

THE SHOCK DOCTRINE
The rise of disaster capitalism
Naomi Klein
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This is a very disturbing book about the exploitation of disaster shocked people and countries. It is how governments of the world use corporations and organizations do their dirty work. It is about how the CIA funded Dr. Ewan Cameron of the McGill University in the 1950's to produce a manual on torture that is still used today by the US Military in Guantanamo prison, Cuba. The "manual" has been exported and sold around the world as the torture of choice training manual. Google>>Kubark torture manual.

Naomi Klein presents very much a leftist point of view. However, she does provide enough balance for the reader to come to their own conclusion. After reading this book, you will never read a national or international publication in the same way as you have in past. You will have a deeper understanding on how our "free world" really works. If you are interested in investing in the world markets, this is essential reading.

How does shock doctrine work?

- 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.

- Joseph Stiglitz the chief economist of the World Bank described the shock doctrine this way>> ”Only a blitzkrieg approach during the window of opportunity provided by the fog of transition would get the changes made before the population had a chance to organize to protect its previous vested interests.”
- Chapter 12 makes a case that the political and economic power brokers of the world are more than willing to orchestrate a “crisis” to achieve their economic and political goals. Startling facts are provided to support this claim. As a financial planner, I often paint a picture of a crisis if my client does not have a proper will. This in my opinion is an acceptable strategy to move my client to action.....prepare a will. On the other hand, if I paint a picture of a crisis that is not only fictional but has no basis of truth, this is gross manipulation. This is an unacceptable sales practice. Farther up the economic food chain, this is gross manipulation of national and international facts. However, these “players” do not have to live by the same rules as you and I do!!
- The 2005 Katrina New Orleans hurricane is an example of the shock doctrine>> US Republican Congressman Richard Baker for this city was quoted as saying “We finally cleaned up public housing in New Orleans. We couldn’t do it but God did”. Klein provides many more examples of “disaster capitalism” from the Katrina disaster.
- Milton Friedman the University of Chicago professor and grand guru of the movement for unfettered capitalism is referred to throughout the book on examples of disaster capitalism in various parts of the world. For more than 30 years, Friedman and his powerful followers have 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.
- Friedman’s laissez-faire style of capitalism is the purest form of capitalism and not always with intended consequences.
- Friedman 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.
- Friedman was convinced that once a crisis struck it was crucial to act swiftly, to impose rapid and irreversible change before the crisis-racked society slipped back into normal life. He felt that “injuries” should be inflicted “all at once.” 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.

- Freidman coined a phrase for this painful tactic: **economic shock treatment** or **shock therapy**.
- Page 161>>radical and highly profitable policies of the Chicago School can't survive in a democratic system. However, in Margaret Thatcher's second term in Great Britain, she was able to pull it off. The Falkland's War, created the crisis to achieve her goals.
- Countries and events that have experienced Freidman's economic shock treatment:
 1. Chile, starting with Pinochet's coup on 11 September 1973
 2. Argentina in the 1970's suffered under the Chicago School policies
 3. Bolivia 1985>>US aid was assured if the Bolivian government followed the shock doctrine. Bolivia achieved their goals without the blood shed of the Pinochet plan in Chile. The plan was implemented in 100 days. Leaders that resisted the plan temporarily "disappeared" and were only allowed to return if they agreed to support the plan.
 4. The Volcker Shock (debt crisis) of the early 1980's
 5. The Falklands War in 1982 allowed Margaret Thatcher to rebound in the poles and win another election and launch the first privatization frenzy in Western democracy
 6. China 20 May 1989>>Tiananmen Square massacre>>the protestors wanted democracy without the shock treatment and the government wanted Friedman style capitalism and still keep its own grip on power.
 7. Russian in 1993>>Boris Yeltson's decision to send in tanks to set fire to the parliament buildings
 8. The Mexican Tequila Crisis in 1994
 9. The Asia financial crisis of 1997/98 cracked open the Asian markets for the "world's biggest going-out-of-business sale".
 10. The Russian Collapse in 1998
 11. The NATO attack on Belgrade in 1999 created the conditions for rapid privatizations in the former Yugoslavia – a goal that predated the war.
 12. 11 September 2001 "War on Terror" an almost completely for-profit venture. The global "homeland security industry" is now a \$200 billion sector

13. The 2003 Iraq invasion
14. The 2004 Tsunami>> seaside fishing villages were quickly converted to seaside resorts in Sri Lanka before the people could protest
15. Katrina>>2005
16. Disaster capitalism is taking shape

Chapter one>>the torture lab:

- In the mid 1950's Dr. Ewan Cameron from the McGill University did some interesting work on torture. 80 institutions were involved including 48 universities and 12 hospitals.
- The CIA chose Canada for these experiments because they could not do this kind of work in the USA. (A product that I am not exactly proud to say is "made in Canada")
- It is now codified in the Kubark manual and disseminated through extensive CIA training programs. **Google>> Kubark** for the rest of the story.
- Sadly, as a means of extracting information during interrogations, torture is notoriously unreliable, but as a means of terrorizing and controlling population, nothing is quite as effective.
- I found this chapter so distressing; I did not feel good about summarizing it. I will leave it up to you to read.

Friedman's style of capitalism:

1. Governments must remove all rules and regulations standing in the way of the accumulation of profits
2. They should sell off any assets they own that corporations could be running at a profit
3. They should dramatically cut back funding of social programs.

Wayne Taylor's observation on this style of capitalism:

- The stock market crash of 2000 and the subprime mortgage & ABCP crisis are just two reasons why we should not trust corporations to do it "their way".
- A moving force in the world is the investment focus on BRIC countries:
 1. Brazil
 2. Russia
 3. India
 4. China

The question begs to be asked, will there be any Shock Doctrine tactics employed to achieve these economic goals? If so, who will win? Who will lose? Profits are great, but at what cost? The consensus I have arrived at in this book is that once you get past the hype and spin of disaster capitalism, such portrayed in Moscow, Warsaw, Buenos Aires and Seoul, you get a very different picture.

Page 135 of the book makes an interesting observation>>the Khmer Rouge used the following language to justify their slaughter in Cambodia. "What is infected must be cut out". All though this is an extreme example to use, what other tactics or strategies can our corporations and governments use to achieve their goals?

Klein dedicated chapter ten to South Africa's dilemma>>deep in debt the government could accept the shock doctrine strategy and pay their debt or default:

- Honouring the debt meant that social programs could not be provided as "promised" with the ANC's Freedom Charter. South Africa would be forced to sell off many of their national assets just to meet their debt obligations.
- Defaulting on the debt meant that the world markets would punish them and the financial and social consequences could have been worse.
- An interesting dilemma>>similar challenges face an individual in managing their own finances and that of a country. If an individual goes bankrupt, they pay a financial price for future credit because they are perceived as a higher risk.

Two schools that promoted the Friedman style of economics worldwide:

1. The University of Chicago known as the “Chicago Boys”
2. The University of California at Berkley know as the “Berkley Mafia”

Corporations and organizations that are named in this book and participated in the many of the misdeeds mentioned and many times acted at the bequest of their home governments:

- The Ford Foundation
- Mercedes-Benz
- Ford
- General Motors
- Fiat Concord

Economic crisis:

- If an economic crisis hits is severe enough, it blows everything else out of the water and leaders are liberated to do whatever is necessary (or said to be necessary) in the name of responding to a national emergency.
- Chicago School economists argued that just as market crashes could precipitate left-wing revolutions, so too could they be used to spark right-wing counter-revolutions, a theory that became known as “the crisis hypothesis”
- Shock and awe>>economic policy changes that use the shock doctrine strategies are likened to military tactics such as the 2003 invasion of Iraq. If dozens of policy changes come from all directions at once, a feeling of futility sets in, and the populations go limp.
- Economic programs that would normally not be supported in normal times are readily accepted by the traumatized citizens in times of crisis. Ie. financial meltdowns or as the Bush administration after 9/11
- The IMF and World Bank have many of the Chicago Boys on their staff ready to offer “help” to countries in crisis, only if they accept their economic policies. Often the policies are obfuscated (This refers to the concept of concealing the meaning of communication by making it more confusing and harder to interpret)

Chapter nine provides an interesting review of history in Poland and the Lech Walesa Solidarity movement in 1980. The Solidarity leaders were sold on using the “shock therapy” as a way to renew Poland. IMF funding for the Polish economy was conditional on Solidarity’s submitting to shock therapy. This was a painful time for Poland. This chapter alone is worth the price of the book and a lesson for other countries that choose to go down this path.

- A strategy of the shock therapy movement is to handcuff governments with rules and regulations from international and local trade agreements, the IMF, the World Bank and GATT etc all designed to constrain and confine the power of elected leaders at the local or regional level. **This strategy should not be ignored.** It can impact the ability of elected leaders to act for the people at the national, provincial and local levels of government. At the county or community level, a request of the citizens could be overpowered by a national or international agreement made without the input from the citizen.
- Chapter ten focuses on South Africa. The ANC under the leadership of Nelson Mandela in the 1990’s realized that they may have the state to make tangible the dream of the Freedom Charter, but it discovered that the power was elsewhere. The devil lies in the details of the agreements.
- Don’t lose focus on the issue>> is it political or economic? Those in power can manipulate the message. What is the real issue? Stay focused.
- Countries that sign on to these international agreements face the following consequences if they “change their mind”>>any change in these agreements will be regarded as evidence of dangerous national untrustworthiness, a lack of commitment to “reform”, an absence of a “rules based system.” All of which will lead to currency crashes, aid cuts and capital flight. The bottom line is you can be free as a national internationally but simultaneously be captured by international agreements.
- A country or a county could actually be given the keys to the house but not the combination to the safe. Page 245

Chapter eleven focuses on the Russian experience in using the shock doctrine strategy under Yeltsin. It is too complex and intriguing to summarize effectively. As you read this chapter you will have flash backs of

TV news stories of the early 1990's watching Russia change from a communist state to a market economy. According to Klein the author, in the long term, the Chicago Boys methods did not work and Putin had to restore order in his own way.

- The entire 30 year history of the Friedman Chicago School experiment has been one of mass corruption and corporatist collusion between security states and large corporations.
- Only when countries are truly suffering do they agree to swallow the bitter market medicine; only when they are in shock do they lie down for shock therapy.
- One will have to ask whether it could conceivably make sense to think of deliberately provoking a crisis so as to remove the political logjam to reform. History has shown that during normal times, this type of disaster capitalism does not sit well with the electorate. It takes a crisis for the "reforms" to be rammed through while the citizens are still in shock. Ie. Katrina and the 2004 Tsunami tragedies

Canada is not immune to these events:

- February 1993 was in the midst of a "financial catastrophe".
- The print and electronic media reported that a "debt crisis looms".
- Canada's credit may run out?
- Canada was spending beyond its means
- The threat was that foreign investors would pull their money out of Canada
- The only solution we were told was to radically cut spending on such programs such as unemployment insurance and health care.
- Two years after the deficit hysteria peaked, investigative reporter Linda McQuaig exposed that a sense of crisis had been carefully stoked and manipulated by a handful of think tanks funded by Canada's largest banks and corporations.

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