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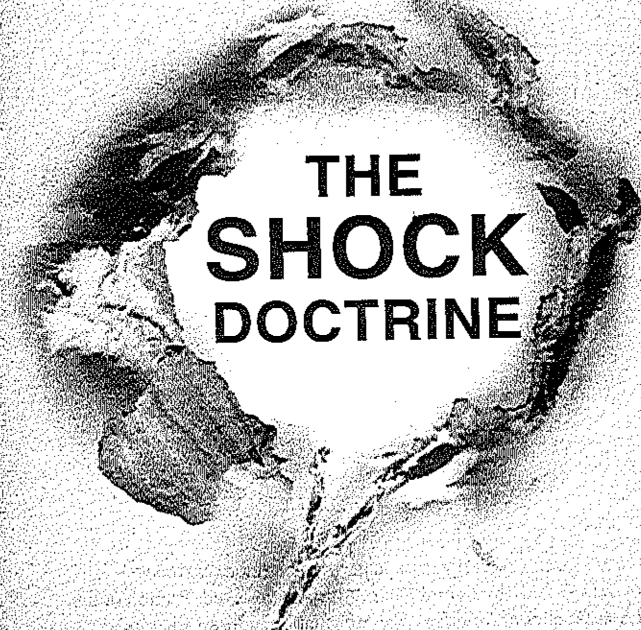

THE SHOCK DOCTRINE

THE RISE OF DISASTER CAPITALISM

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BLANK IS BEAUTIFUL

THREE DECADES OF ERASING AND REMAKING THE WORLD

Now the earth was corrupt in God's sight, and the earth was filled with violence. And God saw that the earth was corrupt; for all flesh had corrupted its ways upon the earth. And God said to Noah, "I have determined to make an end of all flesh, for the earth is filled with violence because of them; now I am going to destroy them along with the earth."
—Genesis 6:11 (NRSV)

Shock and Awe are actions that create fears, dangers, and destruction that are incomprehensible to the people at large, specific elements/sectors of the threat society, or the leadership. Nature in the form of tornadoes, hurricanes, earthquakes, floods, uncontrolled fires, famine, and disease can engender Shock and Awe.
—*Shock and Awe: Achieving Rapid Dominance*, the military doctrine for the U.S. war on Iraq[1]

I met Jamar Perry in September 2005, at the big Red Cross shelter in Baton Rouge, Louisiana. Dinner was being doled out by grinning young Scientologists, and he was standing in line. I had just been busted for talking to evacuees without a media escort and was now doing my best to blend in, a white Canadian in a sea of African-American Southerners. I dodged into the food line behind Perry and asked him to talk to me as if we were old friends, which he kindly did.

Born and raised in New Orleans, he'd been out of the flooded city for a week. He looked about seventeen but told me he was twenty-three. He and his family had waited forever for the evacuation buses; when they didn't arrive, they had walked out in the baking sun. Finally they ended up here, a sprawling convention center, normally home to pharmaceutical trade shows and "Capital City Carnage: The Ultimate in Steel Cage Fighting," now jammed with two thousand cots and a mess of angry, exhausted people being patrolled by edgy National Guard soldiers just back from Iraq.

The news racing around the shelter that day was that Richard Baker, a prominent Republican congressman from this city, had told a group of lobbyists, "We finally cleaned up public housing in New Orleans. We couldn't do it, but God did."[2] Joseph Canizaro, one of New Orleans' wealthiest developers, had just expressed a similar sentiment: "I think we have a clean sheet to start again. And with that clean sheet we have some very big opportunities."[3] All that week the Louisiana State Legislature in Baton Rouge had been crawling with corporate lobbyists helping to lock in those big opportunities: lower taxes, fewer regulations, cheaper workers and a "smaller, safer city"—which in practice meant plans to level the public housing projects and replace them with condos. Hearing all the talk of "fresh starts" and "clean sheets," you could almost forget the toxic stew of rubble, chemical outflows and human remains just a few miles down the highway.

Over at the shelter, Jamar could think of nothing else. "I really don't see it as cleaning up the city. What I see is that a lot of people got killed uptown. People who shouldn't have died."

He was speaking quietly, but an older man in line in front of us

overheard and whipped around. "What is wrong with these people in Baton Rouge? This isn't an opportunity. It's a goddamned tragedy. Are they blind?"

A mother with two kids chimed in. "No, they're not blind, they're evil. They see just fine."

One of those who saw opportunity in the floodwaters of New Orleans was Milton Friedman, grand guru of the movement for unfettered capitalism and the man credited with writing the rulebook for the contemporary, hypermobile global economy. Ninety-three years old and in failing health, "Uncle Miltie," as he was known to his followers, nonetheless found the strength to write an op-ed for *The Wall Street Journal* three months after the levees broke. "Most New Orleans schools are in ruins," Friedman observed, "as are the homes of the children who have attended them. The children are now scattered all over the country. This is a tragedy. It is also an opportunity to radically reform the educational system."[4]

Friedman's radical idea was that instead of spending a portion of the billions of dollars in reconstruction money on rebuilding and improving New Orleans' existing public school system, the government should provide families with vouchers, which they could spend at private institutions, many run at a profit, that would be subsidized by the state. It was crucial, Friedman wrote, that this fundamental change not be a stopgap but rather "a permanent reform."[5]

A network of right-wing think tanks seized on Friedman's proposal and descended on the city after the storm. The administration of George W. Bush backed up their plans with tens of millions of dollars to convert New Orleans schools into "charter schools," publicly funded institutions run by private entities according to their own rules. Charter schools are deeply polarizing in the United States, and nowhere more than in New Orleans, where they are seen by many African-American parents as a way of reversing the gains of the civil rights movement, which guaranteed all children the same standard of education. For Milton Friedman, however, the entire concept of a state-run school system reeked of socialism. In his view, the state's sole functions were "to protect our freedom both from the enemies outside our gates and from our fellow-citizens: to preserve law and order, to enforce private contracts, to foster competitive markets."[6] In other words, to supply the police and the soldiers—anything else, including providing free education, was an unfair interference in the market.

In sharp contrast to the glacial pace with which the levees were repaired and the electricity grid was brought back online, the auctioning off of New Orleans' school system took place with military speed and precision. Within nineteen months, with most of the city's poor residents still in exile, New Orleans' public school system had been almost completely replaced by privately run charter schools. Before Hurricane Katrina, the school board had run 123 public schools; now it ran just 4. Before that storm, there had been 7 charter schools in the city; now there were 31.[7] New Orleans teachers used to be represented by a strong union; now the union's contract had been shredded, and its forty-seven hundred members had all been fired.[8] Some of the younger teachers were rehired by the charters, at reduced salaries; most were not.

New Orleans was now, according to *The New York Times*, "the nation's preeminent laboratory for the widespread use of charter schools," while the American Enterprise Institute, a Friedmanite think tank, enthused that "Katrina accomplished in a day . . . what Louisiana school reformers couldn't do after years of trying."[9] Public school teachers, meanwhile, watching money allocated for the victims of the flood being diverted to erase a public system and replace it with a private one, were calling Friedman's plan "an educational land grab."[10]

I call these orchestrated raids on the public sphere in the wake of catastrophic events, combined with the treatment of disasters as exciting market opportunities, "disaster capitalism."

* * *

Friedman's New Orleans op-ed ended up being his last public policy recommendation; he died less than a year later, on November 16, 2006, at age ninety-four. Privatizing the school system of a midsize American city may seem like a modest preoccupation for the man hailed as the most influential economist of the past half century, one who counted among his disciples several U.S. presidents, British prime ministers, Russian oligarchs, Polish finance ministers, Third World dictators, Chinese Communist Party secretaries, International Monetary Fund directors and the past three chiefs of the U.S. Federal Reserve. Yet his determination to exploit the crisis in New Orleans to advance a fundamentalist version of capitalism was also an oddly fitting farewell from the boundlessly energetic five-foot-two-inch professor who, in his prime, described himself as "an old-fashioned preacher delivering a Sunday sermon."[11]

For more than three decades, Friedman and his powerful followers had 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.

In one of his most influential essays, Friedman articulated contemporary capitalism's core tactical nostrum, what I have come to understand as the shock doctrine. He 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. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes politically inevitable."[12] Some people stockpile canned goods and water in preparation for major disasters; Friedmanites stockpile free-market ideas. And once a crisis has struck, the University of Chicago professor was convinced that it was crucial to act swiftly, to impose rapid and irreversible change before the crisis-racked society slipped back into the "tyranny of the status quo." 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."[13] A variation on Machiavelli's advice that injuries should be inflicted "all at once," this proved to be one of Friedman's most lasting strategic legacies.

Friedman first learned how to exploit a large-scale shock or crisis in the mid-seventies, when he acted as adviser to the Chilean dictator, General Augusto Pinochet. Not only were Chileans in a state of shock following Pinochet's violent coup, but the country was also traumatized by severe hyperinflation. Friedman advised Pinochet to impose a rapid-fire transformation of the economy—tax cuts, free trade, privatized services, cuts to social spending and deregulation. Eventually, Chileans even saw their public schools replaced with voucher-funded private ones. It was the most extreme capitalist makeover ever attempted anywhere, and it became known as a "Chicago School" revolution, since so many of Pinochet's economists had studied under Friedman at the University of Chicago. Friedman predicted that the speed, suddenness and scope of the economic shifts would provoke psychological reactions in the public that "facilitate the adjustment."[14] He coined a phrase for this painful tactic: economic "shock treatment." In the decades since, whenever governments have imposed sweeping free-market programs, the all-at-once shock treatment, or "shock therapy," has been the method of choice.

Pinochet also facilitated the adjustment with his own shock treatments; these were performed in the regime's many torture cells, inflicted on the writhing bodies of those deemed most likely to stand in the way of the capitalist transformation. Many in Latin America saw a direct connection between the economic shocks that impoverished millions and the epidemic of torture that punished hundreds of thousands of people who believed in a different kind of society. As the Uruguayan writer Eduardo Galeano asked, "How can this inequality be maintained if not through jolts of electric shock?"[15]

Exactly thirty years after these three distinct forms of shock

descended on Chile, the formula reemerged, with far greater violence, in Iraq. First came the war, designed, according to the authors of the Shock and Awe military doctrine, to "control the adversary's will, perceptions, and understanding and literally make an adversary impotent to act or react."[16] Next came the radical economic shock therapy, imposed, while the country was still in flames, by the U.S. chief envoy L. Paul Bremer—mass privatization, complete free trade, a 15 percent flat tax, a dramatically downsized government. Iraq's interim trade minister, Ali Abdul-Amir Allawi, said at the time that his countrymen were "sick and tired of being the subjects of experiments. There have been enough shocks to the system, so we don't need this shock therapy in the economy."[17] When Iraqis resisted, they were rounded up and taken to jails where bodies and minds were met with more shocks, these ones distinctly less metaphorical.

I started researching the free market's dependence on the power of shock four years ago, during the early days of the occupation of Iraq. After reporting from Baghdad on Washington's failed attempts to follow Shock and Awe with shock therapy, I traveled to Sri Lanka, several months after the devastating 2004 tsunami, and witnessed another version of the same maneuver: foreign investors and international lenders had teamed up to use the atmosphere of panic to hand the entire beautiful coastline over to entrepreneurs who quickly built large resorts, blocking hundreds of thousands of fishing people from rebuilding their villages near the water. "In a cruel twist of fate, nature has presented Sri Lanka with a unique opportunity, and out of this great tragedy will come a world class tourism destination," the Sri Lankan government announced.[18] By the time Hurricane Katrina hit New Orleans, and the nexus of Republican politicians, think tanks and land developers started talking about "clean sheets" and exciting opportunities, it was clear that this was now the preferred method of advancing corporate goals: using moments of collective trauma to engage in radical social and economic engineering.

Most people who survive a devastating disaster want the opposite of a clean slate: they want to salvage whatever they can and begin repairing what was not destroyed; they want to reaffirm their relatedness to the places that formed them. "When I rebuild the city I feel like I'm rebuilding myself," said Cassandra Andrews, a resident of New Orleans' heavily damaged Lower Ninth Ward, as she cleared away debris after the storm.[19] But disaster capitalists have no interest in repairing what was. In Iraq, Sri Lanka and New Orleans, the process deceptively called "reconstruction" began with finishing the job of the original disaster by erasing what was left of the public sphere and rooted communities, then quickly moving to replace them with a kind of corporate New Jerusalem—all before the victims of war or natural disaster were able to regroup and stake their claims to what was theirs.

Mike Battles puts it best: "For us, the fear and disorder offered real promise."[20] The thirty-four-year-old ex-CIA operative was talking about how the chaos in postinvasion Iraq had helped his unknown and inexperienced private security firm, Custer Battles, to shake roughly $100 million in contracts out of the federal government.[21] His words could serve just as well as the slogan for contemporary capitalism—fear and disorder are the catalysts for each new leap forward.

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. Having been part of the movement against ballooning corporate power that made its global debut in Seattle in 1999, I was accustomed to seeing similar business-friendly policies imposed through arm-twisting at World Trade Organization summits, or as the conditions attached to loans from the International Monetary Fund. The three trademark demands—privatization, government deregulation and deep cuts to social spending—tended to be extremely unpopular with citizens, but when the agreements were signed there was still at least the pretext of mutual consent between the governments doing the negotiating, as well as a consensus among the supposed experts. Now the same ideological program was being imposed via the most baldly coercive means possible: under foreign military occupation after an invasion, or immediately following a cataclysmic natural disaster. September 11 appeared to have provided Washington with the green light to stop asking countries if they wanted the U.S. version of "free trade and democracy" and to start imposing it with Shock and Awe military force.

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 a 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.

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 antidemocratic regimes, were in fact either committed with the deliberate intent of terrorizing the public or actively harnessed to prepare the ground for the introduction of radical free-market "reforms." In Argentina in the seventies, the junta's "disappearance" of thirty thousand people, most of them leftist activists, was integral to the imposition of the country's Chicago School policies, just as terror had been a partner for the same kind of economic metamorphosis in Chile. In China in 1989, it was the shock of the Tiananmen Square massacre and the subsequent arrests of tens of thousands that freed the hand of the Communist Party to convert much of the country into a sprawling export zone, staffed with workers too terrified to demand their rights. In Russia in 1993, it was Boris Yeltsin's decision to send in tanks to set fire to the parliament building and lock up the opposition leaders that cleared the way for the fire-sale privatization that created the country's notorious oligarchs.

The Falklands War in 1982 served a similar purpose for Margaret Thatcher in the U.K.: the disorder and nationalist excitement resulting from the war allowed her to use tremendous force to crush the striking coal miners and to launch the first privatization frenzy in a Western democracy. The NATO attack on Belgrade in 1999 created the conditions for rapid privatizations in the former Yugoslavia—a goal that predated the war. Economics was by no means the sole motivator for these wars, but in each case a major collective shock was exploited to prepare the ground for economic shock therapy.

The traumatic episodes that have served this "softening-up" purpose have not always been overtly violent. In Latin America and Africa in the eighties, it was a debt crisis that forced countries to be "privatized or die," as one former IMF official put it.[22] Coming unraveled by hyperinflation and too indebted to say no to demands that came bundled with foreign loans, governments accepted "shock treatment" on the promise that it would save them from deeper disaster. In Asia, it was the financial crisis of 1997-98—almost as devastating as the Great Depression—that humbled the so-called Asian Tigers, cracking open their markets to what *The New York Times* described as "the world's biggest going-out-of-business sale."[23] Many of these countries were democracies, but the radical free-market transformations were not imposed democratically. Quite the opposite: as Friedman understood, the atmosphere of large-scale crisis provided the necessary pretext to overrule the expressed wishes of voters and to hand the country over to economic "technocrats."

There have, of course, been cases in which the adoption of free-market policies has taken place democratically—politicians have run on hard-line platforms and won elections, the U.S. under Ronald

Reagan being the best example, France's election of Nicolas Sarkozy a more recent one. In these cases, however, free-market crusaders came up against public pressure and were invariably forced to temper and modify their radical plans, accepting piecemeal changes rather than a total conversion. 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 U.S. 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.

Shock Therapy Comes Home

Friedman's Chicago School movement has been conquering territory around the world since the seventies, but until recently its vision had never been fully applied in its country of origin. Certainly Reagan had made headway, but the U.S. retained a welfare system, social security and public schools, where parents clung, in Friedman's words, to their "irrational attachment to a socialist system."[24]

When the Republicans gained control of Congress in 1995, David Frum, a transplanted Canadian and future speechwriter for George W. Bush, was among the so-called neoconservatives calling for a shock therapy-style economic revolution in the U.S. "Here's how I think we should do it. Instead of cutting incrementally—a little here, a little there—I would say that on a single day this summer we eliminate three hundred programs, each one costing a billion dollars or less. Maybe these cuts won't make a big deal of difference, but, boy, do they make a point. And you can do them right away."[25]

Frum didn't get his homegrown shock therapy at the time, largely because there was no domestic crisis to prepare the ground. But in 2001 that changed. When the September 11 attacks hit, the White House was packed with Friedman's disciples, including his close friend Donald Rumsfeld. The Bush team seized the moment of collective vertigo with chilling speed—not, as some have claimed, because the administration deviously plotted the crisis but because the key figures of the administration, veterans of earlier disaster capitalism experiments in Latin America and Eastern Europe, were part of a movement that prays for crisis the way drought-struck farmers pray for rain, and the way Christian-Zionist end-timers pray for the Rapture. When the long-awaited disaster strikes, they know instantly that their moment has come at last.

For three decades, Friedman and his followers had methodically exploited moments of shock in other countries—foreign equivalents of 9/11, starting with Pinochet's coup on September 11, 1973. What happened on September 11, 2001, is that an ideology hatched in American universities and fortified in Washington institutions finally had its chance to come home.

The Bush administration immediately seized upon the fear generated by the attacks not only to launch the "War on Terror" but to ensure that it is an almost completely for-profit venture, a booming new industry that has breathed new life into the faltering U.S. economy. Best understood as a "disaster capitalism complex," it has much farther-reaching tentacles than the military-industrial complex that Dwight Eisenhower warned against at the end of his presidency: this is global war fought on every level by private companies whose involvement is paid for with public money, with the unending mandate of protecting the United States homeland in perpetuity while eliminating all "evil" abroad. In only a few short years, the complex has already expanded its market reach from fighting terrorism to international peacekeeping, to

municipal policing, to responding to increasingly frequent natural disasters. The ultimate goal for the corporations at the center of the complex is to bring the model of for-profit government, which advances so rapidly in extraordinary circumstances, into the ordinary and day-to-day functioning of the state—in effect, to privatize the government.

To kick-start the disaster capitalism complex, the Bush administration outsourced, with no public debate, many of the most sensitive and core functions of government—from providing health care to soldiers, to interrogating prisoners, to gathering and "data mining" information on all of us. The role of the government in this unending war is not that of an administrator managing a network of contractors but of a deep-pocketed venture capitalist, both providing its seed money for the complex's creation and becoming the biggest customer for its new services. To cite just three statistics that show the scope of the transformation, in 2003, the U.S. government handed out 3,512 contracts to companies to perform security functions; in the twenty-two-month period ending in August 2006, the Department of Homeland Security had issued more than 115,000 such contracts.[26] The global "homeland security industry"—economically insignificant before 2001—is now a $200 billion sector.[27] In 2006, U.S. government spending on homeland security averaged $545 per household.[28]

And that's just the home front of the War on Terror; the real money is in fighting wars abroad. Beyond the weapons contractors, who have seen their profits soar thanks to the war in Iraq, maintaining the U.S. military is now one of the fastest-growing service economies in the world.[29] "No two countries that both have a McDonald's have ever fought a war against each other," boldly declared the *New York Times* columnist Thomas Friedman in December 1996.[30] Not only was he proven wrong two years later, but thanks to the model of for-profit warfare, the U.S. Army goes to war with Burger King and Pizza Hut in tow, contracting them to run franchises for the soldiers on military bases from Iraq to the "mini city" at Guantánamo Bay.

Then there is humanitarian relief and reconstruction. Pioneered in Iraq, for-profit relief and reconstruction has already become the new global paradigm, regardless of whether the original destruction occurred from a preemptive war, such as Israel's 2006 attack on Lebanon, or a hurricane. With resource scarcity and climate change providing a steadily increasing flow of new disasters, responding to emergencies is simply too hot an emerging market to be left to the nonprofits—why should UNICEF rebuild schools when it can be done by Bechtel, one of the largest engineering firms in the U.S.? Why put displaced people from Mississippi in subsidized empty apartments when they can be housed on Carnival cruise ships? Why deploy UN peacekeepers to Darfur when private security companies like Blackwater are looking for new clients? And that is the post-September 11 difference: before, wars and disasters provided opportunities for a narrow sector of the economy—the makers of fighter jets, for instance, or the construction companies that rebuilt bombed-out bridges. The primary economic role of wars, however, was as a means to open new markets that had been sealed off and to generate postwar peacetime booms. Now wars and disaster responses are so fully privatized that they are themselves the new market; there is no need to wait until after the war for the boom—the medium is the message.

One distinct advantage of this postmodern approach is that in market terms, it cannot fail. As a market analyst remarked of a particularly good quarter for the earnings of the energy services company Halliburton, "Iraq was better than expected."[31] That was in October 2006, then the most violent month of the war on record, with 3,709 Iraqi civilian casualties.[32] Still, few shareholders could fail to be impressed by a war that had generated $20 billion in revenues for this one company.[33]

Amid the weapons trade, the private soldiers, for-profit reconstruction and the homeland security industry, what has emerged as a result of the Bush administration's particular brand of post-September 11 shock therapy is a fully articulated new economy. It was built in the Bush era, but it now exists quite apart from any one administration and will remain entrenched until the corporate supremacist ideology that underpins it is identified, isolated and challenged. The complex is dominated by U.S. firms, but it is global, with British companies bringing their experience in ubiquitous security cameras, Israeli firms their expertise in building high-tech fences and walls, the Canadian lumber industry selling prefab houses that are several times more expensive than those produced locally, and so on. "I don't think anybody has looked at disaster reconstruction as an actual housing market before," said Ken Baker, CEO of a Canadian forestry trade group. "It's a strategy to diversify in the long run."[34]

In scale, the disaster capitalism complex is on a par with the "emerging market" and information technology booms of the nineties. In fact, insiders say that the deals are even better than during the dot-com days and that "the security bubble" picked up the slack when those earlier bubbles popped. Combined with soaring insurance industry profits (projected to have reached a record $60 billion in 2006 in the U.S. alone) as well as super profits for the oil industry (which grow with each new crisis), the disaster economy may well have saved the world market from the full-blown recession it was facing on the eve of 9/11.[35]

In the attempt to relate the history of the ideological crusade that has culminated in the radical privatization of war and disaster, one problem recurs: the ideology is a shape-shifter, forever changing its name and switching identities. Friedman called himself a "liberal," but his U.S. followers, who associated liberals with high taxes and hippies, tended to identify as "conservatives," "classical economists," "free marketers," and, later, as believers in "Reaganomics" or "laissez-faire." In most of the world, their orthodoxy is known as "neoliberalism," but it is often called "free trade" or simply "globalization." Only since the mid-nineties has the intellectual movement, led by the right-wing think tanks with which Friedman had long associations—Heritage Foundation, Cato Institute and the American Enterprise Institute—called itself "neoconservative," a worldview that has harnessed the full force of the U.S. military machine in the service of a corporate agenda.

All these incarnations share a commitment to the policy trinity—the elimination of the public sphere, total liberation for corporations and skeletal social spending—but none of the various names for the ideology seem quite adequate. Friedman framed his movement as an attempt to free the market from the state, but the real-world track record of what happens when his purist vision is realized is rather different. In every country where Chicago School policies have been applied over the past three decades, what has emerged is a powerful ruling alliance between a few very large corporations and a class of mostly wealthy politicians—with hazy and ever-shifting lines between the two groups. In Russia the billionaire private players in the alliance are called "the oligarchs"; in China, "the princelings"; in Chile, "the piranhas"; in the U.S., the Bush-Cheney campaign "Pioneers." Far from freeing the market from the state, these political and corporate elites have simply merged, trading favors to secure the right to appropriate precious resources previously held in the public domain—from Russia's oil fields, to China's collective lands, to the no-bid reconstruction contracts for work in Iraq.

A more accurate term for a system that erases the boundaries between Big Government and Big Business is not liberal, conservative or capitalist but corporatist. Its main characteristics are huge transfers of public wealth to private hands, often accompanied by exploding debt, an ever-widening chasm between the dazzling rich and the disposable poor and an aggressive nationalism that justifies bottomless spending on security. For those inside the bubble of extreme wealth created by such an arrangement, there can be no more profitable way to organize a society. But because of the obvious drawbacks for the vast majority of the population left outside the bubble, other features of the corporatist state tend to include aggressive surveillance (once again, with government and large corporations trading favors and contracts), mass incarceration, shrinking civil liberties and often, though not always, torture.

Torture as Metaphor

From Chile to China to Iraq, torture has been a silent partner in the global free-market crusade. But torture is more than a tool used to enforce unwanted policies on rebellious peoples; it is also a metaphor of the shock doctrine's underlying logic.

Torture, or in CIA language "coercive interrogation," is a set of techniques designed to put prisoners into a state of deep disorientation and shock in order to force them to make concessions against their will. The guiding logic is elaborated in two CIA manuals that were declassified in the late nineties. They explain that the way to break "resistant sources" is to create violent ruptures between prisoners and their ability to make sense of the world around them.[36] First, the senses are starved of any input (with hoods, earplugs, shackles, total isolation), then the body is bombarded with overwhelming stimulation (strobe lights, blaring music, beatings, electroshock).

The goal of this "softening-up" stage is to provoke a kind of hurricane in the mind: prisoners are so regressed and afraid that they can no longer think rationally or protect their own interests. It is in that state of shock that most prisoners give their interrogators whatever they want—information, confessions, a renunciation of former beliefs. One CIA manual provides a particularly succinct explanation: "There is an interval—which may be extremely brief—of suspended animation, a kind of psychological shock or paralysis. It is caused by a traumatic or sub-traumatic experience which explodes, as it were, the world that is familiar to the subject as well as his image of himself within that world. Experienced interrogators recognize this effect when it appears and know that at this moment the source is far more open to suggestion, far likelier to comply, than he was just before he experienced the shock."[37]

The shock doctrine mimics this process precisely, attempting to achieve on a mass scale what torture does one on one in the interrogation cell. The clearest example was the shock of September 11, which, for millions of people, exploded "the world that is familiar" and opened up a period of deep disorientation and regression that the Bush administration expertly exploited. Suddenly we found ourselves living in a kind of Year Zero, in which everything we knew of the world before could now be dismissed as "pre-9/11 thinking." Never strong in our knowledge of history, North Americans had become a blank slate—"a clean sheet of paper" on which "the newest and most beautiful words can be written," as Mao said of his people.[38] A new army of experts instantly materialized to write new and beautiful words on the receptive canvas of our posttrauma consciousness: "clash of civilizations," they inscribed. "Axis of evil," "Islamo-fascism," "homeland security." With everyone preoccupied by the deadly new culture wars, the Bush administration was able to pull off what it could only have dreamed of doing before 9/11: wage privatized wars abroad and build a corporate security complex at home.

That is how the shock doctrine works: 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. Jamar Perry and his fellow evacuees at the Baton Rouge shelter were supposed to give up their housing projects and public schools. After the tsunami, the fishing people in Sri Lanka were supposed to give up their valuable beachfront land to hoteliers. Iraqis, if all had gone according to plan, were supposed to be so shocked and awed that they would give up control of their oil reserves, their state companies and their sovereignty to U.S. military bases and green zones.

The Big Lie

In the torrent of words written in eulogy to Milton Friedman, the role of shocks and crises to advance his worldview received barely a mention. Instead, the economist's passing provided an occasion for a retelling of the official story of how his brand of radical capitalism became government orthodoxy in almost every corner of the globe. It is a fairy-tale version of history, scrubbed clean of all the violence and coercion so intimately entwined with this crusade, and it represents the single most successful propaganda coup of the past three decades. The story goes something like this.

Friedman devoted his life to fighting a peaceful battle of ideas against those who believed that governments had a responsibility to intervene in the market to soften its sharp edges. He believed history "got off on the wrong track" when politicians began listening to John Maynard Keynes, intellectual architect of the New Deal and the modern welfare state.[39] The market crash of 1929 had created an overwhelming consensus that laissez-faire had failed and that governments needed to intervene in the economy to redistribute wealth and regulate corporations. During those dark days for laissez-faire, when Communism conquered the East, the welfare state was embraced by the West and economic nationalism took root in the postcolonial South, Friedman and his mentor, Friedrich Hayek, patiently protected the flame of a pure version of capitalism, untarnished by Keynesian attempts to pool collective wealth to build more just societies.

"The major error, in my opinion," Friedman wrote in a letter to Pinochet in 1975, was "to believe that it is possible to do good with other people's money."[40] Few listened; most people kept insisting that their governments could and should do good. Friedman was dismissively described in *Time* in 1969 "as a pixie or a pest," and revered as a prophet by only a select few.[41]

Finally, after he'd spent decades in the intellectual wilderness, came the eighties and the rule of Margaret Thatcher (who called

Friedman "an intellectual freedom fighter") and Ronald Reagan (who was seen carrying a copy of *Capitalism and Freedom*, Friedman's manifesto, on the presidential campaign trail).[42] At last there were political leaders who had the courage to implement unfettered free markets in the real world. According to this official story, after Reagan and Thatcher peacefully and democratically liberated their respective markets, the freedom and prosperity that followed were so obviously desirable that when dictatorships started falling, from Manila to Berlin, the masses demanded Reaganomics alongside their Big Macs.

When the Soviet Union finally collapsed, the people of the "evil empire" were also eager to join the Friedmanite revolution, as were the Communists-turned-capitalists in China. That meant that nothing was left to stand in the way of a truly global free market, one in which liberated corporations were not only free in their own countries but free to travel across borders unhindered, unleashing prosperity around the world. There was now a twin consensus about how society should be run: political leaders should be elected, and economies should be run according to Friedman's rules. It was, as Francis Fukuyama said, "the end of history"—"the end point of mankind's ideological evolution."[43] When Friedman died, *Fortune* magazine wrote that "he had the tide of history with him"; a resolution was passed in the U.S. Congress praising him as "one of the world's foremost champions of liberty, not just in economics but in all respects"; the California governor, Arnold Schwarzenegger, declared January 29, 2007, to be a statewide Milton Friedman Day, and several cities and towns did the same. A headline in *The Wall Street Journal* encapsulated this tidy narrative: "Freedom Man."[44]

This book is a challenge to the central and most cherished claim in the official story—that the triumph of deregulated capitalism has been born of freedom, that unfettered free markets go hand in hand with democracy. Instead, I will show that this fundamentalist form of

capitalism has consistently been midwifed by the most brutal forms of coercion, inflicted on the collective body politic as well as on countless individual bodies. The history of the contemporary free market—better understood as the rise of corporatism—was written in shocks.

The stakes are high. The corporatist alliance is in the midst of conquering its final frontiers: the closed oil economies of the Arab world, and sectors of Western economies that have long been protected from profit making—including responding to disasters and raising armies. Since there is not even the veneer of seeking public consent to privatize such essential functions, either at home or abroad, escalating levels of violence and ever larger disasters are required in order to reach the goal. Yet because the decisive role played by shocks and crises has been so effectively purged from the official record of the rise of the free market, the extreme tactics on display in Iraq and New Orleans are often mistaken for the unique incompetence or cronyism of the Bush White House. In fact, Bush's exploits merely represent the monstrously violent and creative culmination of a fifty-year campaign for total corporate liberation.

Any attempt to hold ideologies accountable for the crimes committed by their followers must be approached with a great deal of caution. It is too easy to assert that those with whom we disagree are not just wrong but tyrannical, fascist, genocidal. But it is also true that certain ideologies are a danger to the public and need to be identified as such. These are the closed, fundamentalist doctrines that cannot coexist with other belief systems; their followers deplore diversity and demand an absolute free hand to implement their perfect system. The world as it is must be erased to make way for their purist invention. Rooted in biblical fantasies of great floods and great fires, it is a logic that leads ineluctably toward violence. The ideologies that long for that impossible clean slate, which can be reached only through some kind of cataclysm, are the dangerous ones.

Usually it is extreme religious and racially based idea systems that demand the wiping out of entire peoples and cultures in order to fulfill a purified vision of the world. But since the collapse of the Soviet Union, there has been a powerful collective reckoning with the great crimes committed in the name of Communism. The Soviet information vaults have been cracked open to researchers who have counted the dead—through forced famines, work camps and assassinations. The process has sparked heated debate around the world about how many of these atrocities stemmed from the ideology invoked, as opposed to its distortion by adherents like Stalin, Ceauşescu, Mao and Pol Pot.

"It was flesh-and-blood Communism that imposed wholesale repression, culminating in a state-sponsored reign of terror," writes Stéphane Courtois, coauthor of the contentious *Black Book of Communism*. "Is the ideology itself blameless?"[45] Of course it is not. It doesn't follow that all forms of Communism are inherently genocidal, as some have gleefully claimed, but it was certainly an interpretation of Communist theory that was doctrinaire, authoritarian, and contemptuous of pluralism that led to Stalin's purges and to Mao's reeducation camps. Authoritarian Communism is, and should be, forever tainted by those real-world laboratories.

But what of the contemporary crusade to liberate world markets? The coups, wars and slaughters to install and maintain pro-corporate regimes have never been treated as capitalist crimes but have instead been written off as the excesses of overzealous dictators, as hot fronts of the Cold War, and now of the War on Terror. If the most committed opponents of the corporatist economic model are systematically eliminated, whether in Argentina in the seventies or in Iraq today, that suppression is explained as part of the dirty fight against Communism or terrorism—almost never as the fight *for* the advancement of pure capitalism.

I am not arguing that all forms of market systems are inherently violent. It is eminently possible to have a market-based economy that

requires no such brutality and demands no such ideological purity. A free market in consumer products can coexist with free public health care, with public schools, with a large segment of the economy—like a national oil company—held in state hands. It's equally possible to require corporations to pay decent wages, to respect the right of workers to form unions, and for governments to tax and redistribute wealth so that the sharp inequalities that mark the corporatist state are reduced. Markets need not be fundamentalist.

Keynes proposed exactly that kind of mixed, regulated economy after the Great Depression, a revolution in public policy that created the New Deal and transformations like it around the world. It was exactly that system of compromises, checks and balances that Friedman's counterrevolution was launched to methodically dismantle in country after country. Seen in that light, the Chicago School strain of capitalism does indeed have something in common with other dangerous ideologies: the signature desire for unattainable purity, for a clean slate on which to build a reengineered model society.

This desire for godlike powers of total creation is precisely why free-market ideologues are so drawn to crises and disasters. Nonapocalyptic reality is simply not hospitable to their ambitions. For thirty-five years, what has animated Friedman's counterrevolution is an attraction to a kind of freedom and possibility available only in times of cataclysmic change—when people, with their stubborn habits and insistent demands, are blasted out of the way—moments when democracy seems a practical impossibility.

Believers in the shock doctrine are convinced that only a great rupture—a flood, a war, a terrorist attack—can generate the kind of vast, clean canvases they crave. It is in these malleable moments, when we are psychologically unmoored and physically uprooted, that these artists of the real plunge in their hands and begin their work of remaking the world.

Chesapeake Innovation Center, a homeland security incubator. "But there is big business going on, and CIC is in the middle of it."[61]

Peter Swire, who served as the U.S. government's privacy counselor during the Clinton administration, describes the convergence of forces behind the War on Terror bubble like this: "You have government on a holy mission to ramp up information gathering and you have an information technology industry desperate for new markets."[62] In other words, you have corporatism: big business and big government combining their formidable powers to regulate and control the citizenry.

CHAPTER 15

A CORPORATIST STATE

REMOVING THE REVOLVING DOOR, PUTTING IN AN ARCHWAY

I think that's weird and it's nuts. To suggest that everything we do is because we're hungry for money, I think that's crazy. I think you need to go back to school.

—George H. W. Bush in response to an accusation that his son invaded Iraq to open up new markets for U.S. companies[1]

There's something civil servants have that the private sector doesn't. And that is the duty of loyalty to the greater good—the duty of loyalty to the collective best interest of all rather than the interest of a few. Companies have duties of loyalty to their shareholders, not to the country.

—David M. Walker, comptroller general of the United States, February 2007[2]

He doesn't see the difference between public and private interests.

—Sam Gardiner, retired U.S. Air Force colonel, on Dick Cheney, February 2004[3]

In the heat of the midterm elections in 2006, three weeks before announcing Donald Rumsfeld's resignation, George W. Bush signed the Defense Authorization Act in a private Oval Office ceremony. Tucked into its fourteen hundred pages is a rider that went almost completely unnoticed at the time. It gave the president the power to declare martial law and "employ the armed forces, including the National Guard," overriding the wishes of state governors, in the event of a "public emergency" in order to "restore public order" and "suppress" the disorder. That emergency could be a hurricane, a mass protest or a "public health emergency," in which case the army could be used to impose quarantines and to safeguard vaccine supplies.[4] Before this act, the president had these martial law powers only in the face of an insurrection.

With his colleagues on the campaign trail, Democratic Senator Patrick Leahy was a lone voice of alarm, entering into the public record that "using the military for law enforcement goes against one of the founding tenets of our democracy" and pointing out that "the implications of changing the act are enormous, but this change was just slipped in the defense bill as a rider with little study. Other congressional committees with jurisdiction over these matters had no chance to comment, let alone hold hearings on, these proposals."[5]

In addition to the executive branch, which gained the extraordinary new powers, there was at least one other clear winner: the pharmaceutical industry. In the case of any kind of disease outbreak, the military can now be called in to safeguard their labs and drug supplies and impose quarantines—a long-standing policy goal of the Bush administration. That was good news for Rumsfeld's former company Gilead Sciences, which owns the patent on Tamiflu, used to treat avian flu. The new law, as well as continued avian flu scares, may even have contributed to Tamiflu's stellar performance after Rumsfeld left office; in just five months, its stock price went up 24 percent.[6]

What role did industry interests play in shaping the specifics of

the law? Perhaps none, but the question is worth asking. Similarly, and on a much wider scale, what role did the benefits to contractors such as Halliburton and Bechtel and oil companies such as ExxonMobil play in the Bush team's enthusiasm for invading and occupying Iraq? These questions of motivation are impossible to answer with any precision, because the people involved are notorious for conflating corporate interests with the national interest, to the extent that they themselves are seemingly incapable of drawing distinctions.

In his 2006 book *Overthrow*, the former *New York Times* correspondent Stephen Kinzer tries to get to the bottom of what has motivated the U.S. politicians who have ordered and orchestrated foreign coups d'état over the past century. Studying U.S. involvement in regime change operations from Hawaii in 1893 to Iraq in 2003, he observes that there is often a clear three-stage process that takes place. First, a U.S.-based multinational corporation faces some kind of threat to its bottom line by the actions of a foreign government demanding that the company "pay taxes or that it observe labor laws or environmental laws. Sometimes that company is nationalized or is somehow required to sell some of its land or its assets," Kinzer says. Second, U.S. politicians hear of this corporate setback and reinterpret it as an attack on the United States: "They transform the motivation from an economic one into a political or geo-strategic one. They make the assumption that any regime that would bother an American company or harass an American company must be anti-American, repressive, dictatorial, and probably the tool of some foreign power or interest that wants to undermine the United States." The third stage happens when the politicians have to sell the need for intervention to the public, at which point it becomes a broadly drawn struggle of good versus evil, "a chance to free a poor oppressed nation from the brutality of a regime that we assume is a dictatorship, because what other kind of a regime would be bothering an American company?"[7] Much of U.S. foreign policy, in other words, is an exercise in mass projection, in which a tiny self-interested elite conflates its needs and desires with those of the entire world.

Kinzer points out that this tendency has been especially pronounced in politicians who move directly from the corporate world into public office. For instance, Eisenhower's secretary of state, John Foster Dulles, worked as a high-powered international corporate lawyer for most of his life, representing some of the richest firms in the world in their conflicts with foreign governments. Dulles's various biographers have concluded, like Kinzer, that the secretary of state was simply incapable of distinguishing between the interests of corporations and the interests of his country. "Dulles had two lifelong obsessions: fighting Communism and protecting the rights of multinational corporations," writes Kinzer. "In his mind they were . . . 'interrelated and mutually reinforcing.'"[8] That meant he didn't need to choose between his obsessions: if the Guatemalan government took an action that hurt the interests of the United Fruit Company, for instance, that was a de facto attack on America and worthy of a military response.

As it pursues its twin obsessions of fighting terrorism and protecting the interests of multinational corporations, the Bush administration, packed with CEOs fresh from the boardroom, is subject to the same confusions and conflations. But there is a significant difference: The companies with which Dulles identified were multinationals with large international investments in foreign countries—in mining, agriculture, banking and oil. These companies generally shared a straightforward objective: they wanted stable, profitable environments in which to do business—loose investment laws, pliant workers and no nasty expropriation surprises. Coups and military interventions were a means to that end, not the goal itself.

As proto-disaster capitalists, the architects of the War on Terror are part of a different breed of corporate-politicians from their predecessors, one for whom wars and other disasters are indeed ends in themselves. When Dick Cheney and Donald Rumsfeld conflate what is good for Lockheed, Halliburton, Carlyle and Gilead with what is good for the United States and indeed the world, it is a form of projection with uniquely dangerous consequences. That's because what is unquestionably good for the bottom line of these companies is cataclysm—wars, epidemics, natural disasters and resource shortages—which is why all their fortunes have improved dramatically since Bush took office. What makes their acts of projection even more perilous is the fact that, to an unprecedented degree, key Bush officials have maintained their interests in the disaster capitalism complex even as they have ushered in a new era of privatized war and disaster response, allowing them to simultaneously profit from the disasters they help unleash.

For instance, when Rumsfeld resigned his post after the Republican defeat in the 2006 midterm elections, the press reported that he was returning to the private sector. The truth was that he never actually left. When he accepted Bush's nomination as defense secretary, Rumsfeld, like all public officials, was required to divest himself of any holdings that stood to lose or gain from decisions he might make while in office. Simple enough—that meant selling everything related to national security or defense. But Rumsfeld had a great deal of trouble. He was so weighed down with holdings in various disaster-related industries that he claimed it was impossible to disentangle himself in time to meet the deadlines, and he tied the ethics rules in knots trying to hold on to everything he could.

He sold off his directly owned stocks in Lockheed, Boeing and other defense companies and put up to $50 million worth of stocks in a blind trust. But he still was part or complete owner of private investment firms that were devoted to defense and biotechnology stocks. Rumsfeld was unwilling to take losses to sell those companies quickly and instead asked for two three-month extensions to the time limit—extremely rare at that level of government. That meant he was still looking for what he considered suitable buyers for his companies and assets a full six months into his term as defense secretary, possibly even longer.[9]

When it came to Gilead Sciences, the company Rumsfeld used to chair and that held the patent on Tamiflu, the secretary of defense put his foot down. Asked to choose between his business interests and his public calling, he simply refused. Epidemics are national security issues and therefore squarely within the portfolio of the defense secretary. Yet despite this glaring conflict of interest, Rumsfeld failed to sell off his Gilead stocks for his entire term in office, holding on to somewhere between $8 million and $39 million worth of Gilead holdings.[10]

As the Senate Ethics Committee tried to bring him into compliance with standard conflict rules, Rumsfeld was openly belligerent. At one point, he wrote a letter to the Office of Government Ethics complaining that he had to spend $60,000 on accountants' fees to help him with "excessively complex and confusing" disclosure forms. For a man bent on holding on to $95 million in shares while in office, $60,000 in finessing fees hardly seemed out of proportion.[11]

Rumsfeld's adamant refusal to stop making money from disaster while in the top security post in the country affected his job performance in several concrete ways. For much of his first year in office, while he looked to off-load his holdings, Rumsfeld had to recuse himself from an alarming range of crucial policy decisions: according to the Associated Press, "he has avoided Pentagon meetings in which AIDS is discussed." And when the federal government had to decide whether to intervene in several high-profile mergers and sales involving top defense contractors, including General Electric, Honeywell, Northrop Grumman and Silicon Valley Graphics, Rumsfeld recused himself from those top-level talks as well. It turned out, according to his official spokesperson, that he had financial ties to several of the companies listed above. "I have tended to stay away from them thus far," Rumsfeld told a reporter who asked about one of the sales.[12]

For the six years that he held office, Rumsfeld had to leave the room whenever talk turned to the possibility of avian flu treatment and the purchase of drugs for it. According to the letter outlining the arrangement that allowed him to hold on to his stocks, he had to stay out of decisions that "may directly and predictably affect Gilead."[13] His colleagues, however, took good care of his interests. In July 2005, the Pentagon purchased $58 million worth of Tamiflu, and the Department of Health and Human Services announced that it would order up to $1 billion worth of the drug a few months later.[14]

Rumsfeld's defiance definitely paid off. If he had sold his Gilead stocks at inauguration, in January 2001, he would have received a mere $7.45 each. By keeping them through all the avian flu scares, all the bioterror hysteria and through his own administration's decisions to invest heavily in the company, Rumsfeld ended up with stocks worth $67.60 each when he left office—an 807 percent increase. (By April 2007 the price had reached $84 each.)[15] That meant that when Rumsfeld left his post as defense secretary, he did so a significantly wealthier man than when he arrived—a rare occurrence for a multimillionaire in public office.

If Rumsfeld never really left Gilead behind, Cheney was also reluctant to fully sever his ties to Halliburton—an arrangement that, unlike Rumsfeld's with Gilead, has been the subject of a great deal of media attention. Before stepping down as CEO to be George Bush's running mate, Cheney negotiated a retirement package that left him loaded with Halliburton stocks and options. After some uncomfortable press questions, he agreed to sell some of his Halliburton shares, making an impressive $18.5 million profit in the process. But he didn't cash out entirely. According to *The Wall Street Journal*, Cheney hung on to 189,000 Halliburton shares and 500,000 unvested options,[16] although he later signed a legal agreement donating the profits from the stocks to charity. For his first four years in office, the vice president was also paid an annual deferred income by Halliburton of $211,000—roughly equivalent to his government salary. Halliburton, meanwhile, saw its fortunes soar, the result of skyrocketing oil prices and billions in no-bid military contracts. Both factors, of course, were intimately connected to the decision to invade Iraq, which Cheney insisted was crucial to protecting U.S. interests.[17] As it turned out, war made Americans less secure both physically and economically, but it was a triumph for Halliburton, which saw its stock price rise from $10 before the war in Iraq to $41 three years later—a 300 percent jump. Iraq seems to fit Kinzer's formula perfectly. Saddam did not pose a threat to U.S. security, but he did pose a threat to U.S. energy companies, since he had recently signed contracts with a Russian oil giant and was in negotiations with France's Total, leaving U.S. and British oil firms with nothing; the third-largest proven oil reserves in the world were slipping out of the Anglo-American grasp.[18] Saddam's removal from power has opened vistas of opportunities for the oil giants, including ExxonMobil, Chevron, Shell and BP, all of whom have been laying the groundwork for new deals in Iraq, as well as for Halliburton, which, with its move to Dubai, is perfectly positioned to sell its energy services to all these companies.[19] Already the war itself has been the single most profitable event in Halliburton's history.

Both Rumsfeld and Cheney could have taken simple measures to divest themselves completely of their disaster-related holdings when they chose to enter politics, thereby eliminating any doubt about what role profit and old loyalties have played in their enthusiasm for disaster-producing situations. Instead, they refused to divest, forcing the government ethics committees to adapt to their defiant stance.

During the Second World War, President Franklin D. Roosevelt spoke out strongly against war profiteers, saying, "I don't want to see a single war millionaire created in the United States as a result of this world disaster." One wonders what he would have made of Rumsfeld, who, in 2004, couldn't resist cashing in a few Gilead stocks, making an easy $5 million, according to his annual disclosure report, while he was defense secretary—a small taste of the profits that awaited him when he left office.[20] In the Bush administration, the war profiteers aren't just clamoring to get access to government, they are the government; there is no distinction between the two.

The Bush years have, of course, been characterized by some of the seediest and most blatant corruption scandals in recent memory: Jack Abramoff and his golfing vacations offered to members of Congress; Randy "Duke" Cunningham, now serving eight years for accepting bribes and donating his yacht the *Duke-Stir* as part of a "bribe menu" listed on official congressional letterhead to a defense contractor; and the parties at the Watergate hotel with courtesy prostitutes—all sounding very much like Moscow and Buenos Aires in the mid-nineties.[21]

Then there is the whirling revolving door between government and industry. It has always been there, but for the most part political figures used to wait until their administration was out of office before cashing in on government connections. Under Bush, the nonstop homeland security market bonanza has proved too tempting for many administration officials to resist. So, rather than wait until the end of their terms, hundreds, from a wide range of government agencies, have already charged for the door. According to Eric Lipton, who has tracked this phenomenon in the Department of Homeland Security for *The New York Times*, "veteran Washington lobbyists and watchdog groups say the exodus of such a sizable share of an agency's senior management before the end of an administration has few modern parallels." Lipton identified ninety-four examples of civil servants who had been working on domestic security and who are now working in some aspect of the homeland security industry.[22]

There are far too many such cases to detail here, but a few stand out, since they involve the key architects of the War on Terror. John Ashcroft, former attorney general and prime mover behind the Patriot Act, now heads up the Ashcroft Group, specializing in helping homeland security firms procure federal contracts. Tom Ridge, the first head of the Department of Homeland Security, is now at Ridge Global and an adviser to the communication technology company Lucent, which is active in the security sector. Rudy Giuliani, the former New York mayor and hero of the September 11 response, started

Giuliani Partners four months later to sell his services as a crisis consultant. Richard Clarke, counterterrorism czar under Clinton and Bush and an outspoken critic of the administration, is now chairman of Good Harbor Consulting, specializing in homeland security and counterterrorism. James Woolsey, head of the CIA until 1995, is now at Paladin Capital Group, a private equity firm that invests in homeland security companies, and a vice president at Booz Allen, one of the leaders in the homeland security industry. Joe Allbaugh, head of FEMA on September 11, cashed out just eighteen months later to start New Bridge Strategies, promising to be the "bridge" between business and the lucrative world of government contracts and investment opportunities in Iraq. He was replaced by Michael Brown, who bolted after only two years to start Michael D. Brown LLC, specializing in disaster preparedness.[23]

"Can I quit now?" Brown wrote in an infamous e-mail to a fellow FEMA staffer in the middle of the Hurricane Katrina disaster.[24] That is pretty much the philosophy: stay in government just long enough to get an impressive title in a department handing out big contracts and to collect inside information on what will sell, then quit and sell access to your former colleagues. Public service is reduced to little more than a reconnaissance mission for future work in the disaster capitalism complex.

In some ways, however, the stories about corruption and revolving doors leave a false impression. They imply that there is still a clear line between the state and the complex, when in fact that line disappeared long ago. The innovation of the Bush years lies not in how quickly politicians move from one world to the other but in how many feel entitled to occupy both worlds simultaneously. People like Richard Perle and James Baker make policy, offer top-level advice and speak in the press as disinterested experts and statesmen when they are at the same time utterly embedded in the business of privatized war and reconstruction. They embody the ultimate fulfillment of the corporatist mission: a total merger of political and corporate elites in the name of security, with the state playing the role of chair of the business guild—as well as the largest source of business opportunities, thanks to the contract economy.

Wherever it has emerged over the past thirty-five years, from Santiago to Moscow to Beijing to Bush's Washington, the alliance between a small corporate elite and a right-wing government has been written off as some sort of aberration—mafia capitalism, oligarchy capitalism and now, under Bush, "crony capitalism." But it's not an aberration; it is where the entire Chicago School crusade—with its triple obsessions—privatization, deregulation and union-busting—has been leading.

Rumsfeld's and Cheney's dogged refusals to choose between their disaster-connected holdings and their public duties were the first sign that a genuine corporatist state had arrived. There are many others.

The Power of the Formers

One of the distinguishing features of the Bush administration has been its reliance on outside advisers and freelance envoys to perform key functions: James Baker, Paul Bremer, Henry Kissinger, George Shultz, Richard Perle, as well as the members of the Defense Policy Board and the Committee for the Liberation of Iraq, to name just a few. While Congress played a rubber-stamp role during the pivotal decision-making years, and Supreme Court rulings are treated as little more than gentle suggestions, these mostly volunteer advisers have wielded enormous influence.

Their power stems from the fact that these advisers used to perform key roles in government—they are former secretaries of state, former ambassadors and former undersecretaries of defense. All have been out of government for years and, in the meantime, have set up lucrative careers in the disaster capitalism complex. Because they are classified as contractors, not staff, most are not subject to the same conflict-of-interest rules as elected or appointed politicians—if they are subject to any restrictions at all. The effect has been to eliminate the so-called revolving door between government and industry and put in "an archway" (as the disaster management specialist Irwin Redlener put it to me). It has allowed the disaster industries to set up shop inside the government, using the reputations of such illustrious ex-politicians as cover.

When in March 2006 James Baker was named cochair of the Iraq Study Group, the advisory panel charged with recommending a new way forward in Iraq, there was palpable bipartisan relief: here was a politician of the old school, one who had steered the country in more stable times, a grown-up. Certainly Baker is a veteran of a less reckless era of U.S. foreign policy than the current one. But that was fifteen years ago. Who is James Baker now?

Like Cheney, when he left office at the end of Bush Sr.'s term, James Baker III made a fortune from his government contacts. Particularly lucrative were the friends he made in Saudi Arabia and Kuwait during the first Gulf War.[25] His Houston-based law firm, Baker Botts, represents the Saudi royal family as well as Halliburton and Gazprom, Russia's largest oil company, and is one of the leading oil and gas law firms in the world. He also became an equity partner in the Carlyle Group, earning an estimated $180 million stake in the highly secretive company.[26]

Carlyle has benefited enormously from the war, thanks to sales of robotics systems, defense communications systems, and a major Iraq contract to train police awarded to its holding, USIS. The $56 billion company has a defense-oriented equity firm that specializes in collecting defense contractors and taking them public, a very profitable enterprise in recent years. "It's the best 18 months we ever had," said Carlyle's chief investment officer, Bill Conway, referring to the first eighteen months of the war in Iraq. "We made money and we made it fast." The war in Iraq, already clearly a disaster, translated into a record-breaking $6.6 billion payout to Carlyle's select investors.[27]

When Bush Jr. pulled Baker back into public life by naming him his special envoy on Iraq's debt, Baker did not have to cash out of the Carlyle Group or Baker Botts, despite their direct interests in the war. At first, several commentators pointed out these serious potential conflicts. *The New York Times* published an editorial calling on Baker to resign his posts at the Carlyle Group and Baker Botts to preserve the integrity of the debt envoy position. "Mr. Baker is far too tangled in a matrix of lucrative private business relationships that leave him looking like a potentially interested party in any debt-restructuring formula," stated the editorial. It concluded that it wasn't enough for Baker to "forgo earnings from clients with obvious connections to Iraqi debts. . . . To perform honorably in his new public job, Mr. Baker must give up these two private ones."[28]

In keeping with the example set at the top of the administration, Baker simply refused, and Bush backed his decision, leaving Baker in charge of the effort of persuading governments around the world to forgive Iraq's crushing foreign debt. After he had been in the role for nearly a year, I obtained a copy of a confidential document that proved that he was in a far more serious and direct conflict of interest than previously understood. The document was a sixty-five-page business plan submitted by a consortium of companies, including the Carlyle Group, to the government of Kuwait, one of Iraq's main creditors. The consortium offered to use its high-level political connections to collect from Iraq $27 billion in unpaid debts to Kuwait stemming from Saddam's invasion of Kuwait—in other words, to do exactly the opposite of what Baker was supposed to be doing as envoy, which was to convince governments that Saddam-era debts should be canceled.[29]

The document, titled "Proposal to Assist the Government of Kuwait in Protecting and Realizing Claims against Iraq," was submitted almost two months *after* Baker's appointment. It named James Baker personally eleven times, making it clear that Kuwait would benefit from working with a company that employed the man in charge of erasing Iraq's debts. But there was a price. In exchange for these services, the documents said, the government of Kuwait would have to invest $1 billion with the Carlyle Group. It was straight-up influence peddling: pay Baker's company to get protection from Baker. I showed the document to Kathleen Clark, a law professor at Washington University and a leading expert on government ethics and regulations, and she said Baker was in a "classic conflict of interest. Baker is on two sides of this transaction: he is supposed to be representing the interests of the United States, but he is also a senior counselor at Carlyle, and Carlyle wants to get paid to help Kuwait recover its debts from Iraq." After examining the documents, Clark determined that "Carlyle and the other companies are exploiting Baker's current position to try to land a deal with Kuwait that would undermine the interests of the U.S. government."

The day after my story about Baker was published in *The Nation*, Carlyle backed out of the consortium, forfeiting its hope of landing the $1 billion; several months later, Baker cashed out of the Carlyle Group and resigned as general counsel. But the real damage had been done: Baker had performed miserably as envoy, failing to secure the kind of debt forgiveness that Bush had pledged and Iraq required. In 2005 and 2006, Iraq made $2.59 billion in reparation payments for Saddam's war, most to Kuwait—resources that were desperately needed to meet Iraq's humanitarian crisis and to rebuild the country, especially after U.S. firms pulled out with the aid money squandered and the job left undone. Baker's mandate was to erase 90 to 95 percent of Iraq's debt. Instead, the debt was merely rescheduled and is still equivalent to 99 percent of the country's GDP.[30]

Other key aspects of Iraq policy were also handed to freelance envoys whose companies earned record profits from the war. Former secretary of state George Shultz headed up the Committee for the Liberation of Iraq, a pressure group formed in 2002 at the request of the Bush White House to help it build the case for war in the public mind. Shultz certainly obliged. Since his role was at arm's length from the administration, he was able to whip up hysteria about the imminent danger posed by Saddam, entirely free from any burden of proof or fact. "If there is a rattlesnake in the yard, you don't wait for it to strike before you take action in self-defense," he wrote in *The Washington Post* in September 2002 under the headline "Act Now: The danger is immediate. Saddam Hussein must be removed." Shultz did not disclose to his readers that he was, at the time, a member of the board of directors of Bechtel, where he had served many years earlier as CEO. The company would collect $2.3 billion to reconstruct the country that Shultz was so eager to see destroyed.[31] So, in retrospect, it seems worth asking, when Shultz called on the world to Act Now, was he speaking as a concerned elder statesman or as a representative of Bechtel—or perhaps Lockheed Martin?

According to Danielle Brian, executive director of the Project on Government Oversight, a nonprofit watchdog group, "It's impossible to tell where the government ends and Lockheed begins." It's even harder to tell where Lockheed ends and the Committee for the Liberation of Iraq begins. The group Shultz headed and used as a pro-war platform was convened by Bruce Jackson, who, just three months earlier, held the job of vice president for strategy and planning at Lockheed Martin. Jackson says that he was asked to form the group by "people in the White House," but he stacked it with old colleagues from Lockheed. Besides Jackson, Lockheed's representatives included Charles Kupperman, Lockheed Martin's vice president for space and strategic missiles, and Douglas Graham, Lockheed's director of defense systems. Even though the committee was formed at the explicit request of the White House to be the propaganda arm of the war, no one had to step down from Lockheed or sell his shares. Which was certainly good for committee members, since Lockheed's share price jumped 145 percent thanks to the war they helped engineer—from $41 in March 2003 to $102 in February 2007.[32]

And then there is Henry Kissinger, the man who kicked off the counterrevolution with his support for Pinochet's coup. In his 2006 book *State of Denial,* Bob Woodward revealed that Dick Cheney holds monthly meetings with Kissinger, while Bush meets with Kissinger about half as frequently, "making him the most regular and frequent outside adviser to Bush on foreign affairs." Cheney told Woodward, "I probably talk to Henry Kissinger more than I talk to anybody else."[33]

But who was Kissinger representing in all those top-level meetings? Like Baker and Shultz, he used to be a secretary of state, but hasn't held that post for three decades. Since 1982, when he started his privately held and secretive company, Kissinger Associates, his job has been to represent a roster of clients that is said to have included everyone from Coca-Cola to Union Carbide to Hunt Oil to the engineering giant Fluor (one of the biggest reconstruction contract winners in Iraq)—and even his old partner in the Chilean covert action, ITT.[34] So when he met with Cheney, was he acting as elder statesman, or as high-priced lobbyist for his oil and engineering clients?

Kissinger gave a strong indication of where his loyalties lay in November 2002, when Bush named him to chair the 9/11 Commission, perhaps the most crucial role any patriot could be called out of retirement to perform. Yet when the families of the victims asked Kissinger to produce a list of his corporate clients, pointing to potential conflicts of interest with the investigation, he refused to cooperate with this basic gesture of public accountability and transparency. Rather than disclose the names of his clients, he stepped down as chair of the commission.[35]

Richard Perle, a friend and business associate of Kissinger's, would make that precise choice a year later. Perle, a defense official under Reagan, was asked by Rumsfeld to chair the Defense Policy Board. Before Perle took over, the board was a quiet advisory panel, a way to pass on the knowledge of former administrations to the one in office. Perle turned it into a platform for himself, using the impressive title

to argue forcefully in the press for a preemptive attack on Iraq. He also used it in other ways. According to a Seymour Hersh investigation in *The New Yorker,* he touted the title to solicit investment for his new company. Perle, it turned out, was one of the first post-9/11 disaster capitalists—just two months after the attacks, he launched his venture capital firm Trireme Partners, which would invest in firms developing products and services relevant to homeland security and defense. In letters soliciting business, Trireme boasted of its political connections: "Three of Trireme's Management Group members currently advise the U.S. Secretary of Defense by serving on the U.S. Defense Policy Board." Those three were Perle, his friend Gerald Hillman and Henry Kissinger.[36]

One of Perle's early investors was Boeing—the Pentagon's second-largest contractor—which kicked in $20 million to get Trireme going. Perle became an outspoken Boeing fan, writing an op-ed supporting Boeing's controversial $17 billion tanker contract with the Pentagon.*[37]

Although Perle told his investors all about his pull at the Pentagon, several of his colleagues on the Defense Policy Board say he failed to tell them about Trireme. On hearing about the company, one described it as "at the edge of or off the ethical charts." In the end, all the knots of conflict caught up with Perle and he, like Kissinger, had to choose: make defense policy or profit from the War on Terror. In

* The tanker deal became the biggest scandal in recent Pentagon history, ultimately landing a senior Department of Defense official and a Boeing executive in jail. The official had been negotiating for a job at Boeing while the deal was going down. In a subsequent investigation, Rumsfeld was questioned about why he didn't catch the rotten deal under his watch. He replied that he could not recall the details of his role in a contract that would consume between $17 billion and $30 billion of taxpayer money. "I don't remember approving it. But I certainly don't remember not approving it, if you will." Rumsfeld was slammed for poor management, but his forgetfulness may also have been a casualty of how frequently the secretary of defense recused himself from purchasing discussions in order to avoid the appearance of conflicts with his many defense-related holdings.

March 2003, just as the war in Iraq was starting and the contractor bonanza was about to begin, Perle stepped down as chairman of the Defense Policy Board.[38]

There is nothing that enrages Richard Perle more than the suggestion that his advocacy of unlimited war to end all evil is in any way influenced by the enormous profitability of that proposition for him personally. On CNN, Wolf Blitzer confronted Perle with Hersh's observation that "he has set up a company that may gain from a war." It would seem self-evidently true, yet Perle blew up, calling Hersh, a Pulitzer Prize winner, "the closest thing American journalism has to a terrorist, frankly." He told Blitzer, "I don't believe that a company would gain from a war. . . . The suggestion that my views are somehow related for the potential for investments in homeland defense is complete nonsense."[39]

It was a strange claim. If a venture capital firm that was set up to invest in security and defense companies managed not to gain from a war, it would surely be failing its investors. The episode raised larger questions about the role played by figures such as Perle, who exist in a gray zone between disaster capitalist, public intellectual and policy maker. If a Lockheed or Boeing executive went on Fox News to make the case for regime change in Iran (as Perle has done), their obvious self-interest would negate any intellectual arguments they offered. Yet Perle continues to be introduced as an "analyst" or as a Pentagon adviser, perhaps as "a neocon," but certainly there is never any suggestion that he might just be an arms dealer with an impressive vocabulary.

Whenever members of this Washington clique are confronted with their economic interests in the wars they support, they invariably respond the way Perle did: the entire suggestion is preposterous, simple-minded, vaguely terrorist. The neocons—a group that includes Cheney, Rumsfeld, Shultz, Jackson and, I would argue, Kissinger—take great pains to project themselves as egghead intellectuals or hawkish realists, driven by ideology and big ideas, not anything so

worldly as profit. Bruce Jackson, for instance, says Lockheed did not approve of his extracurricular foreign policy work. Perle says that his association with the Pentagon has hurt him in business since "it means there are . . . things you can't say and do." Perle's partner Gerald Hillman insists that Perle "is not a financial creature. He doesn't have any desire for financial gain." Douglas Feith, when he was undersecretary of defense for policy, claimed that "the vice president's former connection [with Halliburton] made people in the government reluctant to award the contract, not eager to do it, even though awarding it to KBR [Kellogg, Brown and Root, the former Halliburton subsidiary] was the right thing to do."[40]

Even their most committed critics tend to portray the neocons as true believers, motivated exclusively by a commitment to the supremacy of American and Israeli power that is so all-consuming they are prepared to sacrifice economic interests in favor of "security." This distinction is both artificial and amnesiac. The right to limitless profit-seeking has always been at the center of neocon ideology. Before 9/11, demands for radical privatization and attacks on social spending fuelled the neocon movement—Friedmanite to its core—at think tanks such as the American Enterprise Institute, Heritage and Cato.

With the War on Terror, the neocons didn't abandon their corporatist economic goals; they found a new, even more effective way to achieve them. Of course these Washington hawks are committed to an imperial role for the United States in the world and for Israel in the Middle East. It is impossible, however, to separate that military project—endless war abroad, and a security state at home—from the interests of the disaster capitalism complex, which has built a multibillion-dollar industry based on these very assumptions. Nowhere has the merger of these political and profit-making goals been clearer than on the battlefields of Iraq.