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## BOOK REVIEWS

Klein, Naomi. *The Shock Doctrine: The Rise of Disaster Capitalism*. Toronto: Knopf Canada, 2007. 672 pages.

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In 1867 Karl Marx published the first volume of a revolutionary explanation of how the capitalist system actually worked. *Capital* transformed the entire working class movement in Europe, North America and, eventually, the world. A century and a half after Marx's pioneering research, capitalism, and the world over which it holds almost unchallenged power, would be almost unrecognizable to people of the mid 1800's. However, its fundamental characteristics - ruthless exploitation of workers, (tempered only where labour has organized to resist) racism, suppression of human rights and opposition to real democracy - are prevalent to a greater or lesser degree across most of the world.

Now, 150 years after Marx, how has capitalism managed to maintain its grip? What economic policies and social strategies have enabled multi-national corporations and global financial institutions to achieve such hegemony over our lives? Canadian journalist, researcher and activist Naomi Klein has written a seminal work in answering these questions. *The Shock Doctrine - The Rise of Disaster Capitalism* is an extraordinarily important work for every trade unionist. Klein's extensive research and brilliant analysis explains the events which have changed millions of lives from Chile to Iraq, from South Africa to China, and from Sri Lanka to New Orleans.

Her summary of the three basic tenets of the new global world order will not come as a surprise to Canadians. She identifies "privatization", "government deregulation" and "deep cuts to social spending", as the core policies that have been legislated in countries like Canada and the UK, where democratic institutions exist, and in states like Chile and Argentina, where military dictatorships complied with the structural adjustment demands of the World Bank and the International Monetary Fund.

Labour in Canada has faced privatization both directly through the sale of public assets and through the more subtle form of contracting out public sector jobs. Social spending has been cut in virtually every province and at the federal level by successive Liberal and Tory governments. (Who can forget the "shock attack" by the Bennett government in BC in 1986 or Premier Klein's assault on education and health care in Alberta in the 1990's? Similarly, federal social spending has not recovered from the infamous Martin budget of 1993.) Canadian workers have been victims of the same kind of systematic attack on

living standards and basic rights as have the majority of working people in almost every country around the globe.

*The Shock Doctrine* traces the economic roots of the events which have transformed much of the world during the current period of “unfettered capitalism” to the teachings of the ultra-right wing economist, Milton Friedman of the University of Chicago. It was Friedman himself who said that the transformation from liberal, Keynesian capitalism to an unregulated free market economy would require “shock therapy”. Friedman knew that the implementation of his program of privatization, deregulation and social spending cuts would meet with strong resistance in countries with a powerful labour movement and democratic institutions.

In 1973, as a result of the CIA’s organized coup in Chile, General Pinochet overthrew the elected government of Salvadore Allende. Friedman and the group of Chilean economists who had trained under Friedman - the Chicago Boys as they were known - immediately began to implement a full scale version of his policy. Klein outlines the disastrous results for the working people of Chile, “...what Chile pioneered under Pinochet was an evolution of corporatism: a mutually supporting alliance between a police state and large corporations, joining forces to wage all-out war on the third power sector - the workers - thereby drastically increasing the alliance's share of the national wealth.”

In Chile, as in many other countries that implemented the shock doctrine, Friedman's economics were not sufficient to ensure the transformation. Military force, arrests, murder, imprisonment and torture were needed to eliminate opposition. Torture methods were routinely taught at special CIA organized training camps in the US. Klein explores the link between the “research” performed in the 1950s by Dr. Ewan Cameron, Director of McGill University's Allan Memorial Institute, and the CIA. The CIA funded Cameron’s experiments with electroshock, sensory deprivation and a variety of drug cocktails on psychiatric patients. Torture techniques used in Chile, Argentina and numerous other “shocked” states - as well as those used today at Guantanamo and in Iraq - have their genesis in Cameron's work.

Friedman believed that the shock doctrine - exploit a crisis to destroy the existing political and social infrastructure and, before a shocked nation could recover, replace it with unfettered market forces - would create the right conditions for profit maximization. Application of this approach would also prevent the re-emergence of other progressive options.

Klein has aptly named this the period of “disaster capitalism”. Sometimes the disasters are the result of deliberate actions by governments to create a crisis. Sometimes they even boast of it, as the US did with its “Shock and Awe” bombing of Baghdad. Iraq was to become a textbook case of the Friedman-Cameron theories. Its cultural history was looted from the museums and universities, while US troops watched or took part. The country's infrastructure

was largely destroyed. Opposition was met with brutal military force. Major components of the services provided to the US military were privatized, while billions were spent on private contractors paid to supply everything from laundry and food services to a private mercenary army. The results of this Shock Doctrine for the people of Iraq have been disastrous.

Architects of the Shock Doctrine also realized that its application did not always require military intervention. Klein documents how Gorbachev, Yeltsin, the IMF, the G-7 and the World Bank applied shock therapy to the Russian economy. The huge state oil company "... was sold for \$309 million-even though its profits alone soon reached \$1.5 billion annually." While privatization created instant billionaires, poverty in the Russian Federation, which affected 2 million people in 1989 before shock therapy, rose to 74 million only 8 years later. Russian and international capitalists extracted billions in profits during the same period.

Shock Doctrine economists have also seen natural disasters as opportunities to apply their theories. In 2003, prior to the disastrous tsunami which killed over 250,000 in south-east Asia - including 35,000 in Sri Lanka - the World Bank had approved a shock therapy plan titled "Regaining Sri Lanka". It envisioned driving people off their traditional coastal homes and razing villages in order to construct massive new tourist facilities. It recommended replacing small boat fishing, a traditional local livelihood, with large corporate-owned commercial trawlers. And it envisioned downsizing of government through major public sector layoffs. In response, citizens mounted fierce opposition in the streets and at the polls, electing a new government pledged to scrap the plan. Unfortunately, nature intervened. The tsunami provided the disaster which opened the door to the policies of the Chicago School. The government, requiring billions for reconstruction, capitulated in what Klein describes as "...a new kind of corporate coup d'etat, one achieved through the force of a natural disaster."

Whether by CIA sponsored counter-revolution, military attack, a collapsing state economy or a natural disaster, the Shock Doctrine, complete with fabulous profits for both foreign and domestic capitalists, economic impoverishment for the majority and brutal repression of all opposition has been the trademark of this new era of disaster capitalism. In writing this important book, Naomi Klein has provided trade unionists with an understanding of the ideological and economic theories which guide this new era of disaster capitalism.

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