



## The Shock Doctrine: *The Rise of Disaster Capitalism*

*Author: Naomi Klein*

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By pure chance, two significant books on capitalism were published within weeks of one another in the early fall of 2007. The first (*The Age of Turbulence: Adventures in a New World*), by the consummate insider, Alan Greenspan, examines the inner workings of the capitalist system from the perspective of one who was perhaps as responsible as anyone for its spectacular successes in the 1990s. The second (*The Shock Doctrine: The Rise of Disaster Capitalism*), by activist outsider, Naomi Klein, chronicles capitalism's excesses and its dark side.

This is the third in Klein's trilogy of anti-capitalist, anti-globalist books. Her first was *No Logo – Taking Aim at the Brand Bullies* (2000), which analyzes the destructive forces of globalization. Next came *Fences and Windows – Dispatches from the Front Lines of the Globalization Debate* (2002), which examines the global revolt against corporate power.

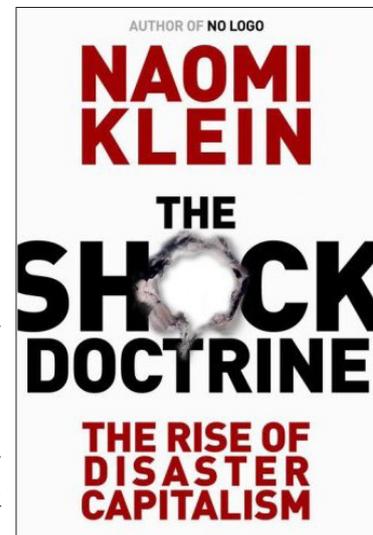
That two highly intelligent people could look at more or less the same phenomena and draw fundamentally different conclusions as to its underlying nature attests to capitalism's subtlety and com-

plexity. One thing is sure, capitalism creates both winners and losers – Greenspan's book is written from

the perspective of the winners, or the majority as he would have it, while Klein's work embodies the losers' frustrations and despair.

As Klein (pp. 25-26) explains it, "I am writing about shock. About how countries are shocked – by wars, terror attacks, coups d'état and natural disasters. And then how they are shocked again – by corporations and politicians who exploit the fear and disorientation of this first shock to push through economic shock therapy. And how people who dare to resist this shock politics are, if necessary, shocked for a third time – by police and prison interrogators."

The book is the latest installment of the seemingly never-ending Marxist attack on the capitalist system. Klein places the blame for most of the world's problems on global capitalism. Everything



from the collapse of Communism, the overthrow of Salvador Allende, the invasion of Iraq, and even the tragedy of New Orleans is seen as an opportunity to impose a particularly ruthless form of capitalism and will it to succeed where it otherwise would never take hold. Who came up with this horrific scheme? It is blamed on a most unlikely economist/villain – Nobel Prize winner Milton Friedman. As Klein puts it:

When I began this research into the intersection between superprofits and megadisasters, I thought I was witnessing a fundamental change in the way the drive to “liberate” markets was advancing around the world...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 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 (p. 9).

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 anti-democratic regimes, were in fact either committed with the deliberate intent of terrorizing the public or actively harnessed to prepare the ground for the instruction of radical free market “reforms.” (p.10)

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 US 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 (p.11).

If Klein is correct, the ruthless pursuit of Friedman’s brand of neoliberal market fundamentalism is driving the world into a new dark age of wars, mass suffering, exploitation and despair not seen since Dickens’s time. On the other hand, if he were alive today, there is no doubt the mild-mannered Friedman would be quite dismayed to hear he was the mastermind of something as sinister as the “shock doctrine.” Perhaps because he is something of a household name, a rarity for an economist, Friedman makes the ideal straw man. In his defense, Friedman’s views on capitalism and free markets were quite benign:

Because we live in a largely free society, we tend to forget how limited is the span of time and the part of the globe for which there has ever been anything like political freedom: the typical state of mankind is tyranny, servitude and misery. The nineteenth century and early twentieth century in the Western world stand out as striking exceptions to the general trend of historical development. Political freedom in this instance clearly came along with the free market and the development of capitalist institutions. So also did political freedom in the golden age of Greece and in the early days of the Roman era (Milton Friedman, *Capitalism and Freedom*, 1962).

The only way that has been discovered to have a lot of people cooperate together voluntarily is through the market. And that’s why it is so essential to preserving individual freedom (Milton Friedman, *Capitalism and Freedom*, 1962).

To be taken seriously by people outside far-left circles, Klein must at least acknowledge that some good has come out of the capitalist system. Sadly this never occurs. Peter Boettke (The Battle of Ideas Continues, <http://austrianeconomists.typepad.com/weblog/>) has observed that in Klein’s mind, “There are no unintended consequences. Bad things happen because bad men want them

to. Capitalism unleashes the opportunistic side of humanity and the powerful and the wealthy exploit every advantage to their benefit at the expense of the less fortunate.” Yes bad things happened in Chile – the fact remains that Chile today is one of the few bright spots on the dismal Latin American scene.

How did Chile and many other countries finally find the road to prosperity? Greenspan’s assessment provides the key:

Globalization – the deepening of specialization and the extension of the division of labor beyond national borders — is patently a key to understanding much of our recent economic history.... On average standards of living have risen markedly. Hundreds of millions of people in developing countries have been elevated from subsistence poverty. Other hundreds of millions are now experiencing a level of affluence that people born in developed nations have experienced all their lives (Greenspan, *The Age of Turbulence*, p. 364).

Yet Greenspan would be the first to concede the global capitalist system is not without flaws:

On the other hand, increased concentrations of income that have emerged under globalization have rekindled the battle between the cultures of the welfare state and of capitalism – a battle some thought had ended once and for all with the disgrace of central planning... A worldwide debate is under way on the future of globalization and capitalism, and its resolution will define the world marketplace and the way we live for decades to come (Greenspan, *The Age of Turbulence*, p. 365).

Why do the debates over capitalism’s shortcomings rage on? Perhaps contrasting perspectives play a key role. To an outsider like Klein, conspiracy theories neatly tie events together and are thus always an attractive explanation. To insiders like Greenspan, policy-makers’ ignorance and incompetence are more likely causes. For Klein, the Iraq mess is all about greed and oil. For Greenspan, those responsible for progress in post-invasion Iraq, while perhaps well-intended, were simply not up to the task of authorizing and designing effective reconstruction and stabilization programs.

Interestingly, the academic economic community has largely moved on. The neo-liberal Washington Consensus of free markets and open economies is increasingly seen as only a very initial step towards national economic prosperity and stability. Progress towards improved institutions, governance and the rule of law are now viewed as the elements in controlling capitalism’s performance. In this sense, Klein’s work is about 15 years behind the debates now taking place.

In the end, the Shock Doctrine is unlikely to change many minds. Those in the Middle East on the right or perhaps steeped in orthodox economics will probably place it on the lengthening shelf of fuzzy Marxist diatribes. Those on the left or of a more radical persuasion will find it confirms their worst fears of the threats posed by globalization and the international capitalist system. For many in-between, it will simply provide a troubling, stark glimpse of the bleak future that possibly lies ahead.