
Book Review

The Chicago Boys' War on Nation-States

by Paul Gallagher

The Shock Doctrine: The Rise of Disaster Capitalism

by Naomi Klein

New York: Metropolitan Books, 2007

466 pages, hardcover, \$28.00

This new book is an encyclopedic chronology of the worldwide scourge of privatization, forced by “shock and awe,” since the 1971-73 global turning-point marked by the London-organized breakup of Franklin Roosevelt’s Bretton Woods system, and Gen. Augusto Pinochet’s fascist coup in Chile, instigated by London and Washington.

Canadian author Naomi Klein’s thesis is that the march of radical privatization and deregulation around the world since Pinochet’s Chile coup, has repeatedly been done by shock: brutal military coups, wars, huge natural disasters, and/or horrifying acts of terrorism. She shows that this has been the conscious strategy of the circles of “free-trade” privatizers, which she centers on Milton Friedman and the University of Chicago networks, including Friedman disciples and admirers George Shultz, Henry Kissinger, Donald Rumsfeld, Paul Wolfowitz, Jeffrey Sachs, et al. No nation has been privatized and globalized as a free democratic republic; it has always been accompanied by the suppression of political and economic freedom—as in the most important case of 1990s Russia, where “freedom” required that President Boris Yeltsin in 1993 dissolve Parliament, send tanks to destroy the Parliament building with its members inside, and take control of the press. Writes Klein, “This book is a challenge to the central ... claim in the official story—that the triumph of deregulated capitalism has been born of freedom. ... Instead, I will show that this fundamentalist [post-1960s] form of capitalism has consistently been midwived by the most brutal forms of coercion.”

Klein’s new contribution is that she links this 35-year experiment with “shock capitalism,” to a pre-existing, immediate post-World War II outburst of experimentation with shock psychology—electroshock, drug-shock, and torture—arising out of CIA chief Allen Dulles’s and collaborators’ Cold War operations, the so-called Congress for Cultural Freedom, and

what President Dwight Eisenhower warned of as the “military-industrial complex.”

The lunatic intention of this psychological experimentation, Klein shows, was a chimera: breaking human individuals’ minds down to a *tabula rasa*, from which their personalities could be rebuilt from scratch—supposedly for the better! Her treatment of the infamous 1950s McGill University psychological experiments of Dr. Ewan Cameron and others—including interviews with survivors—makes clear that their aim was to demonstrate the possibility of eliminating the human personality entirely by forced regression, à la George Orwell’s *Animal Farm* and *1984*. And, that the MK-Ultra and other follow-ons to these experiments were aimed not at spreading LSD to an unsuspecting public, but at using torture-induced personality regression as a method of interrogation—“the Kubark manual”—and a weapon of political control.

Then, says Klein, the likes of Friedman’s “Chicago Boys,” the Berkeley Mafia which took over Indonesia after Suharto’s brutal coup, Harvard’s Jeffrey Sachs, et al., applied this *tabula rasa* doctrine to imposing “shock capitalism” on nations.

Requiring the “blitzkrieg” elimination of the sovereignty of elected national institutions, political parties, constituency groups, unions, etc.—erasing the “national personality”—the results have been a series of national economic disasters, each more and more massively profitable, in the short-term financial-bubble sense, to multinational banks and corporations.

Sachs, the supposed Keynesian whom Klein interviewed, and whose “shock therapy” role in Bolivia, Poland, Russia, and elsewhere is reviewed very closely, will be particularly unhappy with *The Shock Doctrine*. It is a real shock to Sachs’ recent, retooled image as a saint of international aid to poor nations, clubbing with Bono and Al Gore. Klein makes brutally clear how many more poor and oppressed people Sachs’ policy advice has created, than he has “helped.”

Indictment of a Global System of Looting

Most of what Klein documents in her march of chapters, from Pinochet’s coup to Hurricane Katrina, is not new economic history. But she has it well and exhaustively organized to show, at the center of every intervention of the Friedmanite “Chicago Boys” and their collaborators in post-1971 “free-market economics,” the clear intention to destroy nations and loot national economies, on an ever-larger scale. The book could be considered a much more thorough and systematic treatment of the ground broken by John Perkins’ *Confessions of an Economic Hit Man* four years ago. And it will be compared to the 2001 *Globalization and Its Discontents* of former World Bank chief economist Joseph Stiglitz; but Stiglitz described globalization as a *new system of investment* which had gone fundamentally wrong, and which he wanted to guide back to the right track with his *Making Globalization Work* of 2005; Klein describes globalization as a *new system of looting and destruction* brought to power by irrational, evil financial and economic circles.

It's a mark of the author's lack of an international strategic overview, however, that the role of the City of London in the past 35 years' destruction of national economic sovereignty, is absent from her volume, even in Klein's hard-hitting chapter on the 1990s destruction of Russia, which was British-run. Tracking the Russian "shock therapists" who brought chaos and depopulation in the Yeltsin period, Klein simply omits that they were trained and launched not from Chicago but from Lord Harris of Highcross's Institute for Economic Affairs.

In another mark of that strategic shortcoming, she does not discuss at all the breakup of FDR's post-War Bretton Woods monetary system by President Richard Nixon under Friedmanite director of the Office of Management and Budget George Shultz's direction in August 1971. This created a global financial casino, a floating-exchange-rate system which Shultz imposed on Europe and Japan as well as the United States by 1974. It was Shultz's most poisonous economic act. Yet while Klein documents his role in setting up Pinochet's fascist dictatorship, she does not discuss what he was imposing on the world economy in the same years.

And although many elements of the imperial-fascist "Revolution in Military Affairs" are documented, piecemeal, including the mass-scale creation of private armies to replace military functions, Klein does not trace at all the clear conspiracy of George Shultz and "Democratic" fascist banker Felix Rohatyn—with the circles of Dick Cheney and Halliburton—in pushing this. And she omits to discuss Rohatyn's prominent role in the Pinochet coup.

The Shock Doctrine is, above all, a fully deserved indictment of Milton Friedman for crimes against humanity. Lyndon LaRouche, with co-author David Goldman, published *The Ugly Truth About Milton Friedman* more than two decades ago. The polemical truth about the most dangerous *current* influentials of radical privatization is not wielded here—the notable cases of Sachs, Chile's and the Cato Institute's José Piñera, and a few references to Kissinger aside.

But there is extraordinary documentation of the intentions, and all of the crimes, of privatization and globalization—with especially exhaustive treatment of the destruction of the South Korean and Indonesian, as well as other major Asian, economies by use of the 1997-98 "Asian financial crisis," a completely artificial manufacture of 18 months of continuous currency panics using the floating-exchange-rate system.

Economics and War or Peace

And there are some very provocative chapters. Her final section is on Iraq and the Mideast—war and privatization—including Israel. The disastrous role in destroying Iraq, of a Henry Kissinger aide turned Homeland Security contractor and lobbyist, turned Iraq proconsul—Paul Bremer—has been described before. Bremer decreed a basic law that Iraq's central bank, under occupation, could not extend any credit to Iraqi state companies, only to foreign private ones.

But Klein's discussion of Israel's economy since the end

of the Cold War, for example, is unique, and bears directly on the current embryonic revival of Middle East peace negotiations. Many have claimed, since the assassination of Israel's courageous Prime Minister Yitzhak Rabin in 1995, that the failure of the Oslo Accords, showed that peace could not be based on projects of mutual economic benefit; "security agreements" had to come first. Klein's analysis overturns that false idea. She shows that Israel's retreat from peace after Rabin's death comes from "two reasons related to the ways that the Chicago School free-market crusade played out in Israel.... The mass influx of Soviet Jews, which was a direct result of Russia's shock-therapy experiment, [and] the flipping of Israel's export economy from one based on traditional goods and high technology, to one ... dependent on selling expertise and devices related to counterterrorism."

Israel suddenly and massively expanded settlements in violation of Oslo, because what had been done to Russia under Yeltsin inundated Israel with Russian refugees and ballooned its poverty rate; and Israel lost interest in economic cooperation in the Mideast region because it became reshaped as an exporter to Europe and the United States of the "homeland security" privatized military sector of the Revolution in Military Affairs, and the so-called Global War on Terrorism. Economics did "come first," Klein argues, but it was not the economic projects of mutual benefit planned at Oslo (and sabotaged by the World Bank), but a Friedmanite economic shock which drastically weakened Israel and cut off the Palestinians and Israel's neighbors completely.

Klein's chapters on "disaster capitalism" in the United States since 9/11 are also provoking, although the ground is largely familiar. Not only Dick Cheney, but Donald Rumsfeld as well, simply refused to divest themselves of holdings directly in conflict-of-interest with their positions, the first Cabinet officers ever to do so. Rumsfeld actually claimed to be recusing himself from a wide variety of policy meetings in his own Pentagon, because he would not sell his biotech and military stocks! Federal payments to private military/security contractors (including intelligence and interrogation) grew by 170% from \$154 billion in 2001, to \$421 billion in 2006.

Finally, Klein shows, when Katrina and the "immigration/border crisis" came along, the U.S. government was contracting out the very jobs of hiring and overseeing contractors, and could not even make a policy plan for border security without hiring Blackwater to do it. In New Orleans, Milton Friedman personally editorialized in the *Wall Street Journal*, in November 2005, that Katrina was an opportunity to replace the city's entire public school system with charter schools and vouchers; within weeks, the White House set this in motion. Within 18 months, the change was complete; New Orleans, which had 123 public schools, now has only four public, and 61 charter schools, no teachers union, and only a few of the 4,700 pre-hurricane public school teachers. Some Mississippi townships contracted out their entire governments, retaining only a mayor and two or three other public employees.