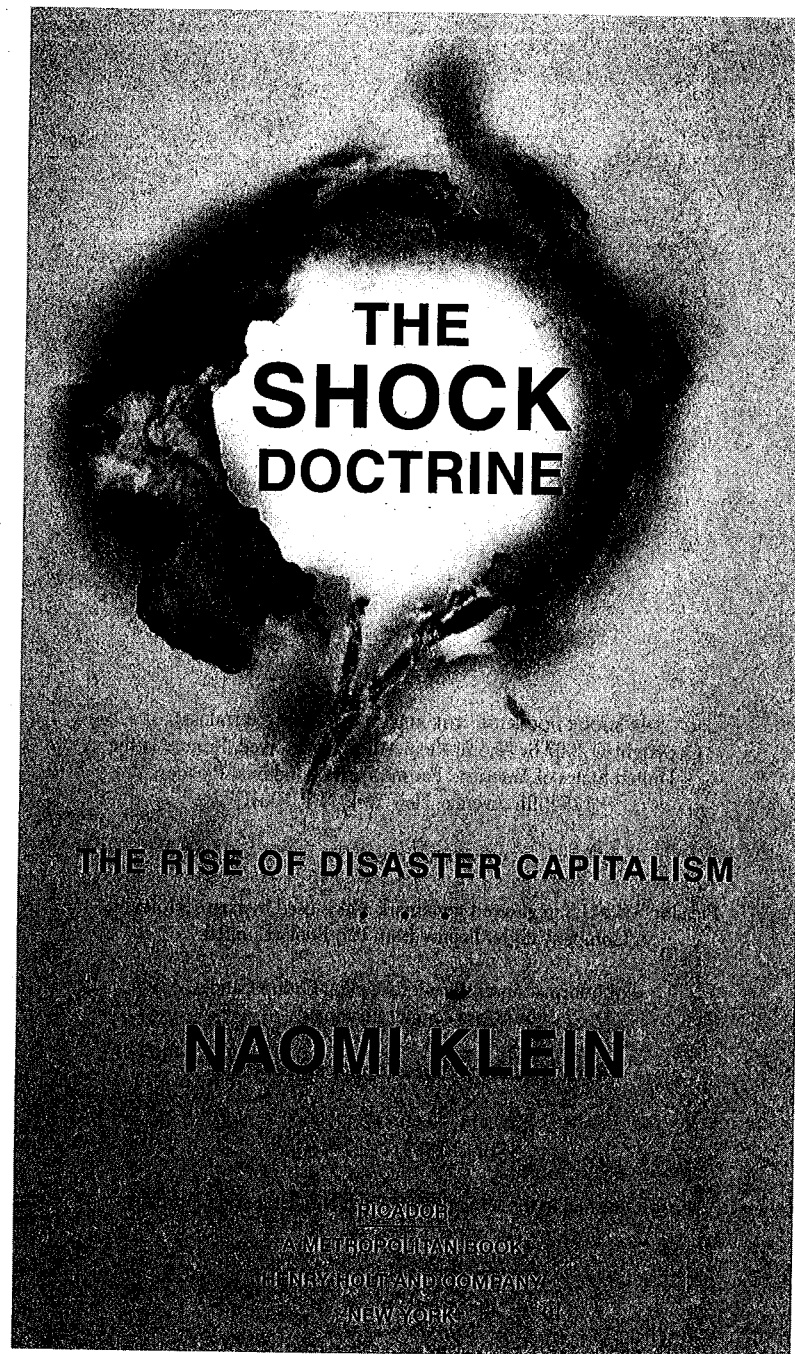


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*For Avi, again*

THE SHOCK DOCTRINE: THE RISE OF DISASTER CAPITALISM.  
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## **BLANK IS BEAUTIFUL**

### **THREE DECADES OF ERASING AND REMAKING THE WORLD**

**Now the earth was corrupt in God's sight, and the earth was filled with violence. And God saw that the earth was corrupt; for all flesh had corrupted its ways upon the earth. And God said to Noah, "I have determined to make an end of all flesh, for the earth is filled with violence because of them; now I am going to destroy them along with the earth."**

—Genesis 6:11 (NRSV)

**Shock and Awe are actions that create fears, dangers, and destruction that are incomprehensible to the people at large, specific elements/sectors of the threat society, or the leadership. Nature in the form of tornadoes, hurricanes, earthquakes, floods, uncontrolled fires, famine, and disease can engender Shock and Awe.**

—*Shock and Awe: Achieving Rapid Dominance*, the military doctrine for the U.S. war on Iraq<sup>1</sup>

I met Jamar Perry in September 2005, at the big Red Cross shelter in Baton Rouge, Louisiana. Dinner was being doled out by grinning

young Scientologists, and he was standing in line. I had just been busted for talking to evacuees without a media escort and was now doing my best to blend in, a white Canadian in a sea of African-American Southerners. I dodged into the food line behind Perry and asked him to talk to me as if we were old friends, which he kindly did.

Born and raised in New Orleans, he'd been out of the flooded city for a week. He looked about seventeen but told me he was twenty-three. He and his family had waited forever for the evacuation buses; when they didn't arrive, they had walked out in the baking sun. Finally they ended up here, a sprawling convention center, normally home to pharmaceutical trade shows and "Capital City Carnage: The Ultimate in Steel Cage Fighting," now jammed with two thousand cots and a mess of angry, exhausted people being patrolled by edgy National Guard soldiers just back from Iraq.

The news racing around the shelter that day was that Richard Baker, a prominent Republican congressman from this city, had told a group of lobbyists, "We finally cleaned up public housing in New Orleans. We couldn't do it, but God did."<sup>2</sup> Joseph Canizaro, one of New Orleans' wealthiest developers, had just expressed a similar sentiment: "I think we have a clean sheet to start again. And with that clean sheet we have some very big opportunities."<sup>3</sup> All that week the Louisiana State Legislature in Baton Rouge had been crawling with corporate lobbyists helping to lock in those big opportunities: lower taxes, fewer regulations, cheaper workers and a "smaller, safer city" — which in practice meant plans to level the public housing projects and replace them with condos. Hearing all the talk of "fresh starts" and "clean sheets," you could almost forget the toxic stew of rubble, chemical outflows and human remains just a few miles down the highway.

Over at the shelter, Jamar could think of nothing else. "I really don't see it as cleaning up the city. What I see is that a lot of people got killed uptown. People who shouldn't have died."

He was speaking quietly, but an older man in line in front of us

overheard and whipped around. "What is wrong with these people in Baton Rouge? This isn't an opportunity. It's a goddamned tragedy. Are they blind?"

A mother with two kids chimed in. "No, they're not blind, they're evil. They see just fine."

One of those who saw opportunity in the floodwaters of New Orleans was Milton Friedman, grand guru of the movement for unfettered capitalism and the man credited with writing the rulebook for the contemporary, hypermobile global economy. Ninety-three years old and in failing health, "Uncle Miltie," as he was known to his followers, nonetheless found the strength to write an op-ed for *The Wall Street Journal* three months after the levees broke. "Most New Orleans schools are in ruins," Friedman observed, "as are the homes of the children who have attended them. The children are now scattered all over the country. This is a tragedy. It is also an opportunity to radically reform the educational system."<sup>4</sup>

Friedman's radical idea was that instead of spending a portion of the billions of dollars in reconstruction money on rebuilding and improving New Orleans' existing public school system, the government should provide families with vouchers, which they could spend at private institutions, many run at a profit, that would be subsidized by the state. It was crucial, Friedman wrote, that this fundamental change not be a stopgap but rather "a permanent reform."<sup>5</sup>

A network of right-wing think tanks seized on Friedman's proposal and descended on the city after the storm. The administration of George W. Bush backed up their plans with tens of millions of dollars to convert New Orleans schools into "charter schools," publicly funded institutions run by private entities according to their own rules. Charter schools are deeply polarizing in the United States, and nowhere more than in New Orleans, where they are seen by many African-American parents as a way of reversing the gains of the civil rights movement, which guaranteed all children the same standard of

education. For Milton Friedman, however, the entire concept of a state-run school system reeked of socialism. In his view, the state's sole functions were "to protect our freedom both from the enemies outside our gates and from our fellow-citizens: to preserve law and order, to enforce private contracts, to foster competitive markets."<sup>6</sup> In other words, to supply the police and the soldiers—anything else, including providing free education, was an unfair interference in the market.

In sharp contrast to the glacial pace with which the levees were repaired and the electricity grid was brought back online, the auctioning off of New Orleans' school system took place with military speed and precision. Within nineteen months, with most of the city's poor residents still in exile, New Orleans' public school system had been almost completely replaced by privately run charter schools. Before Hurricane Katrina, the school board had run 123 public schools; now it ran just 4. Before that storm, there had been 7 charter schools in the city; now there were 31.<sup>7</sup> New Orleans teachers used to be represented by a strong union; now the union's contract had been shredded, and its forty-seven hundred members had all been fired.<sup>8</sup> Some of the younger teachers were rehired by the charters, at reduced salaries; most were not.

New Orleans was now, according to *The New York Times*, "the nation's preeminent laboratory for the widespread use of charter schools," while the American Enterprise Institute, a Friedmanite think tank, enthused that "Katrina accomplished in a day . . . what Louisiana school reformers couldn't do after years of trying."<sup>9</sup> Public school teachers, meanwhile, watching money allocated for the victims of the flood being diverted to erase a public system and replace it with a private one, were calling Friedman's plan "an educational land grab."<sup>10</sup>

I call these orchestrated raids on the public sphere in the wake of catastrophic events, combined with the treatment of disasters as exciting market opportunities, "disaster capitalism."

\* \* \*

Friedman's New Orleans op-ed ended up being his last public policy recommendation; he died less than a year later, on November 16, 2006, at age ninety-four. Privatizing the school system of a midsize American city may seem like a modest preoccupation for the man hailed as the most influential economist of the past half century, one who counted among his disciples several U.S. presidents, British prime ministers, Russian oligarchs, Polish finance ministers, Third World dictators, Chinese Communist Party secretaries, International Monetary Fund directors and the past three chiefs of the U.S. Federal Reserve. Yet his determination to exploit the crisis in New Orleans to advance a fundamentalist version of capitalism was also an oddly fitting farewell from the boundlessly energetic five-foot-two-inch professor who, in his prime, described himself as "an old-fashioned preacher delivering a Sunday sermon."<sup>11</sup>

For more than three decades, Friedman and his powerful followers had been perfecting this very strategy: waiting for a major crisis, then selling off pieces of the state to private players while citizens were still reeling from the shock, then quickly making the "reforms" permanent.

In one of his most influential essays, Friedman articulated contemporary capitalism's core tactical nostrum, what I have come to understand as the shock doctrine. He observed that "only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable."<sup>12</sup> Some people stockpile canned goods and water in preparation for major disasters; Friedmanites stockpile free-market ideas. And once a crisis has struck, the University of Chicago professor was convinced that it was crucial to act swiftly, to impose rapid and irreversible change before the crisis-racked society slipped back into the "tyranny of the status quo." He estimated that "a new administration has some six to nine months in which to achieve major changes; if it

does not seize the opportunity to act decisively during that period, it will not have another such opportunity.”<sup>13</sup> A variation on Machiavelli’s advice that injuries should be inflicted “all at once,” this proved to be one of Friedman’s most lasting strategic legacies.

Friedman first learned how to exploit a large-scale shock or crisis in the mid-seventies, when he acted as adviser to the Chilean dictator, General Augusto Pinochet. Not only were Chileans in a state of shock following Pinochet’s violent coup, but the country was also traumatized by severe hyperinflation. Friedman advised Pinochet to impose a rapid-fire transformation of the economy—tax cuts, free trade, privatized services, cuts to social spending and deregulation. Eventually, Chileans even saw their public schools replaced with voucher-funded private ones. It was the most extreme capitalist makeover ever attempted anywhere, and it became known as a “Chicago School” revolution, since so many of Pinochet’s economists had studied under Friedman at the University of Chicago. Friedman predicted that the speed, suddenness and scope of the economic shifts would provoke psychological reactions in the public that “facilitate the adjustment.”<sup>14</sup> He coined a phrase for this painful tactic: economic “shock treatment.” In the decades since, whenever governments have imposed sweeping free-market programs, the all-at-once shock treatment, or “shock therapy,” has been the method of choice.

Pinochet also facilitated the adjustment with his own shock treatments; these were performed in the regime’s many torture cells, inflicted on the writhing bodies of those deemed most likely to stand in the way of the capitalist transformation. Many in Latin America saw a direct connection between the economic shocks that impoverished millions and the epidemic of torture that punished hundreds of thousands of people who believed in a different kind of society. As the Uruguayan writer Eduardo Galeano asked, “How can this inequality be maintained if not through jolts of electric shock?”<sup>15</sup>

Exactly thirty years after these three distinct forms of shock

descended on Chile, the formula reemerged, with far greater violence, in Iraq. First came the war, designed, according to the authors of the Shock and Awe military doctrine, to “control the adversary’s will, perceptions, and understanding and literally make an adversary impotent to act or react.”<sup>16</sup> Next came the radical economic shock therapy, imposed, while the country was still in flames, by the U.S. chief envoy L. Paul Bremer—mass privatization, complete free trade, a 15 percent flat tax, a dramatically downsized government. Iraq’s interim trade minister, Ali Abdul-Amir Allawi, said at the time that his countrymen were “sick and tired of being the subjects of experiments. There have been enough shocks to the system, so we don’t need this shock therapy in the economy.”<sup>17</sup> When Iraqis resisted, they were rounded up and taken to jails where bodies and minds were met with more shocks, these ones distinctly less metaphorical.

I started researching the free market’s dependence on the power of shock four years ago, during the early days of the occupation of Iraq. After reporting from Baghdad on Washington’s failed attempts to follow Shock and Awe with shock therapy, I traveled to Sri Lanka, several months after the devastating 2004 tsunami, and witnessed another version of the same maneuver: foreign investors and international lenders had teamed up to use the atmosphere of panic to hand the entire beautiful coastline over to entrepreneurs who quickly built large resorts, blocking hundreds of thousands of fishing people from rebuilding their villages near the water. “In a cruel twist of fate, nature has presented Sri Lanka with a unique opportunity, and out of this great tragedy will come a world class tourism destination,” the Sri Lankan government announced.<sup>18</sup> By the time Hurricane Katrina hit New Orleans, and the nexus of Republican politicians, think tanks and land developers started talking about “clean sheets” and exciting opportunities, it was clear that this was now the preferred method of advancing corporate goals: using moments of collective trauma to engage in radical social and economic engineering.

Most people who survive a devastating disaster want the opposite of a clean slate: they want to salvage whatever they can and begin repairing what was not destroyed; they want to reaffirm their relatedness to the places that formed them. "When I rebuild the city I feel like I'm rebuilding myself," said Cassandra Andrews, a resident of New Orleans' heavily damaged Lower Ninth Ward, as she cleared away debris after the storm.<sup>19</sup> But disaster capitalists have no interest in repairing what was. In Iraq, Sri Lanka and New Orleans, the process deceptively called "reconstruction" began with finishing the job of the original disaster by erasing what was left of the public sphere and rooted communities, then quickly moving to replace them with a kind of corporate New Jerusalem—all before the victims of war or natural disaster were able to regroup and stake their claims to what was theirs.

Mike Battles puts it best: "For us, the fear and disorder offered real promise."<sup>20</sup> The thirty-four-year-old ex-CIA operative was talking about how the chaos in postinvasion Iraq had helped his unknown and inexperienced private security firm, Custer Battles, to shake roughly \$100 million in contracts out of the federal government.<sup>21</sup> His words could serve just as well as the slogan for contemporary capitalism—fear and disorder are the catalysts for each new leap forward.

When I began this research into the intersection between super-profits and megadisasters, I thought I was witnessing a fundamental change in the way the drive to "liberate" markets was advancing around the world. Having been part of the movement against ballooning corporate power that made its global debut in Seattle in 1999, I was accustomed to seeing similar business-friendly policies imposed through arm-twisting at World Trade Organization summits, or as the conditions attached to loans from the International Monetary Fund. The three trademark demands—privatization, government deregulation and deep cuts to social spending—tended to be extremely unpopular with citizens, but when the agreements were

signed there was still at least the pretext of mutual consent between the governments doing the negotiating, as well as a consensus among the supposed experts. Now the same ideological program was being imposed via the most baldly coercive means possible: under foreign military occupation after an invasion, or immediately following a cataclysmic natural disaster. September 11 appeared to have provided Washington with the green light to stop asking countries if they wanted the U.S. version of "free trade and democracy" and to start imposing it with Shock and Awe military force.

As I dug deeper into the history of how this market model had swept the globe, however, I discovered that the idea of exploiting crisis and disaster has been the *modus operandi* of Milton Friedman's movement from the very beginning—this fundamentalist form of capitalism has always needed disasters to advance. It was certainly the case that the facilitating disasters were getting bigger and more shocking, but what was happening in Iraq and New Orleans was not a new, post-September 11 invention. Rather, these bold experiments in crisis exploitation were the culmination of three decades of strict adherence to the shock doctrine.

Seen through the lens of this doctrine, the past thirty-five years look very different. Some of the most infamous human rights violations of this era, which have tended to be viewed as sadistic acts carried out by antidemocratic regimes, were in fact either committed with the deliberate intent of terrorizing the public or actively harnessed to prepare the ground for the introduction of radical free-market "reforms." In Argentina in the seventies, the junta's "disappearance" of thirty thousand people, most of them leftist activists, was integral to the imposition of the country's Chicago School policies, just as terror had been a partner for the same kind of economic metamorphosis in Chile. In China in 1989, it was the shock of the Tiananmen Square massacre and the subsequent arrests of tens of thousands that freed the hand of the Communist Party to convert much of the country into a sprawling export zone, staffed with

workers too terrified to demand their rights. In Russia in 1993, it was Boris Yeltsin's decision to send in tanks to set fire to the parliament building and lock up the opposition leaders that cleared the way for the fire-sale privatization that created the country's notorious oligarchs.

The Falklands War in 1982 served a similar purpose for Margaret Thatcher in the U.K.: the disorder and nationalist excitement resulting from the war allowed her to use tremendous force to crush the striking coal miners and to launch the first privatization frenzy in a Western democracy. The NATO attack on Belgrade in 1999 created the conditions for rapid privatizations in the former Yugoslavia—a goal that predated the war. Economics was by no means the sole motivator for these wars, but in each case a major collective shock was exploited to prepare the ground for economic shock therapy.

The traumatic episodes that have served this “softening-up” purpose have not always been overtly violent. In Latin America and Africa in the eighties, it was a debt crisis that forced countries to be “privatized or die,” as one former IMF official put it.<sup>22</sup> Coming unraveled by hyperinflation and too indebted to say no to demands that came bundled with foreign loans, governments accepted “shock treatment” on the promise that it would save them from deeper disaster. In Asia, it was the financial crisis of 1997-98—almost as devastating as the Great Depression—that humbled the so-called Asian Tigers, cracking open their markets to what *The New York Times* described as “the world's biggest going-out-of-business sale.”<sup>23</sup> Many of these countries were democracies, but the radical free-market transformations were not imposed democratically. Quite the opposite: as Friedman understood, the atmosphere of large-scale crisis provided the necessary pretext to overrule the expressed wishes of voters and to hand the country over to economic “technocrats.”

There have, of course, been cases in which the adoption of free-market policies has taken place democratically—politicians have run on hard-line platforms and won elections, the U.S. under Ronald

Reagan being the best example, France's election of Nicolas Sarkozy a more recent one. In these cases, however, free-market crusaders came up against public pressure and were invariably forced to temper and modify their radical plans, accepting piecemeal changes rather than a total conversion. The bottom line is that while Friedman's economic model is capable of being partially imposed under democracy, authoritarian conditions are required for the implementation of its true vision. For economic shock therapy to be applied without restraint—as it was in Chile in the seventies, China in the late eighties, Russia in the nineties and the U.S. after September 11, 2001—some sort of additional major collective trauma has always been required, one that either temporarily suspended democratic practices or blocked them entirely. This ideological crusade was born in the authoritarian regimes of South America, and in its largest newly conquered territories—Russia and China—it coexists most comfortably, and most profitably, with an iron-fisted leadership to this day.

### Shock Therapy Comes Home

Friedman's Chicago School movement has been conquering territory around the world since the seventies, but until recently its vision had never been fully applied in its country of origin. Certainly Reagan had made headway, but the U.S. retained a welfare system, social security and public schools, where parents clung, in Friedman's words, to their “irrational attachment to a socialist system.”<sup>24</sup>

When the Republicans gained control of Congress in 1995, David Frum, a transplanted Canadian and future speechwriter for George W. Bush, was among the so-called neoconservatives calling for a shock therapy-style economic revolution in the U.S. “Here's how I think we should do it. Instead of cutting incrementally—a little here, a little there—I would say that on a single day this summer we eliminate three hundred programs, each one costing a billion dollars or



less. Maybe these cuts won't make a big deal of difference, but, boy, do they make a point. And you can do them right away."<sup>25</sup>

Frum didn't get his homegrown shock therapy at the time, largely because there was no domestic crisis to prepare the ground. But in 2001 that changed. When the September 11 attacks hit, the White House was packed with Friedman's disciples, including his close friend Donald Rumsfeld. The Bush team seized the moment of collective vertigo with chilling speed—not, as some have claimed, because the administration deviously plotted the crisis but because the key figures of the administration, veterans of earlier disaster capitalism experiments in Latin America and Eastern Europe, were part of a movement that prays for crisis the way drought-struck farmers pray for rain, and the way Christian-Zionist end-timers pray for the Rapture. When the long-awaited disaster strikes, they know instantly that their moment has come at last.

For three decades, Friedman and his followers had methodically exploited moments of shock in other countries—foreign equivalents of 9/11, starting with Pinochet's coup on September 11, 1973. What happened on September 11, 2001, is that an ideology hatched in American universities and fortified in Washington institutions finally had its chance to come home.

The Bush administration immediately seized upon the fear generated by the attacks not only to launch the "War on Terror" but to ensure that it is an almost completely for-profit venture, a booming new industry that has breathed new life into the faltering U.S. economy. Best understood as a "disaster capitalism complex," it has much farther-reaching tentacles than the military-industrial complex that Dwight Eisenhower warned against at the end of his presidency: this is global war fought on every level by private companies whose involvement is paid for with public money, with the unending mandate of protecting the United States homeland in perpetuity while eliminating all "evil" abroad. In only a few short years, the complex has already expanded its market reach from fighting terrorism to international peacekeeping, to

municipal policing, to responding to increasingly frequent natural disasters. The ultimate goal for the corporations at the center of the complex is to bring the model of for-profit government, which advances so rapidly in extraordinary circumstances, into the ordinary and day-to-day functioning of the state—in effect, to privatize the government.

To kick-start the disaster capitalism complex, the Bush administration outsourced, with no public debate, many of the most sensitive and core functions of government—from providing health care to soldiers, to interrogating prisoners, to gathering and "data mining" information on all of us. The role of the government in this unending war is not that of an administrator managing a network of contractors but of a deep-pocketed venture capitalist, both providing its seed money for the complex's creation and becoming the biggest customer for its new services. To cite just three statistics that show the scope of the transformation, in 2003, the U.S. government handed out 3,512 contracts to companies to perform security functions; in the twenty-two-month period ending in August 2006, the Department of Homeland Security had issued more than 115,000 such contracts.<sup>26</sup> The global "homeland security industry"—economically insignificant before 2001—is now a \$200 billion sector.<sup>27</sup> In 2006, U.S. government spending on homeland security averaged \$545 per household.<sup>28</sup>

And that's just the home front of the War on Terror; the real money is in fighting wars abroad. Beyond the weapons contractors, who have seen their profits soar thanks to the war in Iraq, maintaining the U.S. military is now one of the fastest-growing service economies in the world.<sup>29</sup> "No two countries that both have a McDonald's have ever fought a war against each other," boldly declared the *New York Times* columnist Thomas Friedman in December 1996.<sup>30</sup> Not only was he proven wrong two years later, but thanks to the model of for-profit warfare, the U.S. Army goes to war with Burger King and Pizza Hut in tow, contracting them to run franchises for the soldiers on military bases from Iraq to the "mini city" at Guantánamo Bay.

Then there is humanitarian relief and reconstruction. Pioneered in Iraq, for-profit relief and reconstruction has already become the new global paradigm, regardless of whether the original destruction occurred from a preemptive war, such as Israel's 2006 attack on Lebanon, or a hurricane. With resource scarcity and climate change providing a steadily increasing flow of new disasters, responding to emergencies is simply too hot an emerging market to be left to the nonprofits—why should UNICEF rebuild schools when it can be done by Bechtel, one of the largest engineering firms in the U.S.? Why put displaced people from Mississippi in subsidized empty apartments when they can be housed on Carnival cruise ships? Why deploy UN peacekeepers to Darfur when private security companies like Blackwater are looking for new clients? And that is the post-September 11 difference: before, wars and disasters provided opportunities for a narrow sector of the economy—the makers of fighter jets, for instance, or the construction companies that rebuilt bombed-out bridges. The primary economic role of wars, however, was as a means to open new markets that had been sealed off and to generate postwar peacetime booms. Now wars and disaster responses are so fully privatized that they are themselves the new market; there is no need to wait until after the war for the boom—the medium is the message.

One distinct advantage of this postmodern approach is that in market terms, it cannot fail. As a market analyst remarked of a particularly good quarter for the earnings of the energy services company Halliburton, "Iraq was better than expected."<sup>31</sup> That was in October 2006, then the most violent month of the war on record, with 3,709 Iraqi civilian casualties.<sup>32</sup> Still, few shareholders could fail to be impressed by a war that had generated \$20 billion in revenues for this one company.<sup>33</sup>

Amid the weapons trade, the private soldiers, for-profit reconstruction and the homeland security industry, what has emerged as a result of the Bush administration's particular brand of post-September

11 shock therapy is a fully articulated new economy. It was built in the Bush era, but it now exists quite apart from any one administration and will remain entrenched until the corporate supremacist ideology that underpins it is identified, isolated and challenged. The complex is dominated by U.S. firms, but it is global, with British companies bringing their experience in ubiquitous security cameras, Israeli firms their expertise in building high-tech fences and walls, the Canadian lumber industry selling prefab houses that are several times more expensive than those produced locally, and so on. "I don't think anybody has looked at disaster reconstruction as an actual housing market before," said Ken Baker, CEO of a Canadian forestry trade group. "It's a strategy to diversify in the long run."<sup>34</sup>

In scale, the disaster capitalism complex is on a par with the "emerging market" and information technology booms of the nineties. In fact, insiders say that the deals are even better than during the dot-com days and that "the security bubble" picked up the slack when those earlier bubbles popped. Combined with soaring insurance industry profits (projected to have reached a record \$60 billion in 2006 in the U.S. alone) as well as super profits for the oil industry (which grow with each new crisis), the disaster economy may well have saved the world market from the full-blown recession it was facing on the eve of 9/11.<sup>35</sup>

In the attempt to relate the history of the ideological crusade that has culminated in the radical privatization of war and disaster, one problem recurs: the ideology is a shape-shifter, forever changing its name and switching identities. Friedman called himself a "liberal," but his U.S. followers, who associated liberals with high taxes and hippies, tended to identify as "conservatives," "classical economists," "free marketers," and, later, as believers in "Reaganomics" or "laissez-faire." In most of the world, their orthodoxy is known as "neoliberalism," but it is often called "free trade" or simply "globalization." Only since the mid-nineties has the intellectual movement, led by the right-wing think

tanks with which Friedman had long associations—Heritage Foundation, Cato Institute and the American Enterprise Institute—called itself “neoconservative,” a worldview that has harnessed the full force of the U.S. military machine in the service of a corporate agenda.

All these incarnations share a commitment to the policy trinity—the elimination of the public sphere, total liberation for corporations and skeletal social spending—but none of the various names for the ideology seem quite adequate. Friedman framed his movement as an attempt to free the market from the state, but the real-world track record of what happens when his purist vision is realized is rather different. In every country where Chicago School policies have been applied over the past three decades, what has emerged is a powerful ruling alliance between a few very large corporations and a class of mostly wealthy politicians—with hazy and ever-shifting lines between the two groups. In Russia the billionaire private players in the alliance are called “the oligarchs”; in China, “the princelings”; in Chile, “the piranhas”; in the U.S., the Bush-Cheney campaign “Pioneers.” Far from freeing the market from the state, these political and corporate elites have simply merged, trading favors to secure the right to appropriate precious resources previously held in the public domain—from Russia’s oil fields, to China’s collective lands, to the no-bid reconstruction contracts for work in Iraq.

A more accurate term for a system that erases the boundaries between Big Government and Big Business is not liberal, conservative or capitalist but corporatist. Its main characteristics are huge transfers of public wealth to private hands, often accompanied by exploding debt, an ever-widening chasm between the dazzling rich and the disposable poor and an aggressive nationalism that justifies bottomless spending on security. For those inside the bubble of extreme wealth created by such an arrangement, there can be no more profitable way to organize a society. But because of the obvious drawbacks for the vast majority of the population left outside the bubble, other features of the corporatist state tend to include aggressive surveillance (once again, with govern-

ment and large corporations trading favors and contracts), mass incarceration, shrinking civil liberties and often, though not always, torture.

### Torture as Metaphor

From Chile to China to Iraq, torture has been a silent partner in the global free-market crusade. But torture is more than a tool used to enforce unwanted policies on rebellious peoples; it is also a metaphor of the shock doctrine’s underlying logic.

Torture, or in CIA language “coercive interrogation,” is a set of techniques designed to put prisoners into a state of deep disorientation and shock in order to force them to make concessions against their will. The guiding logic is elaborated in two CIA manuals that were declassified in the late nineties. They explain that the way to break “resistant sources” is to create violent ruptures between prisoners and their ability to make sense of the world around them.<sup>36</sup> First, the senses are starved of any input (with hoods, earplugs, shackles, total isolation), then the body is bombarded with overwhelming stimulation (strobe lights, blaring music, beatings, electroshock).

The goal of this “softening-up” stage is to provoke a kind of hurricane in the mind: prisoners are so regressed and afraid that they can no longer think rationally or protect their own interests. It is in that state of shock that most prisoners give their interrogators whatever they want—information, confessions, a renunciation of former beliefs. One CIA manual provides a particularly succinct explanation: “There is an interval—which may be extremely brief—of suspended animation, a kind of psychological shock or paralysis. It is caused by a traumatic or sub-traumatic experience which explodes, as it were, the world that is familiar to the subject as well as his image of himself within that world. Experienced interrogators recognize this effect when it appears and know that at this moment the source is far more open to suggestion, far likelier to comply, than he was just before he experienced the shock.”<sup>37</sup>

The shock doctrine mimics this process precisely, attempting to achieve on a mass scale what torture does one on one in the interrogation cell. The clearest example was the shock of September 11, which, for millions of people, exploded “the world that is familiar” and opened up a period of deep disorientation and regression that the Bush administration expertly exploited. Suddenly we found ourselves living in a kind of Year Zero, in which everything we knew of the world before could now be dismissed as “pre-9/11 thinking.” Never strong in our knowledge of history, North Americans had become a blank slate—“a clean sheet of paper” on which “the newest and most beautiful words can be written,” as Mao said of his people.<sup>38</sup> A new army of experts instantly materialized to write new and beautiful words on the receptive canvas of our posttrauma consciousness: “clash of civilizations,” they inscribed. “Axis of evil,” “Islamofascism,” “homeland security.” With everyone preoccupied by the deadly new culture wars, the Bush administration was able to pull off what it could only have dreamed of doing before 9/11: wage privatized wars abroad and build a corporate security complex at home.

That is how the shock doctrine works: the original disaster—the coup, the terrorist attack, the market meltdown, the war, the tsunami, the hurricane—puts the entire population into a state of collective shock. The falling bombs, the bursts of terror, the pounding winds serve to soften up whole societies much as the blaring music and blows in the torture cells soften up prisoners. Like the terrorized prisoner who gives up the names of comrades and renounces his faith, shocked societies often give up things they would otherwise fiercely protect. Jamar Perry and his fellow evacuees at the Baton Rouge shelter were supposed to give up their housing projects and public schools. After the tsunami, the fishing people in Sri Lanka were supposed to give up their valuable beachfront land to hoteliers. Iraqis, if all had gone according to plan, were supposed to be so shocked and awed that they would give up control of their oil reserves, their state companies and their sovereignty to U.S. military bases and green zones.

### The Big Lie

In the torrent of words written in eulogy to Milton Friedman, the role of shocks and crises to advance his worldview received barely a mention. Instead, the economist’s passing provided an occasion for a retelling of the official story of how his brand of radical capitalism became government orthodoxy in almost every corner of the globe. It is a fairy-tale version of history, scrubbed clean of all the violence and coercion so intimately entwined with this crusade, and it represents the single most successful propaganda coup of the past three decades. The story goes something like this.

Friedman devoted his life to fighting a peaceful battle of ideas against those who believed that governments had a responsibility to intervene in the market to soften its sharp edges. He believed history “got off on the wrong track” when politicians began listening to John Maynard Keynes, intellectual architect of the New Deal and the modern welfare state.<sup>39</sup> The market crash of 1929 had created an overwhelming consensus that *laissez-faire* had failed and that governments needed to intervene in the economy to redistribute wealth and regulate corporations. During those dark days for *laissez-faire*, when Communism conquered the East, the welfare state was embraced by the West and economic nationalism took root in the postcolonial South, Friedman and his mentor, Friedrich Hayek, patiently protected the flame of a pure version of capitalism, untarnished by Keynesian attempts to pool collective wealth to build more just societies.

“The major error, in my opinion,” Friedman wrote in a letter to Pinochet in 1975, was “to believe that it is possible to do good with other people’s money.”<sup>40</sup> Few listened; most people kept insisting that their governments could and should do good. Friedman was dismissively described in *Time* in 1969 “as a pixie or a pest,” and revered as a prophet by only a select few.<sup>41</sup>

Finally, after he’d spent decades in the intellectual wilderness, came the eighties and the rule of Margaret Thatcher (who called

Friedman (“an intellectual freedom fighter”) and Ronald Reagan (who was seen carrying a copy of *Capitalism and Freedom*, Friedman’s manifesto, on the presidential campaign trail).<sup>42</sup> At last there were political leaders who had the courage to implement unfettered free markets in the real world. According to this official story, after Reagan and Thatcher peacefully and democratically liberated their respective markets, the freedom and prosperity that followed were so obviously desirable that when dictatorships started falling, from Manila to Berlin, the masses demanded Reaganomics alongside their Big Macs.

When the Soviet Union finally collapsed, the people of the “evil empire” were also eager to join the Friedmanite revolution, as were the Communists-turned-capitalists in China. That meant that nothing was left to stand in the way of a truly global free market, one in which liberated corporations were not only free in their own countries but free to travel across borders unhindered, unleashing prosperity around the world. There was now a twin consensus about how society should be run: political leaders should be elected, and economies should be run according to Friedman’s rules. It was, as Francis Fukuyama said, “the end of history”—“the end point of mankind’s ideological evolution.”<sup>43</sup> When Friedman died, *Fortune* magazine wrote that “he had the tide of history with him”; a resolution was passed in the U.S. Congress praising him as “one of the world’s foremost champions of liberty, not just in economics but in all respects”; the California governor, Arnold Schwarzenegger, declared January 29, 2007, to be a statewide Milton Friedman Day, and several cities and towns did the same. A headline in *The Wall Street Journal* encapsulated this tidy narrative: “Freedom Man.”<sup>44</sup>

This book is a challenge to the central and most cherished claim in the official story—that the triumph of deregulated capitalism has been born of freedom, that unfettered free markets go hand in hand with democracy. Instead, I will show that this fundamentalist form of

capitalism has consistently been midwived by the most brutal forms of coercion, inflicted on the collective body politic as well as on countless individual bodies. The history of the contemporary free market—better understood as the rise of corporatism—was written in shocks.

The stakes are high. The corporatist alliance is in the midst of conquering its final frontiers: the closed oil economies of the Arab world, and sectors of Western economies that have long been protected from profit making—including responding to disasters and raising armies. Since there is not even the veneer of seeking public consent to privatize such essential functions, either at home or abroad, escalating levels of violence and ever larger disasters are required in order to reach the goal. Yet because the decisive role played by shocks and crises has been so effectively purged from the official record of the rise of the free market, the extreme tactics on display in Iraq and New Orleans are often mistaken for the unique incompetence or cronyism of the Bush White House. In fact, Bush’s exploits merely represent the monstrously violent and creative culmination of a fifty-year campaign for total corporate liberation.

Any attempt to hold ideologies accountable for the crimes committed by their followers must be approached with a great deal of caution. It is too easy to assert that those with whom we disagree are not just wrong but tyrannical, fascist, genocidal. But it is also true that certain ideologies are a danger to the public and need to be identified as such. These are the closed, fundamentalist doctrines that cannot coexist with other belief systems; their followers deplore diversity and demand an absolute free hand to implement their perfect system. The world as it is must be erased to make way for their purist invention. Rooted in biblical fantasies of great floods and great fires, it is a logic that leads ineluctably toward violence. The ideologies that long for that impossible clean slate, which can be reached only through some kind of cataclysm, are the dangerous ones.

Usually it is extreme religious and racially based idea systems that demand the wiping out of entire peoples and cultures in order to fulfill a purified vision of the world. But since the collapse of the Soviet Union, there has been a powerful collective reckoning with the great crimes committed in the name of Communism. The Soviet information vaults have been cracked open to researchers who have counted the dead—through forced famines, work camps and assassinations. The process has sparked heated debate around the world about how many of these atrocities stemmed from the ideology invoked, as opposed to its distortion by adherents like Stalin, Ceaușescu, Mao and Pol Pot.

“It was flesh-and-blood Communism that imposed wholesale repression, culminating in a state-sponsored reign of terror,” writes Stéphane Courtois, coauthor of the contentious *Black Book of Communism*. “Is the ideology itself blameless?”<sup>45</sup> Of course it is not. It doesn’t follow that all forms of Communism are inherently genocidal, as some have gleefully claimed, but it was certainly an interpretation of Communist theory that was doctrinaire, authoritarian, and contemptuous of pluralism that led to Stalin’s purges and to Mao’s reeducation camps. Authoritarian Communism is, and should be, forever tainted by those real-world laboratories.

But what of the contemporary crusade to liberate world markets? The coups, wars and slaughters to install and maintain pro-corporate regimes have never been treated as capitalist crimes but have instead been written off as the excesses of overzealous dictators, as hot fronts of the Cold War, and now of the War on Terror. If the most committed opponents of the corporatist economic model are systematically eliminated, whether in Argentina in the seventies or in Iraq today, that suppression is explained as part of the dirty fight against Communism or terrorism—almost never as the fight for the advancement of pure capitalism.

I am not arguing that all forms of market systems are inherently violent. It is eminently possible to have a market-based economy that

requires no such brutality and demands no such ideological purity. A free market in consumer products can coexist with free public health care, with public schools, with a large segment of the economy—like a national oil company—held in state hands. It’s equally possible to require corporations to pay decent wages, to respect the right of workers to form unions, and for governments to tax and redistribute wealth so that the sharp inequalities that mark the corporatist state are reduced. Markets need not be fundamentalist.

Keynes proposed exactly that kind of mixed, regulated economy after the Great Depression, a revolution in public policy that created the New Deal and transformations like it around the world. It was exactly that system of compromises, checks and balances that Friedman’s counterrevolution was launched to methodically dismantle in country after country. Seen in that light, the Chicago School strain of capitalism does indeed have something in common with other dangerous ideologies: the signature desire for unattainable purity, for a clean slate on which to build a reengineered model society.

This desire for godlike powers of total creation is precisely why free-market ideologues are so drawn to crises and disasters. Nonapocalyptic reality is simply not hospitable to their ambitions. For thirty-five years, what has animated Friedman’s counterrevolution is an attraction to a kind of freedom and possibility available only in times of cataclysmic change—when people, with their stubborn habits and insistent demands, are blasted out of the way—moments when democracy seems a practical impossibility.

Believers in the shock doctrine are convinced that only a great rupture—a flood, a war, a terrorist attack—can generate the kind of vast, clean canvases they crave. It is in these malleable moments, when we are psychologically unmoored and physically uprooted, that these artists of the real plunge in their hands and begin their work of remaking the world.