

The Shock Doctrine: The Rise of Disaster Capitalism

Naomi Klein

Reviewed by Andy Storey

Naomi Klein's brilliant new book, *The Shock Doctrine: The Rise of Disaster Capitalism*, describes how modern capitalism thrives on shocks and disasters. A tsunami sweeps across Asia, and developers take the chance to clear fishing communities off the coasts and build luxury hotels. Hurricane Katrina devastates Louisiana and well-connected corporations turn body retrieval into a money-making enterprise. There is nothing, it seems, that cannot be exploited to turn a profit.

Klein locates the origin of this 'disaster capitalism' in Latin America in the 1970s. Specifically, she identifies Chile from 1973 onwards as the first country to undergo economic 'shock treatment' (a phrase coined by right-wing economics guru Milton Friedman). The shock that ushered in this particular programme was the coup that overthrew democratic, leftist President Salvador Allende and established a military dictatorship led by General Augusto Pinochet. Economic policy under Pinochet was designed and implemented by the 'Chicago Boys' – Friedman and his disciples, who saw the opportunity to put into practice their (neoliberal) theories about market liberalisation, privatisation and state retrenchment. The policies they recommended could only be implemented at the point of a gun. This would be the pattern throughout Latin America in the 1970s: military rule (including systematic murder and torture) and neoliberal 'shock therapy' running side by side.

By the 1980s, institutions such as the International Monetary Fund (IMF) and the World Bank had gained considerable leverage because of the massive debt burden under which most 'Third World' countries were labouring. One-size-fits-all 'structural adjustment' – standardised packages of neoliberal economic reform – were imposed throughout Africa, Asia and Latin America. 'Shocks' (in this case collapsing commodity prices and spiraling debt) were still providing the means through which unpopular economic policies could be forced through.

The George W. Bush administration's 'war on terror' took the model to new levels. Iraq represented the ultimate expression of the project – a war (the ultimate 'shock') fought largely to maximise corporate profit. Occupied Iraq witnessed an orgy of privatisation as almost every task was contracted out to a private company. The promised reconstruction has not been delivered, but the bottom lines of the favoured insiders have been suitably boosted. '[W]hile the reconstruction of Iraq was certainly a failure for Iraqis and for US taxpayers, it has been anything but for the disaster

capitalism complex' (Klein, 2007:381). Klein defines the 'disaster capitalism complex' as a 'full-fledged new economy in homeland security, privatized war and disaster reconstruction tasked with nothing less than building and running a privatized security state, both at home and abroad' (*ibid*:299).

In her conclusion, Klein analyses the forces arrayed against the disaster capitalism complex. These forces include the rise of the radical-populist politics now characterising much of Latin America. The popular hostility within the European Union (EU) to the increasingly neoliberal character of European economic governance is another. Direct action initiatives for local reconstruction have cropped up from Thailand to New Orleans.

These popular movements are not the only problem 'disaster capitalism' faces. Multilateral governance of the global economy is in crisis from above as well as from below. Under the Bush administration, an aggressive United States (US) foreign policy rejected or de-prioritised alliances and multilateral obligations that were seen to constrain US power. This may have been the last, desperate throw of the dice by a US regime concerned with losing its global pre-eminence and willing to take extraordinary risks to maintain its global position. With the US now entrenched in its own financial crash and the dollar's status as the world's main reserve currency under serious threat, particularly with the emergence of Asia as an alternative leadership pole, the probability of US decline has increased and the disaster capitalism complex that a section of the US ruling élite has pioneered and promoted is likely to go with it.

But, in the meantime, commentators and activists would do well to learn from this book how shocks and disasters will – given half a chance – be turned into opportunities for profit-grabbing and the corporate restructuring of societies. In the same way as Klein's earlier book, *No Logo*, worked well as a manual for activism, the current volume performs a similar vital service.

Accessibly written for a popular audience, and certainly appropriate for use in development education settings (including schools), Klein's book succeeds at almost every level as a means of engaging the public with critical development issues and politics. For the weight of compelling detail it assembles on how the world works, and for the invaluable guide it offers to informed activism, the book is hugely important and highly recommended for all those who want to understand and change the world.

*This is an edited and shortened version of 'The Shock of the New? Disaster and Dystopia', a review essay published in the journal **Capitalism Nature Socialism** (2008) vol. 19, 1.*

References

Klein, N (2007) *The Shock Doctrine: the Rise of Disaster Capitalism*, Allen Lane, London.

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