary seats.

It should have been the best of times, but with the economy in trouble, Poland needed aid including debt relief. With Chicago School alumni running IMF, none was offered except under Washington Consensus rules, take it or leave it. Enter Jeffrey Sachs, the shock doc, with an even harsher plan than imposed on Bolivia. It included an immediate end to price controls, slashing subsidies, and privatizing mines, shipyards and factories. It short, it ran directly counter to Solidarity’s aim for worker-run industry.

Sachs promised Solidarity Poland could become like France or Germany under his plan. By swallowing shock therapy medicine first, taking the pain, the patient would end up cured and healthy – if he was right. After debate, the verdict was in and the treatment bought with predictable results. Sachs promised “momentary dislocations” but delivered a full-blown

depression. Industrial production plummeted 30% after two years of “reforms.” Unemployment skyrocketed, and in 1993 hit 25% in some areas. It’s still chronic today with recent World Bank figures pegging it at around 20%, the highest in the European Union. For young people, it’s even worse with 40% of workers under 24 unemployed.

Most alarming is the number of people in poverty. From a 15% level in 1989, it rose to a startling 59% in 2003. Incredibly, the country, like Chile, is still cited as a free market reform model. It’s pure myth, angry Poles know it, but reports in the West ignore them as they do shocked victims everywhere.

They didn’t ignore “the shock of Tiananmen Square,” but didn’t report it accurately either. In the early 1980s, Deng Xiaoping was transforming his country economically while keeping rigid political control including iron-fisted repression when needed. Democracy was nowhere in sight nor is it now. While many of Deng’s reforms were successful and popular, others in the late 80s weren’t, and it provoked deep anger in the cities by people most affected. Price controls were lifted, corruption and nepotism was rampant, freedom minimal, job security eliminated, unemployment soared, and deep inequalities grew between “winners and losers in the new China.”

It came to a head with mass protests in 1989 in Tiananmen Square that Western reports characterized as a clash between old-guard Communist authoritarians and idealistic students wanting western-style democracy. It was pure propaganda. The protests were massive and threatened the government, but democracy wasn’t the issue. It was popular discontent from wrenching economic change raising prices, lowering wages, and causing “a crisis of layoffs and unemployment.” Protesters weren’t against economic reform. They were against the Chicago School version of it, but their efforts were costly.

Deng declared martial law May 20, tanks rolled in the square, indiscriminate shooting took place, and when it ended thousands were dead, many more thousands injured, and still more thousands hunted down, arrested, jailed, some tortured, and hundreds likely executed. Shock therapy rolled in China as in Chile – through the barrel of a gun and raw state terror. Following the crackdown, China opened to foreign investment, joined the WTO, and turned the country into the world’s largest low wage sweatshop for Wal-Mart’s “Always Low Prices.”

For foreign investors and party apparatchiks, it was a win-win arrangement with Klein citing a 2006 study showing 90% of China’s billionaires to be Communist Party officials. About 2900 “party scions” (called “the princelings”) control \$260 billion, and Klein notes the “stark similarity between (China’s authoritarian rule) and Chicago School capitalism – a shared willingness to disappear opponents, blank the slate of all resistance and begin anew” using shock and fear to transform countries into free market paradises for the privileged.

#### The Tragedy of South Africa’s “Democracy Born in Chains”

Klein quotes Nelson Mandela in January, 1990 (two weeks before he was freed) in a note to his supporters from prison saying: “The nationalisation of the mines, banks and monopoly industries is the policy of the ANC (and changing) our views....is inconceivable. Black economic empowerment is a goal we fully support and encourage, but in our situation state control of certain sectors of the economy is unavoidable.” That belief became ANC policy in 1955 in its Freedom Charter. The liberation struggle wasn’t just about a political system but an economic one as well. White workers in mines earned 10 times more than blacks, and

large industrialists worked with the military to enforce order and disappear dissenters.

Once apartheid ended, a new way was possible, and Mandela seemed poised to lead it. The ANC had “a unique opportunity to reject the free market orthodoxy of the day” and choose a “third path between Communism and capitalism.” ANC candidates swept the 1994 elections and Mandela became president at a time South Africa surpassed Brazil as the most unequal society in the world. Negotiations were held with the ruling National Party, and a peaceful handover was achieved but not without “prevent(ing) South Africa’s apartheid-era rulers from wreaking havoc on their way out the door.”

Negotiations took place on two parallel tracks – political and economic. Mandela and his chief negotiator, Cyril Ramaphosa, “won on almost every count” politically. But along side it, economic negotiations were held with the country’s current president, Thabo Mbeki, in charge with the outcome in the end far different. With ANC leaders preoccupied with controlling Parliament, the former white supremacist government and industrialists were determined to safeguard their wealth, and they succeeded by assuring Washington Consensus policies would be instituted when political power changed hands.

ANC economists and lawyers were outfoxed or outgunned by the opposition, IMF, World Bank, GATT and power of big capital against inexperienced politicians and technocrats who ended up losers. Black officials controlled the government, but discovered the real power was elsewhere. As Klein put it: “The bottom line was that South Africa was free but simultaneously captured.” The leadership mistakenly thought once firmly in power they could undo earlier made transition compromises.

They couldn’t or didn’t for the same reasons other developing countries accept free market rules. Adopt them or be punished by the market as Mandela learned when he was freed. The South African stock market collapsed in panic, and the country’s currency (the rand) dropped by 10%. He acknowledged the problem later on saying it’s “impossible for countries....to decide economic policy without regard to the likely response of these markets.” It’s too bad he didn’t know how Hugo Chavez managed after 1999 (oil aside). He achieved what Mandela reneged on, and Venezuela’s economy is booming. Had he and ANC officials stood their ground early on, South Africa (with its mineral riches) might have done the same thing – had a growth economy in a socially democratic state and a model for its neighbors.

They didn’t, black South Africans lost out, Mandela’s legacy is tainted, and a key factor was current president Thabo Mbeki. He spent spent years studying in exile in England during the apartheid years during which time “he was breathing in the fumes of Thatcherism.” He became the ANC’s free market tutor, believed in market fundamentalism, and its prescription was “growth and more growth.” It meant neoliberal shock therapy with the full Friedman package Mbeki supported. He later professed: “Just call me a Thatcherite,” and Mandela told journalist John Pilger the same thing in retirement saying: “....you can call it Thatcherite but, for this country, privatization is the fundamental policy.”

After over a decade of that agenda (1994 – 06), Klein highlighted the toll showing conditions today much worse than under apartheid, and ANC’s leadership responsible:

- the number of people living on less than \$1 a day doubled from two to four million;
- the unemployment rate more than doubled to 48% from 1991 – 2002;

- only 5000 of 35 million black South Africans earn over \$60,000 a year;
- the ANC government build 1.8 million homes while two million South Africans lost theirs;
- nearly one million South Africans were evicted from farms in the first decade of democracy; as a result, the shack dweller population grew by 50%, and in 2006, 25% of South Africans lived in them with no running water or electricity. And there's more:
- the HIV/AIDS infection rate is about 20%, and the Mbeki government shamefully denied the severity of the crisis and did little to alleviate it; it's been a major reason why average life expectancy in the country declined by 13 years since 1990;
- 40% of schools have no electricity;
- 25% of people have no access to clean water and most who do can't afford the cost; and
- 60% of people have inadequate sanitation, and 40% no telephones.

"Freedom" for these people and all black South Africans came at a high price, and no efforts are being made to ameliorate it. Political empowerment was traded for economic apartheid under Chicago School fundamentalist rules. Klein observed: "Never before had a government-in-waiting been so seduced by the international community." If China, Vietnam and even Russia saw "the neoliberal light," Mandela was told, how could South Africa resist it. The ANC leadership might have (and Mandela had the credentials to lead them) had they examined the wreckage around the world in Friedman-seduced countries. Instead, they took the easy way out and surrendered.

#### Russia Chooses "the Pinochet Option"

The man who ignited political and social change in Russia wasn't around long enough to lead it. Mikhail Gorbachev became head of the Soviet Union's Communist Party in March, 1985, believing the economy stalled and needed change. His solution became glasnost (liberalizing opening up) and perestroika (reconstruction), and Soviet Russia would never be the same again. By the early 1990s the press was freed, the constitutional court was independent, and elections were held for Russia's parliament, local councils, president and vice-president. In addition, Gorbachev favored a Scandinavian-style social democracy combining free market capitalism with strong social safety net protections. He hoped to build "a socialist beacon for all mankind." He never got the chance.

While still in office at the 1991 G7 meeting in London, his fellow heads of state delivered a free market message Chicago School-style. Later, the IMF, World Bank and other international lending agencies reinforced it - Soviet-era debts must be honored and aid depended on adopting strict shock therapy rules. The Soviet Union soon dissolved, Gorbachev was out, Boris Yeltsin became Russia's president, and Chicago School fundamentalism was adopted as needed "reform." Klein calls what happened next "one of the greatest crimes committed against a democracy (in peacetime) in modern history."

Yeltsin assembled a team of Chicago School ideologues to remake the economy. Jeffrey Sachs showed up, too, with other US-funded transition experts to help write privatization decrees, launch a New York-style stock exchange, and craft a total radical economic makeover for a country long used to central planning. Only one thing stood in the way - democracy, and a parliament able to vote down what Yeltsin's team designed. A clash of



wills drew closer in the spring of 1993 when parliament's budget diverged from IMF demands for strict austerity. Yeltsin reacted with the "Pinochet option." He issued decree 1400 dissolving parliament and abolishing the constitution. Two days later, parliament voted 636 - 2 to impeach him, and battle lines were drawn.

Yeltsin sent troops to surround parliament and cut off power, heat and phone lines. The army backed him and he pressed on. He then proceeded to dissolve all city and regional councils in the country. Then, on October 4, 1993, he ordered the army to storm the parliament, set it ablaze and "defend Russia's new capitalist economy from the grave threat of democracy." The assault took about 500 lives, wounded nearly 1000 others with the enthusiastic support from the West in headlines like the Washington Post proclaiming "Victory Seen for Democracy" in Russia. Some democracy.

Yeltsin now had unchecked dictatorial power, the West had its man in Moscow, and shock therapy had an open field to inflict wreckage on Russia's people who didn't know what hit them as it unfolded. A corporatist state replaced a communist one, and its apparatchiks were winners along with a handful of western mutual fund managers who made "dizzying returns investing in newly privatized Russian companies." In addition, "a clique of nouveaux milliardaires" (17 in all called "the oligarchs") were empowered to strip mine the country of its wealth and ship profits offshore at the rate of \$2 billion a month.

As a result, Yeltsin's popularity plunged so he did what all desperate leaders do to hold power with the next election to worry about. He began a war in 1994 in the breakaway Chechen republic killing 100,000 civilians by the late 90s. Elections were held in 1996, and Yeltsin won by overcoming his low approval ratings with huge oligarch-funding and near-total control of television coverage. He then quietly handed power to Vladimir Putin on December 31, 1999 without an election but with the stipulation he was exempt from criminal prosecution. His legacy was devastating with Klein noting "never have so many lost so much in so short a time." When Russia's 1998 financial crisis hit:

- 80% of Russia's farmers were bankrupt;
- around 70,000 state factories had closed;
- an "epidemic" of unemployment raged;
- before shock therapy in 1989, two million Russians lived in poverty on less than \$4 a day; by the mid-90s, the World Bank estimated 74 million were impoverished and by 1996 conditions for 25% (almost 37 million) Russians were "desperate" and the country's underclass remained permanent;
- Russians drink twice as much now as before; painkilling and hard drug use increased 900%, and HIV/AIDS threatens to become epidemic with a 20-fold jump in infections since 1995; suicides are also rising, and violent crime increased more than fourfold; and
- Russia's population is declining by 700,000 a year with capitalism having already having killed off 10% of it as one more example of free market-inflicted disaster. That's the brave new world disease spreading everywhere with another scorched-earth stop below. Friedman called it "freedom."

The Looting of Asia

In the summer of 1997, economic crisis hit Asia from no apparent cause beyond rumors the Thai bhat was in trouble, and Thailand didn't have enough dollars to back it. Hot money in became an electronic stampede out with "Asian Contagion" unleashed and heading for Indonesia, South Korea and other so-called Asian Tiger countries that were fast-growth miracles until they crashed together with the plight of one affecting the others. It then got worse and spread to Latin America and Russia with US markets also affected briefly in 1997 and then again with a severe jolt in the summer of 1998.

The 1997 Asian panic was crippling with \$600 billion in stock market wealth taking decades to build wiped out in a year. Klein notes "a classic fear cycle" ignited the crisis that might have been contained by the same type "quick, decisive loan" rescue package offered Mexico in 1994 in their so-called Tequila Crisis. It would have been a strong signal to markets the US Treasury and international lending agencies wouldn't let the Asian Tigers fail. No help came, and the message instead was: "Don't help Asia." Why? Because "Asia's catastrophe was an opportunity (for predatory western corporations and vulture investors) in disguise."

Asian Tigers grew by protecting their markets and barring foreign companies from ownership of land or national firms. They also restricted imports from the West and Japan and instead built up their own domestic markets. Western predators wanted unfettered entry to the region with the right to scoop up the best Asian companies but needed a way to do it. Now they had it from an event Klein calls "the fall of a second Berlin Wall," as important to western capital as the first one.

Enter the IMF with crisis-struck Asian countries too sick to resist it. They needed help, and the lending agency had plenty to offer on similar terms as to previous crisis recipients. With economies in trouble and empty treasuries, the Tigers got no choice. First, they had to remove all "trade and investment protectionism and activist state intervention that were the key ingredients of the Asian miracle." IMF also demanded big spending cuts, "flexible" workforces (meaning mass layoffs and constrained wages and benefits), privatized basic services, and the rest of the package they demand for loans.

The regional toll was devastating with the International Labor Organization estimating 24 million lost jobs along with "what was so remarkable about the region's 'miracle' in the first place: its large and growing middle class." In addition, 20 million people fell into the "planned misery" of poverty, reversing an earlier trend reducing it. Women and children suffered most with families selling daughters to human sex traffickers to survive as child prostitution had a new growth market.

So did Wall Street as IMF structural adjustments put "pretty much everything in Asia....up for sale" in the affected countries. The more markets panicked, the lower asking prices became, and the more pressured hurting companies were to sell out for what they could get or face bankruptcy. It was a bonanza for buyers, and major deals went through in a great fire sale at bargain prices. Asia became hugely transformed with hundreds of local brands replaced by western transnational ones. The New York Times called it "the world's biggest going-out-of-business sale." It also became an early glimpse of post-9/11 disaster capitalism - a way for corporate predators to exploit crises in what's become common practice in the age of "terror" creating opportunities galore and big profits for well-connected firms.

Klein notes the Asian crisis never ended as desperation took root after 24 million people lost jobs in two years. No nation handles that, and the fallout can be unpredictable. It led to a

rise in religious extremism in Indonesia and Thailand and “the explosive growth in the child sex trade.” Unemployment is still high and layoffs continue with new foreign owners demanding higher profits with jobs disappearing to provide them.

Eventually things settle down but never to where they once were. Throwing people overboard, displacing small farmers and business owners and crushing unions means those affected stay that way. “They end up in slums, now home to one billion people (and rising); they end up in brothels or in cargo ship containers. They are the disinherited (or what German poet Rainer Maria Rilke (called) ‘ones to whom neither the past nor the future belongs.’ ” They’re the human wreckage left behind by countries swallowing Chicago School economic medicine. Its promised miracle is people-poison but not for vulture investors thriving on it. Disaster capitalism is on a roll, and its growth market potential is unlimited and guaranteed to continue unless mass public outrage stops it as one day it will.

## Part 5 – The Rise of the Disaster Capitalism Complex –

### Shock Therapy in the USA

Richard Nixon knew before the rest of us that Donald Rumsfeld is “a ruthless little bastard.” He also has a knack for making enemies even inside the Pentagon he ran as Defense Secretary. He planned to “reinvent warfare for the twenty-first century (making it) more psychological than physical, more spectacle than struggle, and far more profitable” than ever before. Talk aside, he wanted to revolutionize the military by running it like the corporate world, and that meant using methods like outsourcing and branding. His idea was for fewer full-time troops, more as-needed ones from the Reserves and National Guard, and a lot of backup help from private contractors like Blackwater USA for security and Halliburton for a range of functions unrelated to soldiering. He wanted less staff and more tax dollars diverted to private companies. The Pentagon brass wasn’t pleased, but Rumsfeld was boss and Dick Cheney backed him.

Klein calls them both “proto-disaster capitalists” who practice “the central tenet of the Bush regime (that) the job of government is not to govern but to subcontract.” The privatization mania was kick-started in the Reagan era, but Bill Clinton bought it as well. Now the feeling is anything government can do, private business can do better so let them. That means fire departments, prisons, public schools, public health, data management, border control and even parts of the military. As Klein explained: “crisis-exploiting methods....honed over the previous three decades would be used to (privatize) the infrastructure of disaster creation and....response. Friedman’s crisis theory was going postmodern (to create a) privatized police state” by auctioning it off.

“Then came 9/11, and the idea of hollowing out government seemed opposite of what a frightened public wanted – a strong central government to protect them. Bush promised it in speeches, but “his inner circle had no intention of converting to Keynesianism.” September 11 security failures only reinforced their belief that private firms could handle the challenge better than government, and that meant transferring hundreds of billions of public dollars to corporate pockets. The Bush administration exploited shock and fear “to push through its radical vision of a hollow government in which everything from war fighting to disaster response was a for-profit venture.”

Mass disorientation post-9/11 provided the opportunity, and the “war on terror” became a “bold evolution of shock therapy....built to be private from the start” to capitalize on it. It

came in two stages. First, policing, surveillance, detention and war-making powers of the executive were dramatically increased though nothing in the Constitution permits it. Then, the whole package, including occupation and “reconstruction,” was outsourced to well-connected private firms that responded with generous campaign funds to keep the mutually reinforcing daisy chain humming. Using the ploy of fighting “terrorism,” the homeland disaster capitalism complex emerged as a full-blown new economy and what Klein calls “a virtual fourth branch of government.”

The Bush administration’s idea of government, with security as one function, wasn’t to provide it but to buy it at cost-plus market prices with lots of latitude for the plus. Just as the internet launched the dot-com bubble, from 9/11 emerged the disaster capitalism one, and it was off to the races “in an ad hoc....chaotic fashion.”

Fighting “terrorism” is big business, and one of the first opportunities was the market for surveillance cameras with 30 million of them installed in the US, billions of hours of footage, analytic software to scan it, digital image enhancement to help it, and information management and data mining technology to handle all data government collects on everyone and everything. September 11 unlocked the potential, a huge new growth market was created, and protection from terror became more important than big brother watching. In six short years, an industry that barely existed is now much larger than Hollywood or the music business, and its potential looks limitless.

Klein calls it “an unprecedented convergence of unchecked police powers and unchecked capitalism, a merger of the shopping mall and the secret prison” in a frightening brave new world most people barely understand or know exists. It generates enormous wealth that creates a powerful incentive for its winners to sell fear for more of it and partnering with government makes it easy, especially the kind in power now.

#### Capitalism Becomes Corporatism in a Corporatist State

Proto-disaster capitalism defines the Bush administration as crises, wars and other disasters “conflate with what’s good for Lockheed, Halliburton, Carlyle and (Rumsfeld’s old company) Gilead” Sciences. Cataclysm is a growth business that in the current climate involved “some of the seediest and most blatant corruption scandals in recent history,” war-profiteering in the hundreds of billions, and a “whirling revolving door between government and business” taken to a new level. The limitless homeland security and war-profiteering markets are so alluring, hundreds of administration officials can’t wait to cash in like earlier ones did. Klein names some noted ones like Richard Pearle, James Baker, Henry Kissinger, Paul Bremer, George Shultz, John Ashcroft, Tom Ridge, Rudi Giuliani, Richard Clarke, James Woolsey, Joe Allbaugh, and Michael Brown who wrote an infamous memo to a fellow FEMA staffer asking: “Can I quit now?”

That’s the whole idea in a get rich quick environment – get an impressive government title, stay in office long enough in a department handing out big contracts, collect insider information with market value, then quit and cash in. Klein calls public service now “little more than a reconnaissance mission for future work in the disaster capitalism complex.” She also quotes Danielle Brian, executive director of the Project on Government Oversight (a nonprofit watchdog group) saying: “It’s impossible to tell where the government ends and Lockheed begins.” She also believes that corporatist economic goals and right to limitless profit seeking lie at the heart of the most committed neocons who talk a good game but value great wealth their top priority. They partnered permanent war and homeland security

with the disaster capitalism complex to get it, and it's hard indeed telling where one ends and the other begins. But it's centerpiece project is Iraq, and its headquarters is in Baghdad's heavily fortified Green Zone.

#### Part 6 – Iraq, Full Circle – Overshock – Erasing A Country

Perhaps no country provides a greater untapped opportunity for unfettered capitalism than Iraq. It represents the planet's last remaining low-hanging oil resources fruit with potentially more of it than Saudi Arabia according to some oil analysts. It's also strategically located in the heart of the oil-rich Middle East (with two-thirds of proved reserves) Klein calls the "crusade's....final frontier." Iraq's potential alone is so enormous it made war the way to crack open its market potential because peaceful methods hadn't worked. Its conquest would then serve as "a different model in the heart of the Arab-Muslim world" that could become a catalyst to opening the whole region.

The potential is a giant free-trade zone, the illusion of newly created democracies, and the freedom for unfettered capitalism "to feed off freshly privatized states." Klein explained this as "the model theory," Iraq as the model, with the idea not being nation-building but nation-creating. But what of the nation already there that's known as the "cradle of civilization." It would have to be erased, and Chicago School fundamentalism would create a new one in its place in its own image with a blank slate to work from.

Bush administration war planners considered the full array of possible shocks and went with them all – blitzkrieg "shock and awe," elaborate PsyOps, use of fear as a weapon, repressive occupation, mass detention and torture, and "the fastest and most sweeping political and economic shock therapy program attempted anywhere....From the start, the invasion was (Washington's message) to the world....in the language of fireballs, deafening explosions and city-shattering quakes." It said dare challenge US authority, and you're next. Shock and awe planners designed its strategy to deter "the public will of the adversary to resist (to render) the adversary completely impotent" from the effects of sensory deprivation and overload inducing disorientation and regression.

In March, 2003, Baghdad got it on a massive scale. The ministry of communication and four telephone exchanges was blitzed and set ablaze cutting off millions of phones and preventing people from learning if their family and friends were alive. Television and radio transmitters were also destroyed along with the electrical grid plunging the city into "an awful, endless night." Residents were trapped in their homes unable to speak or hear each other or see outside at night. "Like a prisoner destined for a CIA black site, the entire city was shackled and hooded. Next it was stripped."

Unchecked looting did the most to erase the "country that was....Gone are 80% of the museum's 170,000 priceless objects....the national library is a blackened ruin....the Ministry of Religious Affairs....was left a burned-out shell (and the) national heritage was lost." Paul Bremer's senior economic advisor, Peter McPherson, wasn't bothered. It made his job of radically downsizing the state and selling it off easier. Cleaning the slate and erasing the nation was proceeding fast. It "all unfolded in a matter of weeks." Baghdad was "open for business," and the fire sale for its assets began with US firms having first dibs on everything, except oil, and that would come later as it has now but is stalled.

While he was there, Paul Bremer was Washington's man in Baghdad charged with readying the launch of Iraq, Inc. He saw to it laws were passed smoothing the way for Chicago School



shock therapy. Two hundred firms were to be privatized immediately to get “inefficient state enterprises into private (predatory) hands....” New economic laws followed that comprised a “wish list....foreign investors and donor agencies dream of,” according to The Economist. The corporate tax was cut from 45% to a flat 15%; another allowed foreign companies to own 100% of Iraqi assets and take all profits out of the country; all restrictions on imports were removed; and investors could sign deals and leases lasting 40 years so no future government could change them.

Iraq became a bold new experiment with invasion, occupation and reconstruction transforming the country into a fully privatized new market “with a huge pot of public money” doing it. Klein called the adventure an “anti-Marshall plan,” mirror opposite the post-WW II plan, and guaranteed “to further undermine Iraq’s badly weakened industrial sector and send Iraqi unemployment soaring.” No funds went to Iraqis or their industries nor was anything done to build a sustainable economy, or rebuild local infrastructure like electrical grids, schools, and hospitals. Iraqis played no role in planning, local firms weren’t even given “subsubsubcontracts,” jobs were destroyed not created while thousands of serf-type foreign workers were brought in and abused, and critically needed social services were ignored.

Another goal was for a fully outsourced, hollow government with no function so “core” a contractor couldn’t handle it for profit. It was pure pillage, but nothing went as planned. “Each miscalculation provoked escalating levels of resistance” with occupying forces responding with counterrepression “sending the country into an inferno of (unending) violence.” Everything “tearing Iraq apart today – rampant corruption (and unfettered plundering), ferocious sectarianism, the surge in religious fundamentalism and the tyranny of death squads (including US ‘Salvador option’ ones) – escalated in lockstep with....Bush’s anti-Marshall Plan.” In that environment, the country became “a cutthroat capitalist laboratory” for shameless pillage. Iraq today is a model, a metaphor for everything wrong with Chicago School dogma showing it to be savage, ruthless, heartless and bankrupt.

Its implementation is the core reason for resistance that continues and grows, but it caught war planners off guard when it began. They thought the shock and awe of attack, invasion, occupation and rapid transformation on the ground would be disorienting. Instead, Iraqis demanded a say from the start in how their country would be rebuilt and transformed. “And it was the Bush administration’s response to this unexpected turn of events that generated the most blowback of all” that became even worse by crushing democracy and effectively installing a puppet government in the fortified Green Zone masquerading as a real one.

The result was predictable and so was the harsh response – mass detentions, aggressive interrogations, administration-sanctioned gloves off torture, and US unleashed “Salvador option” death squads making it hard to know who’s doing the killing and blasting away at selected targets. What is clear are the consequences – “millions of psychologically and physically (traumatized, angry and) shattered people, first by Saddam, (then) by war, (then) by one another (and the occupation). Bush’s in-house disaster capitalists didn’t wipe Iraq clean, they just stirred it up....Countries, like people, don’t reboot to zero with a good shock; they just break and keep breaking....Which....requires more blasting – upping the dosage....”

Slowly, it’s disappearing, disintegrating, erasing an entire country – women behind veils and doors, children from schools, four million displaced, Iraqi industry collapsed, a new growth industry in kidnapping for ransom, a country so unstable investment is high-risk, and even the heavily fortified Green Zone is too unsafe for George Bush to visit on one of his “surprise

trips” to the country. Bremer’s charge was to build a “corporate utopia” but instead unleashed a “ghoulish dystopia,” and, on an April, 2004 visit to the country, Klein thought she was witnessing a mass contractor exodus with 1500 of them leaving in one week.

Now she’s not sure. Big investors like Wal-Mart, HSBC and Procter and Gamble never showed up, and in December, 2006, the Pentagon announced a new project to get state-owned factories operating with plans to buy cement and machinery from them instead of the usual corporate suppliers. Does it signal a change of disaster capitalism tactics? Not at all, and it’s likely this amounts to no more than tinkering and tokenism that in the end will do little for the local economy and even less to reduce hardened anger.

The Big Oil drafted Hydrocarbon Law is still a work in progress but already inflamed things further, and well it should. It’s an anti-Marshall Plan project at its worst, and in whatever final form is a shameless act of theft on the grandest scale. It’s a privatization blueprint for plunder giving Big Oil a bonanza and Iraqis a mere sliver of their own resources. In one draft, Iraq’s National Oil Company got exclusive control of just 17 of the country’s 80 known oil fields with all yet-to-be-discovered deposits set aside for foreign investors. Even worse, Big Oil is free to expropriate all earnings with no obligation to invest anything in Iraq’s economy, partner with Iraqi companies, hire local workers, respect union rights, or share new technologies. In addition, foreign investors are guaranteed long-term contracts up to 30 or more years, dispossessing Iraq and its people of their own resources in a naked scheme to steal them and deny them the one source of revenue able to rebuild their shattered country and lives.

The battle for Iraq continues that involves clinging to if not winning the hearts and minds on the home front as well. The country is a wasteland, the nation creation project bankrupt, and the prospect for success bad and worsening. Iraq has been a graveyard for past imperial powers, and it may just be a matter of time until history again repeats. The Brits in the South know it, and after four and a half futile years are tiptoeing out to the dismay of their “coalition” partners. One day, Washington may join them, and for shocked Iraqis it can’t come too soon. For now, though, the shock continues, and Iraq more closely resembles hell than “the cradle of civilization.”

#### Part 7 - The Movable Green Zone: Blanking the Beach - “The Second Tsunami”

For coastal Sri Lankans, like those in Arugam Bay, December 26, 2004 felt more like 1945 Hiroshima than life before that fateful day changing everything for them. A devastating tsunami took 250,000 lives and left 2.5 million homeless throughout the region. It affected Arugam Bay, “a fishing and faded resort village” on the island’s east coast that government was showcasing in its plans to “build back better.” Indeed, but not for the villagers hoteliers, developers and the government wanted removed but weren’t sure how until nature did what they couldn’t. Everything was gone, and a blank slate remained for what the tourist industry long wanted - “a pristine beach (in a prime area), scrubbed clean of all the messy signs of people working, a vacation Eden. It was the same up and down the coast once rubble was cleared....paradise.”

“New rules” forbade homes on the beach and a “buffer zone” imposed insured it. Beaches were off-limits, displaced Sri Lankans were shoved into temporary grim barracks camps inland, and “menacing, machine-gun-wielding soldiers” patrolled to keep them there.

Tourist operators were treated differently. They were encouraged to build and expand on

prime vacated oceanfront land. It was all in a document called the “Arugam Bay Resource Development Plan” to transform the former fishing village into a “high-end ‘boutique tourism destination’ (with) five-star resorts, luxury....chalets, (and even a) floatplane pier and helipad.” Arugam Bay was to be a model for transforming up to 30 similar “tourism zones” into a “South Asian Riviera.” When the plan leaked out, people in Arugam Bay and around the country were outraged.

The grand scheme to remake Sri Lanka was around two years earlier and began when the civil war ended. It was to be the country’s reentry into the world economy as one of the last remaining uncolonized places globalization hadn’t touched, and a high-end tourism project was seen as the right option. It would be a luxury destination for the “plutonomy set,” once a few changes were made. Government’s 80% land ownership had to be opened to private buyers, more “flexible” labor laws were needed, and modernized infrastructure had to be developed with World Bank and IMF providing funds on their usual shock therapy terms discussed above. With mass public opposition to the ideas, it wouldn’t be easy, and before the tsunami hit, militant strikes and street protests held it back.

Sri Lanka’s president, Chandrika Kumaratunga, was elected on an “overtly antiprivatization platform,” but the tsunami changed everything and helped her see “the free market light.” Four days after the disaster, her government passed a bill “pav(ing) the way for water privatization.” It also raised gasoline prices and began crafting legislation to privatize the electricity company in pieces. It was like a second tsunami, and the same scheme followed hurricane Mitch in October, 1998 with Honduras, Guatemala and Nicaragua hardest hit like New Orleans discussed below.

Klein explained when the tsunami struck in 2004, “Washington was ready to take the Mitch model (now familiar) to the next level – aiming not just at individuals laws but at direct corporate control over the construction.” Sri Lanka’s president complied and created a new body called the Task Force to Rebuild the Nation fully empowered to proceed. On it were the most powerful business leaders from banking and industry including key players from the beach tourism sector. Absent were villagers, farmers, environmentalists or even a “disaster-reconstruction specialist.” Klein called the task force a new type corporate coup d’etat mother nature made possible.

In ten days, then had a complete reconstruction blueprint from “housing to highways” with aid money directed to corporate development and nothing for disaster victims. They were destined to become permanent shantytown dwellers similar to the kinds ringing most Global South cities and populating Global North inner ones. Similar stories of law changes and land grabs came out of other affected Southeast Asian countries like Indonesia, Thailand, the Maldives and India where around 150 Tamil Nadu displaced women had to sell their kidneys for food.

A year after the tsunami, NGO ActionAid surveyed the aftermath in five Asian countries and found the same pattern everywhere – residents barred from rebuilding, living in militarized temporary camps, hotels “showered with incentives,” no restoration of homes lost, and “entire ways of life” destroyed. In July, 2006 in Sri Lanka, the Tamil Tigers ended their cease-fire and war resumed. It’s hard knowing if disaster capitalism had a role because peace was always precarious, the government offered little, and continued violence at least promised a chance for something better before and more than ever now given the choice between disaster capitalism and hope.

## Disaster Apartheid – A World of Green and Red Zones

On August 29, 2005, Hurricane Katrina hit the Gulf Coast and flooded New Orleans. The well-off left town, “checked into hotels, and called their insurance companies.” For 120,000 others without cars or means of transportation, it was another story. They depended on the state, waited for help and got none. FEMA is supposed to provide it, too, but it was one of the many government functions Bush gutted advancing savage capitalism at the expense of public service.

Katrina was disastrous for those affected, but Milton Friedman saw “an opportunity” in a Wall Street Journal op-ed. It was easy for him to say from his luxury San Francisco digs as well as his like-minded ideologues who met 14 days later to plan how to pounce on the tragedy for profit. They produced 32 Chicago School-type schemes packaged as “hurricane relief” that was a wish list for developers and hell for the displaced. They ranged from suspending Davis-Bacon prevailing wage laws in disaster areas and making the whole area a flat tax free enterprise zone to erasing public schools by giving parents vouchers for privately-run charter ones. They also wanted environmental regulations suspended on the Gulf Coast and permission to drill in the Arctic National Wildlife Refuge that showed how far afield they’d go to capitalize on the shock of a local tragedy.

Things moved fast, and within weeks “the Gulf Coast became a domestic laboratory for the same kind of (outsourcing schemes) pioneered in Iraq.” The names were familiar with Halliburton first in line along with Bechtel, Blackwater USA and a host of others homing in for the kill. Billions were at stake, and no open bidding was required, just good connections. As Klein put it: “within days of the storm it was as if Baghdad’s Green Zone....lifted from....the Tigris and landed on the bayou....As in Iraq, government once again played the role of a cash machine equipped for both withdrawals and deposits.” Corporations took one and repaid with the other in sizable campaign contributions in a pattern now familiar.

They also ignored unemployed locals and relied instead on cheap imported undocumented labor easily exploited. The Bush administration showed its type compassion, too, with \$40 billion in budget cuts for essentials like Medicaid, food stamps, student loans and more so funds could go to contractors and the wars in Iraq and Afghanistan. Again, a familiar pattern.

In visiting Iraq, Klein first thought the “Green Zone phenomenon was unique to the war in Iraq.” She then discovered it emerges wherever disaster capitalism lands with the same stark divisions between the included and excluded. It was evident in New Orleans with “gated green zones and raging red” ones – not from flood damage but from predatory free market solutions only for the privileged.

The Bush administration refused emergency funds for public sector salaries so 3000 city workers were fired. Charity Hospital closed and still isn’t open. Public transit was gutted losing half its workers, and most public housing is still boarded up and empty by design. Some sits on prime land close to the French Quarter, developers want it for luxury properties, and New Orleans is being erased for profit just like Iraq. It was all planned with the storm the excuse to do it.

Earlier “creative destruction” opportunities generated “rust belts,” neglected neighborhoods, and underfunded inner city public schools. Creative neglect is at work as well as the American Society of Civil Engineers in 2007 said it will cost \$1.5 trillion over five

years to bring essential public infrastructure back to standard. Instead it continues to deteriorate while the well-off withdraw into gated communities and luxury condos with all their needs met by private providers. Klein calls this trend a “state-within-a-state that is muscular” and as able as the public one is frail. It no longer can function without help from contractors as government is hollowed so business can prosper.

New Orleans is a window on the future in which survival depends on the ability to pay, and those who can't are discarded like trash. It promises a world of protected Green Zones with those outside it neglected, abandoned, ignored and forgotten.

### Losing the Peace Incentive – Israel As Warning

Conventional wisdom once thought economic growth and prosperity required peace and stability. No longer. Post-9/11, the terror scare was ignited, wars rage in Iraq and Afghanistan, more war is threatened on Iran, oil prices touched \$80 a barrel, the WTO Doha Round trade talks collapsed, and “a golden period of broadly shared growth” prevails (at least until the recent credit crunch). How come?

Conflict and global instability don't just benefit arms related industries. They help the high-tech security sector, heavy construction, private health care companies treating soldiers and oil and gas. The business bonanza in Iraq alone is hugely profitable with all sorts of companies cashing in. The same goes for New Orleans and Gulf Coast overall. Terrorist attacks are good for business. The more destruction, the more to rebuild – a great market for disaster capitalism it pounces on with every incentive to assure the trend continues unchallenged, and why not when government throws public tax dollars at it.

Today, “instability is the new stability,” and Israel is its “Exhibit A.” In the post-1993 Oslo years, the Jewish state designed its economy to expand in response to escalating violence at home at first and now everywhere. The nation's technology firms pioneered the homeland security industry, and they still dominate it. In addition, its economy overall is the most “tech-dependent in the world,” according to Business Week magazine, twice as dependent as the US representing half its exports.

Following the 2000 dot-com crash, Israel's leading tech companies needed a new global niche, and the government encouraged expansion beyond information and communications technologies into security and surveillance. It launched a slew of start-ups “specializing in everything from ‘search and nail,’ data mining, surveillance cameras, to terrorist profiling.” It was perfect timing for a market that exploded post-9/11, and Israel's economy is thriving with one of the fastest growth rates in the world. Klein calls the country “a kind of shopping mall for homeland security technologies,” and Forbes magazine says it's “the go-to country for antiterrorism technologies.” Today, the country's counterterrorism industry is booming, and its defense-related exports make it the fourth largest arms dealer in the world, larger than the UK.

Klein notes: “With more and more countries turning themselves into fortresses (with walls and high-tech fences part of it), ‘security barriers’ may prove to be the biggest disaster market of all.” In the case of Israel, it's also another “Chicago School frontier marked by rapid stratification of society between rich and poor inside the state.” The security boom fueled a wave of privatizations accompanied by social program cuts, “an epidemic of inequality,” and the virtual end of Labor Zionism. Klein notes 24.4% of Israelis live in poverty, including 35.2% of children, compared to 8% twenty years earlier (but she doesn't



say if these figures include Arab Israeli citizens comprising 20% of the population). She concludes Israeli industry no longer fears war as it thrives on it.

Today, Baghdad, New Orleans and suburban Atlanta Sandy Springs are glimpses of a gated community future run by the disaster capitalism complex. But it's in its most advanced state in Israel - "an entire country (turned into) a fortified gated community, surrounded by locked-out people living in (the) permanently excluded red zones" of Gaza and the West Bank that aren't just left out but are encroached on and under attack. Disaster capitalism thrives in this environment so it yearns to bring it to a neighborhood near you, and that's a prospect to fear.

#### Hopeful Signs - Shock Wears Off

Klein quotes Canada's National Post editor, Terence Corcoran, wondering if the Chicago School movement Milton Friedman launched could continue as before after his November, 2006 death. The movement's pinnacle was capturing the Congress in 1994 that it lost in 2006 for three reasons - public disenchantment with the Iraq war, political corruption, and a growing class divide unseen since the Gilded Age of the "robber barons" or roaring 20s. Each factor related to core Chicago School economics - privatization, deregulation and cutting government services. In the US, it created a wealth disparity economist Paul Krugman calls unprecedented while poverty is growing and the middle class dying in the richest country in the world that's also the least caring one.

Everywhere Chicago School fundamentalism shows up, the results are the same. A small elite gains hugely while most others don't. But cracks in the ideology are visible as many of its front line adherents got caught up "in an astonishing array of scandals and criminal proceedings (from the) earliest laboratories in Latin America to the most recent one in Iraq."

Before he died, Pinochet was under house arrest. In Argentina, courts stripped former junta leaders of immunity. Bolivia's de Lozada got chased from the country and is now a wanted man. In Russia, many of the oligarch fraudsters were either in exile or jail. In Canada, newspaper magnate Conrad Black was convicted of fraud. In the US, a rogue's gallery of CEOs were charged and convicted as well, and other high level types were caught up in scandals like lobbyist Jack Abramoff's influence-peddling one.

Klein notes another hopeful sign as well - shock effects were beginning to wear off, and in Argentina's 2001 economic crisis forced out five presidents in three weeks. It was spreading and most apparent in Latin America where it began with opponents of Chicago School doctrine winning elections like Hugo Chavez in Venezuela, but he wasn't alone. It showed a renewed faith in democracy and condemnation of Washington Consensus dogma when people made a choice at the polls in free and open elections. Today's movements aren't replicas of the past, and one of the differences "is an acute awareness of the need for protection from shocks of the past" - coups, foreign shock therapists, torturers, debt and currency shocks.

They've learned from the past and are building "shock absorbers into their organizing models." It's in movements less centralized, Venezuela's grassroots community councils, Brazil's Landless Peoples Movement, and the streets of Oaxaca, Mexico where thousands battled police since a year ago May and still won't quit. In addition, governments are rejecting old trade models and adopting new ones like Venezuela's ALBA bartering system making it less vulnerable to turbulent markets.

They're also rejecting World Bank and IMF debt slavery, and the change is dramatic. In 2005, 80% of IMF's lending portfolio was to Latin America. It dropped to 1% in 2007. And IMF's 2005 \$81 billion dollar portfolio shrank to \$11.8 billion in three years with nearly all of it in Turkey. The World Bank is also being rejected. Venezuela severed its relationship, and Ecuador's Raphael Correa suspended bank loans and declared its country representative persona non grata in an extraordinary move the equivalent of a well-deserved slap in the face. In addition, the Doha Round trade talks collapsed, and some observers thought it signaled "globalization is dead," or if not, it's at least breathing hard.

Resistance is showing up in Europe, too, with voters in France and the Netherlands rejecting the European Constitution the French call "savage capitalism" and a codification of the corporatist order they reject. The Putin era in Russia is also seen as a backlash against the shock therapy of the 90s that impoverished millions of its people still left out and many desperate. The same is true in South Africa where people in slums abandoned the ANC to protest against their broken Freedom Charter promises. It even surfaced in China where, according to official government sources, 87,000 large protests were held involving over four million workers and peasants. They won major victories for new rural area spending, better health care, and pledges to eliminate education fees.

Millions of Lebanese were in the streets as well that wasn't a show of strength by Hezbollah as the major media characterized it. It was a rejection of the Siniora government's willingness to accept Chicago School reforms in exchange for billions of needed reconstruction loans to recover from Israel's summer, 2006 blitzkrieg attack. Klein called their actions "a poor and working-class people's revolt."

Examples are everywhere but so far just ripples in a pond needing greater numbers for real change. They were in tsunami-struck Thailand where, unlike in Sri Lanka, many settlements were successfully rebuilt in months but not by the government offering no aid. So hundreds of villagers "engaged in what they called land 'reinvasions,'" defied their government with direct-action, and rebuilt their communities making them better than before the destruction.

The same thing happened in New Orleans. In February, 2007, housing project residents "reinvaded" their old homes and reclaimed them in another example of "people rebuilding for themselves" and bypassing government indifferent to their needs and rights. Klein calls this phenomenon "the antithesis of the disaster capitalism complex's ethos." The actions are communal with people helping each other, rebuilding rubble, and aiming to end the erasure "of history, of culture, of memory."

It's a message of collective shock resistance replacing shock, but it's too early to declare victory. The signs are encouraging, and with enough of them who knows what's possible. Hopefully a better world replacing the bankrupt notion that markets work best and government is the problem. That's an idea for the trash bin of history where it belongs and where it one day will be.

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