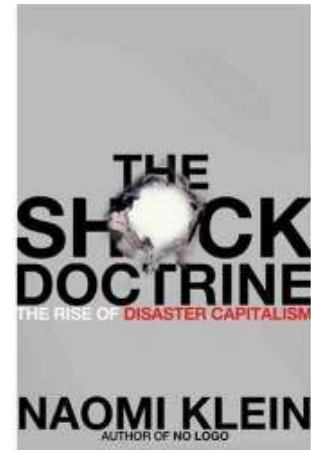


The Shock Doctrine: The Rise of Disaster Capitalism

by Naomi Klein, September 2007, Penguin Press.

www.naomiklein.org/shock-doctrine



In *THE SHOCK DOCTRINE*, Naomi Klein explodes the myth that the global free market triumphed democratically. Exposing the thinking, the money trail and the puppet strings behind the world-changing crises and wars of the last four decades, *The Shock Doctrine* is the gripping story of how America's "free market" policies have come to dominate the world-- through the exploitation of disaster-shocked people and countries.

Extracts from the [The Guardian](http://www.theguardian.com), Saturday September 8, 2007

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Extract One: Exploiting disaster

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 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 centre now jammed with 2,000 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 the Republican Congressman Richard Baker had told a group of lobbyists, "We finally cleaned up public housing in New Orleans. We couldn't do it, but God did." 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." All that week 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. 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 the late Milton Friedman, grand guru of unfettered capitalism and credited with writing the rulebook for the contemporary, hyper-mobile global economy. Ninety-three years old and in failing health, "Uncle Miltie", as he was known to his followers, 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."

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.

In sharp contrast to the glacial pace with which the levees were repaired and the electricity grid brought back online, the auctioning-off of New Orleans' school system took place with military speed and precision. Within 19 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.

The Friedmanite American Enterprise Institute enthused that "Katrina accomplished in a day ... what Louisiana school reformers couldn't do after years of trying". Public school teachers, meanwhile, were calling Friedman's plan "an educational land grab". 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".

Privatising the school system of a mid-size American city may seem a modest preoccupation for the man hailed as the most influential economist of the past half century. Yet his determination to exploit the crisis in New Orleans to advance a fundamentalist version of capitalism was also an oddly fitting farewell. 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.

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 taken depend on the ideas that are lying around. 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". A variation on Machiavelli's advice that "injuries" should be inflicted "all at once", this is one of Friedman's most lasting legacies.

Friedman first learned how to exploit a shock or crisis in the mid-70s, when he advised the dictator General Augusto Pinochet. Not only were Chileans in a state of shock after Pinochet's violent coup, but the country was also traumatised by hyperinflation. Friedman advised Pinochet to impose a rapid-fire transformation of the economy - tax cuts, free trade, privatised services, cuts to social spending and deregulation.

It was the most extreme capitalist makeover ever attempted anywhere, and it became known as a "Chicago School" revolution, as so many of Pinochet's economists had studied under Friedman there. Friedman 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.

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. I reported from Baghdad on Washington's failed attempts to follow "shock and awe" with shock therapy - mass privatisation, complete free trade, a 15% flat tax, a dramatically downsized government. Afterwards I travelled to Sri Lanka, several months after the devastating 2004 tsunami, and witnessed another version of the same manoeuvre: 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. By the time Hurricane Katrina hit New Orleans, 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 disaster want the opposite of a clean slate: they want to salvage whatever they can and begin repairing what was not destroyed. "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. But disaster capitalists have no interest in repairing what once 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.

When I began this research into the intersection between super-profits and mega-disasters, 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 business-friendly policies imposed through arm-twisting at WTO summits, or as the conditions attached to loans from the IMF.

As I dug deeper into the history of how this market model had swept the globe, I discovered that the idea of exploiting crisis and disaster has been the modus operandi of Friedman's movement from the very beginning - this fundamentalist form of capitalism has always needed disasters to advance. What was happening in Iraq and New Orleans was not a 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 35 years look very different. Some of the most infamous human rights violations of this era, which have tended to be viewed as sadistic acts carried out by anti-democratic regimes, were in fact either committed with the intent of terrorising the public or actively harnessed to prepare the ground for radical free-market "reforms". In China in 1989, it was the shock of the Tiananmen Square massacre and the arrests of tens of thousands that freed the Communist party to convert much of the country into a sprawling export zone, staffed with workers too terrified to demand their rights. The Falklands war in 1982 served a similar purpose for Margaret Thatcher: the disorder resulting from the war allowed her to crush the striking miners and to launch the first privatisation frenzy in a western democracy.

The bottom line is that, for economic shock therapy to be applied without restraint, some sort of additional collective trauma has always been required. Friedman's economic model is capable of being partially imposed under democracy - the US under Reagan being the best example - but for the vision to be implemented in its complete form, authoritarian or quasi-authoritarian conditions are required.

Until recently, these conditions did not exist in the US. 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, packed with Friedman's disciples, including his close friend Donald Rumsfeld, seized upon the fear generated to launch the "war on terror" and to ensure that it is an almost completely for-profit venture, a booming new industry that has breathed new life into the faltering US economy. Best understood as a "disaster capitalism complex", it is a global war fought on every level by private companies whose involvement is paid for with public money, with the unending mandate of protecting the US homeland in perpetuity while eliminating all "evil" abroad.

In 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 centre of the complex is to bring the model of for-profit government, which advances so rapidly in extraordinary circumstances, into the ordinary functioning of the state - in effect, to privatise the government.

In scale, the disaster capitalism complex is on a par with the "emerging market" and IT booms of the 90s. It is dominated by US firms, but is global, with British companies bringing their experience in security cameras, Israeli firms their expertise in building hi-tech fences and walls. Combined with soaring insurance industry profits as well as super profits for the oil industry, the disaster economy may well have saved the world market from the full-blown recession it was facing on the eve of 9/11.

In the torrent of words written in eulogy to Milton Friedman, the role of shocks and crises to advance his world view received barely a mention. Instead, the economist's passing, in November 2006, 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 fairytale history, scrubbed clean of the violence so intimately entwined with this crusade.

It is time for this to change. Since the collapse of the Soviet Union, there has been a powerful reckoning with the crimes committed in the name of communism. But what of the crusade to liberate world markets?

I am not arguing that all forms of market systems require large-scale violence. It is eminently possible to have a market-based economy that demands no such brutality or 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 - such as 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.

John Maynard Keynes proposed just that kind of mixed, regulated economy after the Great Depression. It was that system of compromises, checks and balances that Friedman's counter-revolution was launched to dismantle in country after country. Seen in that light, Chicago School capitalism has something in common with other fundamentalist ideologies: the signature desire for unattainable purity.

This desire for godlike powers of creation is precisely why free-market ideologues are so drawn to crises and disasters. Non-apocalyptic reality is simply not hospitable to their ambitions. For 35 years, what has animated Friedman's counter-revolution is an attraction to a kind of freedom 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.

Torture: the other shock treatment

From Chile to China to Iraq, torture has been a silent partner in the global free-market crusade. Chile's coup featured three distinct forms of shock, a recipe that would re-emerge three decades later in Iraq. The **shock of the coup** prepared the ground for **economic shock therapy**; the **shock of the torture chamber** terrorized anyone thinking of standing in the way of the economic shocks.

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 parlance, "**coercive interrogation**", is a set of techniques developed by scientists and designed to put prisoners into a state of deep disorientation.

Declassified CIA manuals explain how to break "resistant sources": create violent ruptures between prisoners and their ability to make sense of the world around them. First, the **senses are starved** (with hoods, earplugs, shackles), then the **body is bombarded** with overwhelming stimulation (strobe lights, blaring music, beatings). The goal of this "softening-up" stage is to provoke a kind of hurricane in the mind, and it is in that state of shock that most prisoners give their interrogators whatever they want.

The shock doctrine mimics this process precisely. The original disaster - the coup, the terrorist attack, the market meltdown - 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. Like the terrorised prisoner who gives up the names of comrades and renounces his faith, shocked societies often give up things they would otherwise fiercely protect.

• This is an edited extract from *The Shock Doctrine: The Rise of Disaster Capitalism* by Naomi Klein, published by Allen Lane at £25.

Extract Two: The age of disaster capitalism

In the days after 9/11, America's firefighters, nurses and teachers were hailed as the country's heroes. But President Bush's embracing of the public sector didn't last long. As the dust settled on the twin towers, the White House launched an entirely new economy, based on security - with the belief that only private firms could meet the challenge. In this exclusive extract from her new book, **Naomi Klein** reports on those who see a profitable prospect in a grim future



A firefighter at ground zero of the World Trade Centre in New York. Photograph: Matt Moyer/AP

As George Bush and his cabinet took up their posts in January 2001, the need for new sources of growth for US corporations was an urgent matter. With the tech bubble now officially popped and the DowJones tumbling 824 points in their first two and half months in office, they found themselves staring in the face of a serious economic downturn. John Maynard Keynes had argued that governments should spend their way out of recessions, providing economic stimulus with public works. Bush's

solution was for the government to deconstruct itself - hacking off great chunks of the public wealth and feeding them to corporate America, in the form of tax cuts on the one hand and lucrative contracts on the other. Bush's budget director, the think-tank ideologue Mitch Daniels, pronounced: "The general idea - that the business of government is not to provide services, but to make sure that they are provided - seems self-evident to me." That assessment included disaster response. Joseph Allbaugh, the Republican party operative whom Bush put in charge of the Federal Emergency Management Agency (Fema) - the body responsible for responding to disasters, including terrorist attacks - described his new place of work as "an oversized entitlement programme".

Then came 9/11, and all of a sudden having a government whose central mission was self-immolation did not seem like a very good idea. With a frightened population wanting protection from a strong, solid government, the attacks could well have put an end to Bush's project of hollowing out government just as it was beginning.

For a while, that even seemed to be the case. "September 11 has changed everything," said Ed Feulner, old friend of Milton Friedman, the guru of unfettered capitalism and president of the Heritage Foundation, 10 days after the attack, making him one of the first to utter the fateful phrase. Many naturally assumed that part of that change would be a re-evaluation of the radical anti-state agenda that Feulner and his ideological allies had been pushing for three decades, at home and around the world. After all, the nature of the September 11 security failures exposed the results of more than 20 years of chipping away at the public sector and outsourcing government functions to profit-driven corporations. Much as the flooding of New Orleans exposed the rotting condition of public infrastructure, the attacks pulled back the curtain on a state that had been allowed to grow dangerously weak: radio communications for the New York City police and firefighters broke down in the middle of the rescue operation, air-traffic controllers didn't notice the off-course planes in time, and the attackers had passed through airport security checkpoints staffed by contract workers, some of whom earned less than their counterparts at the food court.

The first major victory of the Friedmanite counter-revolution in the United States had been Ronald Reagan's attack on the air-traffic controllers' union and his deregulation of the airlines. Twenty years later, the entire air transit system had been privatised, deregulated and downsized, with the vast majority of airport security work performed by underpaid, poorly trained, non-union contractors. After the attacks, the inspector general of the department of transportation testified that the airlines, which were responsible for security on their flights, had skimped significantly to keep costs down.

On September 10, as long as flights were cheap and plentiful, none of that seemed to matter. But on September 12, putting \$6-an-hour contract workers in charge of airport security seemed reckless. Then, in October, envelopes with white powder were sent to lawmakers and journalists, spreading panic about the possibility of a major anthrax outbreak. Once again, 90s privatisation looked very different in this new light: why did a private lab have the exclusive right to produce the vaccine against anthrax? Had the federal government signed away its responsibility to protect the public from a major public health emergency? Furthermore, if it was true, as media reports kept claiming, that anthrax, smallpox and other deadly agents could be spread through the mail, the food supply or the water systems, was it really such a good idea to be

pushing ahead with Bush's plans to privatise the postal service? And what about all those laid-off food and water inspectors - could somebody bring them back?

The backlash against the pro-corporate consensus only deepened in the face of new scandals such as that of Enron. Three months after the 9/11 attacks, Enron declared bankruptcy, leading thousands of employees to lose their retirement savings while executives acting on insider knowledge cashed in. The crisis contributed to a general plummeting of faith in private industry to perform essential services, especially when it came out that it was Enron's manipulation of energy prices that had led to the massive blackouts in California a few months earlier. Friedman, aged 90, was so concerned that the tides were shifting back toward Keynesianism that he complained that "businessmen are being presented in the public as second-class citizens".

While CEOs were falling from their pedestals, unionised public sector workers - the villains of Friedman's counter-revolution - were rapidly ascending in the public's estimation. Within two months of the attacks, trust in government was higher than it had been since 1968 - and that, remarked Bush to a crowd of federal employees, is "because of how you've performed your jobs". The uncontested heroes of September 11 were the blue-collar first responders - the New York firefighters, police and rescue workers, 403 of whom lost their lives as they tried to evacuate the towers and aid the victims. Suddenly, America was in love with its men and women in all kinds of uniforms, and its politicians - slapping on NYPD and FDNY baseball caps with unseemly speed - were struggling to keep up with the new mood.

When Bush stood with the firefighters and rescue workers at Ground Zero on September 14 he was embracing some of the very unionised civil servants that the modern conservative movement had devoted itself to destroying. Of course, he had to do it (even Dick Cheney put on a hard hat in those days), but he didn't have to do it so convincingly. Through some combination of genuine feeling on Bush's part and the public's projected desire for a leader worthy of the moment, these were the most moving speeches of Bush's political career.

For weeks after the attacks, the president went on a grand tour of the public sector - state schools, firehouses and memorials, the Centres for Disease Control and Prevention - embracing and thanking civil servants for their contributions and humble patriotism. He praised not only emergency services personnel but teachers, postal employees and healthcare workers. At these events, he treated work done in the public interest with a level of respect and dignity that had not been seen in the US in four decades. Cost-cutting was suddenly off the agenda, and in every speech the president gave, he announced some ambitious new public programme.

But far from shaking their determination to weaken the public sphere, the security failures of 9/11 reaffirmed in Bush and his inner circle their deepest ideological (and self-interested) beliefs - that only private firms possessed the intelligence and innovation to meet the new security challenge. Although it was true that the White House was on the verge of spending huge amounts of taxpayer money to launch a new deal, it would be exclusively with corporate America, a straight-up transfer of hundreds of billions of public dollars a year into private hands. The deal would take the form of contracts, many offered secretively, with no competition and scarcely any

oversight, to a sprawling network of industries: technology, media, communications, incarceration, engineering, education, healthcare.

What happened in the period of mass disorientation after the attacks was, in retrospect, a domestic form of economic shock therapy. The Bush team, Friedmanite to the core, quickly moved to exploit the shock that gripped the nation to push through its radical vision of a hollow government in which everything from war fighting to disaster response was a for-profit venture.

It was a bold evolution of shock therapy. Rather than the 90s approach of selling off existing public companies, the Bush team created a whole new framework for its actions - the war on terror - built to be private from the start. This feat required two stages. First, the White House used the omnipresent sense of peril in the aftermath of 9/11 to dramatically increase the policing, surveillance, detention and war-waging powers of the executive branch - a power-grab that the military historian Andrew Bacevich has termed "a rolling coup". Then those newly enhanced and richly funded functions of security, invasion, occupation and reconstruction were immediately outsourced, handed over to the private sector to perform at a profit.

Although the stated goal was fighting terrorism, the effect was the creation of the disaster capitalism complex - a fully fledged new economy in homeland security, privatised war and disaster reconstruction tasked with nothing less than building and running a privatised security state, both at home and abroad. The economic stimulus of this sweeping initiative proved enough to pick up the slack where globalisation and the dotcom booms had left off. Just as the internet had launched the dotcom bubble, 9/11 launched the disaster capitalism bubble. "When the IT industry shut down, post-bubble, guess who had all the money? The government," said Roger Novak of Novak Biddle Venture Partners, a venture capitalism firm that invests in homeland security companies. Now, he says, "Every fund is seeing how big the trough is and asking, 'How do I get a piece of that action?'"

It was the pinnacle of the counter-revolution launched by Friedman. For decades, the market had been feeding off the appendages of the state; now it would devour the core.

Bizarrely, the most effective ideological tool in this process was the claim that economic ideology was no longer a primary motivator of US foreign or domestic policy. The mantra "September 11 changed everything" neatly disguised the fact that for free-market ideologues and the corporations whose interests they serve, the only thing that changed was the ease with which they could pursue their ambitious agenda. Now the Bush White House could use the patriotic alignment behind the president and the free pass handed out by the press to stop talking and start doing. As the New York Times observed in February 2007, "Without a public debate or formal policy decision, contractors have become a virtual fourth branch of government."

And so, in November 2001, just two months after the attacks, the department of defence brought together what it described as "a small group of venture capitalist consultants" with experience in the dotcom sector. The mission was to identify "emerging technology solutions that directly assist in the US efforts in the global war on terrorism". By early 2006, this informal exchange had become an official arm of

the Pentagon: the Defence Venture Catalyst Initiative (DeVenCI), a "fully operational office" that continually feeds security information to politically connected venture capitalists, who, in turn, scour the private sector for start-ups that can produce new surveillance and related products. "We're a search engine," explains Bob Pohanka, director of DeVenCI. According to the Bush vision, the role of government is merely to raise the money necessary to launch the new war market, then buy the best products that emerge out of that creative cauldron, encouraging industry to even greater innovation. In other words, the politicians create the demand, and the private sector supplies all manner of solutions.

The department of homeland security, as a brand-new arm of the state created by the Bush regime, is the clearest expression of this wholly outsourced mode of government. As Jane Alexander, deputy director of the research wing of the department of homeland security, explained, "We don't make things. If it doesn't come from industry, we are not going to be able to get it."

Another is Counterintelligence Field Activity (Cifa), a new intelligence agency created under Donald Rumsfeld that is independent of the CIA. This parallel spy agency outsources 70% of its budget to private contractors; like the department of homeland security, it was built as a hollow shell. As Ken Minihan, former director of the National Security Agency, explained, "Homeland security is too important to be left to the government." Minihan, like hundreds of other Bush administration staffers, has already left his government post to work in the burgeoning homeland security industry, which, as a top spy, he helped create.

Every aspect of the way the Bush administration has defined the parameters of the war on terror has served to maximise its profitability and sustainability as a market - from the definition of the enemy to the rules of engagement to the ever-expanding scale of the battle. The document that launched the department of homeland security declares, "Today's terrorists can strike at any place, at any time, and with virtually any weapon," which conveniently means that the security services required must protect against every imaginable risk in every conceivable place at every possible time. And it's not necessary to prove that a threat is real for it to merit a full-scale response - not with Cheney's famous "1% doctrine", which justified the invasion of Iraq on the grounds that if there is a 1% chance that something is a threat, it requires that the US respond as if the threat is a 100% certainty. This logic has been a particular boon for the makers of various hi-tech detection devices: for instance, because we can conceive of a smallpox attack, the department of homeland security has handed out half a billion dollars to private companies to develop and install detection equipment.

Through all its various name changes - the war on terror, the war on radical Islam, the war against Islamofascism, the third world war, the long war, the generational war - the basic shape of the conflict has remained unchanged. It is limited by neither time nor space nor target. From a military perspective, these sprawling and amorphous traits make the war on terror an unwinnable proposition. But from an economic perspective, they make it an unbeatable one: not a flash-in-the-pan war that could potentially be won but a new and permanent fixture in the global economic architecture.

That was the business prospectus that the Bush administration put before corporate America after September 11. The revenue stream was a seemingly bottomless supply of tax dollars to be funnelled from the Pentagon (\$270bn in 2005 to private contractors, a \$137bn increase since Bush took office), US intelligence agencies and the newest arrival, the department of homeland security. Between September 11 2001 and 2006, the Department of Homeland Security handed out \$130bn to contractors - money that was not in the private sector before and that is more than the GDP of Chile or the Czech Republic.

In a remarkably short time, the suburbs ringing Washington, DC became dotted with grey buildings housing security "start-ups" and "incubator" companies, hastily thrown together operations where, as in late-90s Silicon Valley, the money came in faster than the furniture could be assembled. Whereas in the 90s the goal was to develop the killer application, the "next new new thing", and sell it to Microsoft or Oracle, now it was to come up with a new "search and nail" terrorist-catching technology and sell it to the department of homeland security or the Pentagon. That is why, in addition to the start-ups and investment funds, the disaster industry also gave birth to an army of new lobby firms promising to hook up new companies with the right people on Capitol Hill - in 2001, there were two such security-oriented lobby firms, but by mid-2006 there were 543. "I've been in private equity since the early 90s," Michael Steed, managing director of the homeland security firm Paladin told Wired, "and I've never seen a sustained deal flow like this."

Like the dotcom bubble, the disaster bubble is inflating in an ad-hoc and chaotic fashion. One of the first booms for the homeland security industry was surveillance cameras, 30m of which have been installed in the US, shooting about 4bn hours of footage a year. That created a problem: who's going to watch 4bn hours of footage? So a new market emerged for "analytic software" that scans the tapes and creates matches with images already on file.

This development created another problem, because facial recognition software can really make positive IDs only if people present themselves front and centre to the cameras, which they rarely do while rushing to and from work. So another market was created for digital image enhancement. Salient Stills, a company that sells software to isolate and enhance video images, started by pitching its technology to media companies, but it turned out that there was more potential revenue from the FBI and other law-enforcement agencies. And with all the snooping going on - phone logs, wire-tapping, financial records, mail, surveillance cameras, web surfing - the government is drowning in data, which has opened up yet another massive market in information management and data mining, as well as software that claims to be able to "connect the dots" in this ocean of words and numbers and pinpoint suspicious activity.

In the 90s, tech companies endlessly trumpeted the wonders of the borderless world and the power of information technology to topple authoritarian regimes and bring down walls. Today, inside the disaster capitalism complex, the tools of the information revolution have been flipped to serve the opposite purpose. In the process, mobile phones and web surfing have been turned into powerful tools of mass state surveillance by increasingly authoritarian regimes, with the cooperation of privatised phone companies and search engines, whether it's Yahoo assisting the

Chinese government to pinpoint the location of dissidents or AT&T helping the US National Security Agency to wiretap its customers without a warrant (a practice that the Bush administration claims it has discontinued). The dismantling of borders, the great symbol and promise of globalisation, has been replaced with the exploding industry of border surveillance, from optical scanning and biometric IDs to the planned hi-tech fence on the border between Mexico and the US, worth up to \$2.5bn for Boeing and a consortium of other companies.

As hi-tech firms have jumped from one bubble to another, the result has been a bizarre merger of security and shopping cultures. Many technologies in use today as part of the war on terror - biometric identification, video surveillance, web tracking, data mining - had been developed by the private sector before September 11 as a way to build detailed customer profiles, opening up new vistas for micromarketing. When widespread discomfort about big-brother technologies stalled many of these initiatives, it caused dismay to both marketers and retailers. September 11 loosened this log jam in the market: suddenly the fear of terror was greater than the fear of living in a surveillance society. So now, the same information collected from cash cards or "loyalty" cards can be sold not only to a travel agency or the Gap as marketing data but also to the FBI as security data, flagging a "suspicious" interest in pay-as-you-go mobile phones and Middle Eastern travel.

As an exuberant article in the business magazine Red Herring explained, one such program "tracks terrorists by figuring out if a name spelled a hundred different ways matches a name in a homeland security database. Take the name Mohammad. The software contains hundreds of possible spellings for the name, and it can search terabytes of data in a second." Impressive, unless they nail the wrong Mohammad, which often seems to happen, from Iraq to Afghanistan to the suburbs of Toronto.

This potential for error is where the incompetence and greed that have been the hallmark of the Bush years, from Iraq to New Orleans, becomes harrowing. One false identification coming out of any of these electronic fishing expeditions is enough for an apolitical family man, who sort of looks like someone whose name sort of sounds like his (at least to someone with no knowledge of Arabic or Muslim culture), to be flagged as a potential terrorist. And the process of putting names and organisations on watch lists is also now handled by private companies, as are the programs to crosscheck the names of travellers with the names in the data bank. As of June 2007, there were half a million names on a list of suspected terrorists kept by the National Counterterrorism Centre. Another program, the Automated Targeting System (ATS), made public in November 2006, has already assigned a "risk assessment" rating to tens of millions of travellers passing through the US. The rating, never disclosed to passengers, is based on suspicious patterns revealed through commercial data mining - for instance, information provided by airlines about "the passenger's history of one-way ticket purchase, seat preferences, frequent-flyer records, number of bags, how they pay for tickets and even what meals they order". Incidents of supposedly suspicious behaviour are tallied up to generate each passenger's risk rating.

Anyone can be blocked from flying, denied an entry visa to the US or even arrested and named as an "enemy combatant" based on evidence from these dubious technologies - a blurry image identified through facial recognition software, a misspelled name, a misunderstood snippet of a conversation. If "enemy combatants"

are not US citizens, they will probably never even know what it was that convicted them, because the Bush administration has stripped them of habeas corpus, the right to see the evidence in court, as well as the right to a fair trial and a vigorous defence.

If the suspect is taken, as a result, to Guantánamo, he may well end up in the new 200-person maximum-security prison constructed by Halliburton. If he is a victim of the CIA's "extraordinary rendition" programme, kidnapped off the streets of Milan or while changing planes at a US airport, then whisked to a so-called black site somewhere in the CIA's archipelago of secret prisons, the hooded prisoner will likely fly in a Boeing 737, designed as a deluxe executive jet, retrofitted for this purpose. According to the New Yorker, Boeing has been acting as the "CIA's travel agent" - blocking out flightplans for as many as 1,245 rendition voyages, arranging ground crews and even booking hotels. A Spanish police report explains that the work was done by Jeppesen International Trip Planning, a Boeing subsidiary in San Jose. In May 2007, the American Civil Liberties Union launched a lawsuit against the Boeing subsidiary; the company has refused to confirm or deny the allegations.

Once the prisoners arrive at the destination, they face interrogators, some of whom will not be employed by the CIA or the military but by private contractors. According to Bill Golden, who runs the job website IntelligenceCareers.com, "Over half of the qualified counter-intelligence experts in the field work for contractors." If these freelance interrogators are to keep landing lucrative contracts, they must extract from prisoners the kind of "actionable intelligence" their employers in Washington are looking for. It's a dynamic ripe for abuse: just as prisoners under torture will usually say anything to make the pain stop, contractors have a powerful economic incentive to use whatever techniques are necessary to produce the sought-after information, regardless of its reliability.

Then there is the low-tech version of this application of market "solutions" to the war on terror - the willingness to pay top dollar to pretty much anyone for information about alleged terrorists. During the invasion of Afghanistan, US intelligence agents let it be known that they would pay anywhere from \$3,000 to \$25,000 for al-Qaida or Taliban fighters handed over to them. "Get wealth and power beyond your dreams," stated a typical flyer handed out by the US in Afghanistan, introduced as evidence in a 2002 US federal court filing on behalf of several Guantánamo prisoners. "You can receive millions of dollars helping the anti-Taliban forces...This is enough money to take care of your family, your village, your tribe for the rest of your life."

Soon enough, the cells of Bagram and Guantánamo were overflowing with goat herders, cab drivers, cooks and shopkeepers - all lethally dangerous, according to the men who turned them over and collected the rewards.

According to the Pentagon's own figures, 86% of the prisoners at Guantánamo were handed over by Afghan and Pakistani fighters or agents after the bounties were announced. As of December 2006, the Pentagon had released 360 prisoners from Guantánamo (out of 759 held between 2001 and the end of 2006). The Associated Press was able to track down 245 of them; 205 had been freed or cleared of all charges when they returned to their home countries. It is a track record that is a grave indictment of the quality of intelligence produced by the administration's market-based approach to terrorist identification.

In just a few years, the homeland security industry, which barely existed before 9/11, has exploded to a size that is now significantly larger than either Hollywood or the music business. Yet what is most striking is how little the security boom is analysed and discussed as an economy, as an unprecedented convergence of unchecked police powers and unchecked capitalism, a merger of the shopping mall and the secret prison. When information about who is or is not a security threat is a product to be sold as readily as information about who buys Harry Potter books on Amazon or who has taken a Caribbean cruise and might enjoy one in Alaska, it changes the values of a culture. Not only does it create an incentive to spy, torture and generate false information, but it creates a powerful impetus to perpetuate the fear and sense of peril that created the industry in the first place.

When new economies emerged in the past, from the Fordist revolution to the IT boom, they sparked a flood of analysis and debate about how such seismic shifts in the production of wealth were also altering the way we as a culture worked, the way we travelled, even the way our brains process information. The new disaster economy has been subject to none of this kind of far-reaching discussion. There have been and are debates, of course - about the constitutionality of the Patriot Act, about indefinite detention, about torture and extraordinary rendition - but discussion of what it means to have these functions performed as commercial transactions has been almost completely avoided. What passes for debate is restricted to individual cases of war profiteering and corruption scandals, as well as the usual hand-wringing about the failure of government to adequately oversee private contractors - rarely about the much broader and deeper phenomenon of what it means to be engaged in a fully privatised war built to have no end.

Part of the problem is that the disaster economy sneaked up on us. In the 80s and 90s, new economies announced themselves with great pride and fanfare. The tech bubble in particular set a precedent for a new ownership class inspiring deafening levels of hype - endless media lifestyle profiles of dashing young CEOs beside their private jets, their remote-controlled yachts, their idyllic Seattle mountain homes. That kind of wealth is being generated by the disaster complex today, though we rarely hear about it. While the CEOs of the top 34 defence contractors saw their incomes go up an average of 108% between 2001 and 2005, chief executives at other large American companies averaged only 6% over the same period.

Peter Swire, who served as the US government's privacy counsellor 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." In other words, you have corporatism: big business and big government combining their formidable powers to regulate and control the citizenry.

• Extracted from *The Shock Doctrine: The Rise of Disaster Capitalism* by Naomi Klein, published by Allen Lane on September 20, priced £25. © Naomi Klein 2007. To order a copy for £23.00 with free UK p&p go to guardian.co.uk/bookshop or call **0870 836 0875**.

• Naomi Klein will be discussing The Shock Doctrine at the Queen Elizabeth Hall, Southbank Centre on Thursday 13 September at 7.30pm.
shockdoctrine.com

Extract Three: The erasing of Iraq

It's a tried-and-tested torture technique: strike fear into your victims, deprive them of cherished essentials and then eradicate their memories. In 2003, the US applied this on an enormous scale for its invasion of Iraq. And then, after Saddam's regime crumbled, Washington set out to rebuild the traumatised country through a disastrous programme of privatisation and unfettered capitalism, as Naomi Klein shows in this exclusive extract from her new book

When the Canadian citizen Maher Arar was grabbed by US agents at JFK airport in 2002 and taken to Syria, a victim of extraordinary rendition, his interrogators engaged in a tried-and-tested torture technique. "They put me on a chair, and one of the men started asking me questions ... If I did not answer quickly enough, he would point to a metal chair in the corner and ask, 'Do you want me to use this?' I was terrified, and I did not want to be tortured. I would say anything to avoid torture." The technique Arar was being subjected to is known as "the showing of the instruments," or, in US military lingo, "fear up". Torturers know that one of their most potent weapons is the prisoner's own imagination - often just showing fearsome instruments is more effective than using them.

As the day of the invasion of Iraq drew closer, US news media outlets were conscripted by the Pentagon to "fear up" Iraq. "They're calling it 'A-Day'," began a report on CBS News that aired two months before the war began. "A as in airstrikes so devastating they would leave Saddam's soldiers unable or unwilling to fight." Viewers were introduced to Harlan Ullman, an author of the Shock and Awe doctrine, who explained that "you have this simultaneous effect, rather like the nuclear weapons at Hiroshima, not taking days or weeks but in minutes". The anchor, Dan Rather, ended the telecast with a disclaimer: "We assure you this report contains no information that the Defense Department thinks could help the Iraqi military." He could have gone further: the report, like so many others in this period, was an integral part of the Department of Defense's strategy - fear up.

Iraqis, who picked up the terrifying reports on contraband satellites or in phone calls from relatives abroad, spent months imagining the horrors of Shock and Awe. The phrase itself became a potent psychological weapon. Would it be worse than 1991? If the Americans really thought Saddam had weapons of mass destruction, would they launch a nuclear attack?

One answer was provided a week before the invasion. The Pentagon invited Washington's military press corps on a special field trip to Eglin Air Force Base in Florida to witness the testing of the Moab, which officially stands for Massive Ordnance Air Blast, but which everyone in the military calls the "Mother of All Bombs". At 21,000lb, it is the largest non-nuclear explosive ever built, able to create, in the words of CNN's Jamie McIntyre, "a 10,000ft-high mushroom-like cloud that looks and feels like a nuclear weapon".

In his report, McIntyre said that even if it was never used, the bomb's very existence "could still pack a psychological wallop" - a tacit acknowledgement of the role he

himself was playing in delivering that wallop. Like prisoners in interrogation cells, Iraqis were being shown the instruments. "The goal is to have the capabilities of the coalition so clear and so obvious that there's an enormous disincentive for the Iraqi military to fight," Secretary of Defense Donald Rumsfeld explained on the same programme.

When the war began, the residents of Baghdad were subjected to sensory deprivation on a mass scale. One by one, the city's sensory inputs were cut off; the ears were the first to go.

On the night of March 28 2003, as US troops drew closer to Baghdad, the ministry of communication was bombed and set ablaze, as were four Baghdad telephone exchanges, with massive bunker-busters, cutting off millions of phones across the city. The targeting of the phone exchanges continued - 12 in total - until, by April 2, there was barely a phone working in all of Baghdad. During the same assault, television and radio transmitters were also hit, making it impossible for families in Baghdad, huddling in their homes, to pick up even a weak signal carrying news of what was going on outside their doors.

Many Iraqis say that the shredding of their phone system was the most psychologically wrenching part of the air attack. The combination of hearing and feeling bombs going off everywhere while being unable to call a few blocks away to find out if loved ones were alive, or to reassure terrified relatives living abroad, was pure torment. Journalists based in Baghdad were swarmed by desperate local residents begging for a few moments with their satellite phones or pressing numbers into the reporters' hands along with pleas to call a brother or an uncle in London or Baltimore. "Tell him everything is OK. Tell him his mother and father are fine. Tell him hello. Tell him not to worry." By then, most pharmacies in Baghdad had sold out of sleeping aids and anti-depressants, and the city was completely cleaned out of Valium.

Next to go were the eyes. "There was no audible explosion, no discernible change in the early-evening bombardments, but in an instant, an entire city of 5 million people was plunged into an awful, endless night," the Guardian reported on April 4. Darkness was "relieved only by the headlights of passing cars". Trapped in their homes, Baghdad's residents could not speak to each other, hear each other or see outside. Like a prisoner destined for a CIA black site, the entire city was shackled and hooded.

Next it was stripped. In hostile interrogations, the first stage of breaking down prisoners is stripping them of their own clothes and any items that have the power to evoke their sense of self - so-called comfort items. Often objects that are of particular value to a prisoner, such as the Qur'an or a cherished photograph, are treated with open disrespect. The message is "You are no one, you are who we want you to be," the essence of dehumanisation. Iraqis went through this unmaking process collectively, as they watched their most important institutions desecrated, their history loaded on to trucks and disappeared.

The bombing badly injured Iraq, but it was the looting, unchecked by occupying troops, that did the most to erase the heart of the country that was.

"The hundreds of looters who smashed ancient ceramics, stripped display cases and pocketed gold and other antiquities from the National Museum of Iraq pillaged nothing less than records of the first human society," reported the Los Angeles Times. "Gone are 80% of the museum's 170,000 priceless objects." The national library, which contained copies of every book and doctoral thesis ever published in Iraq, was a blackened ruin. Thousand-year-old illuminated Qur'ans had disappeared from the Ministry of Religious Affairs, which was left a burned-out shell. "Our national heritage is lost," pronounced a Baghdad high-school teacher. A local merchant said of the museum, "It was the soul of Iraq. If the museum doesn't recover the looted treasures, I will feel like a part of my own soul has been stolen." McGuire Gibson, an archaeologist at the University of Chicago, called it "a lot like a lobotomy. The deep memory of an entire culture, a culture that has continued for thousands of years, has been removed".

Thanks mostly to the efforts of clerics who organised salvage missions in the midst of the looting, a portion of the artefacts has been recovered. But many Iraqis were, and still are, convinced that the memory lobotomy was intentional - part of Washington's plans to excise the strong, rooted nation that was and replace it with their own model. "Baghdad is the mother of Arab culture," 70-year-old Ahmed Abdullah told the Washington Post, "and they want to wipe out our culture."

As the war planners were quick to point out, the looting was done by Iraqis, not foreign troops. And it is true that Rumsfeld did not plan for Iraq to be sacked - but he did not take measures to prevent it from happening either, or to stop it once it had begun. These were failures that cannot be dismissed as mere oversights.

During the 1991 Gulf war, 13 Iraqi museums were attacked by looters, so there was every reason to believe that poverty, anger at the old regime and the general atmosphere of chaos would prompt some Iraqis to respond in the same way (especially given that Saddam had emptied the prisons several months earlier). The Pentagon had been warned by leading archaeologists that it needed to have an airtight strategy to protect museums and libraries before any attack, and a March 26 Pentagon memo to coalition command listed "in order of importance, 16 sites that were crucial to protect in Baghdad". Second on the list was the museum. Other warnings had urged Rumsfeld to send an international police contingent in with the troops to maintain public order -another suggestion that was ignored.

Even without the police, however, there were enough US soldiers in Baghdad for a few to be dispatched to the key cultural sites, but they weren't sent. There are numerous reports of US soldiers hanging out by their armoured vehicles and watching as trucks loaded with loot drove by - a reflection of the "stuff happens" indifference coming straight from Rumsfeld. Some units took it upon themselves to stop the looting, but in other instances, soldiers joined in. The Baghdad International Airport was completely trashed by soldiers who, according to Time, smashed furniture and then moved on to the commercial jets on the runway: "US soldiers looking for comfortable seats and souvenirs ripped out many of the planes' fittings, slashed seats, damaged cockpit equipment and popped out every windshield." The result was an estimated \$100m worth of damage to Iraq's national airline - which was one of the first assets to be put on the auction block in an early and contentious partial privatisation.

Some insight into why there was so little official interest in stopping the looting has since been provided by two men who played pivotal roles in the occupation - Peter McPherson, the senior economic adviser to Paul Bremer, and John Agresto, director of higher education reconstruction for the occupation. McPherson said that when he saw Iraqis taking state property - cars, buses, ministry equipment - it didn't bother him. His job, as Iraq's top economic shock therapist, was to radically downsize the state and privatise its assets, which meant that the looters were really just giving him a jump-start. "I thought the privatisation that occurs sort of naturally when somebody took over their state vehicle, or began to drive a truck that the state used to own, was just fine," he said. A veteran bureaucrat of the Reagan administration and a firm believer in Chicago School economics, McPherson termed the pillage a form of public-sector "shrinkage".

His colleague John Agresto also saw a silver lining as he watched the looting of Baghdad on TV. He envisioned his job - "a never-to-be-repeated adventure" - as the remaking of Iraq's system of higher education from scratch. In that context, the stripping of the universities and the education ministry was, he explained, "the opportunity for a clean start," a chance to give Iraq's schools "the best modern equipment". If the mission was "nation creating," as so many clearly believed it to be, then everything that remained of the old country was only going to get in the way. Agresto was the former president of St John's College in New Mexico, which specialises in a Great Books curriculum [which emphasises an education based on broad reading]. He explained that although he knew nothing of Iraq, he had refrained from reading books about the country before making the trip so that he would arrive "with as open a mind as I could have". Like Iraq's colleges, Agresto would be a blank slate.

If Agresto had read a book or two, he might have thought twice about the need to erase everything and start all over again. He could have learned, for instance, that before the sanctions strangled the country, Iraq had the best education system in the region, with the highest literacy rates in the Arab world - in 1985, 89% of Iraqis were literate. By contrast, in Agresto's home state of New Mexico, 46% of the population is functionally illiterate, and 20% are unable to do "basic math[s] to determine the total on a sales receipt". Yet Agresto was so convinced of the superiority of American systems that he seemed unable to entertain the possibility that Iraqis might want to salvage and protect their own culture and that they might feel its destruction as a wrenching loss.

This neo-colonialist blindness is a running theme in the war on terror. At the US-run prison at Guantánamo Bay, there is a room known as "the love shack". Detainees are taken there after their captors have decided they are not enemy combatants and will soon be released. Inside the love shack, prisoners are allowed to watch Hollywood movies and are plied with American junk food. Asif Iqbal, one of three British detainees known as the "Tipton Three," was permitted several visits there before he and his two friends were finally sent home. "We would get to watch DVDs, eat McDonald's, eat Pizza Hut and basically chill out. We were not shackled in this area ... We had no idea why they were being like that to us. The rest of the week we were back in the cages as usual ... On one occasion Lesley [an FBI official] brought Pringles, ice cream and chocolates; this was the final Sunday before we came back to England." His friend Ruhel Ahmed speculated that the special treatment "was

because they knew they had messed us about and tortured us for two and half years and they hoped we would forget it".

Ahmed and Iqbal had been grabbed by the Northern Alliance while visiting Afghanistan on their way to a wedding. They had been violently beaten, injected with unidentified drugs, put in stress positions for hours, sleep deprived, forcibly shaven and denied all legal rights for 29 months. And yet they were supposed to "forget it" in the face of the overwhelming allure of Pringles. That was actually the plan.

It's hard to believe - but then again, that was pretty much Washington's game plan for Iraq: shock and terrorise the entire country, deliberately ruin its infrastructure, do nothing while its culture and history are ransacked, then make it all OK with an unlimited supply of cheap household appliances and imported junk food. In Iraq, this cycle of culture erasing and culture replacing was not theoretical; it all unfolded in a matter of weeks.

Paul Bremer, appointed by Bush to serve as director of the occupation authority in Iraq, admits that when he first arrived in Baghdad, the looting was still going strong and order was far from restored. "Baghdad was on fire, literally, as I drove in from the airport. There was no traffic on the streets; there was no electricity anywhere; no oil production; no economic activity; there wasn't a single policeman on duty anywhere." And yet his solution to this crisis was to immediately fling open the country's borders to absolutely unrestricted imports: no tariffs, no duties, no inspections, no taxes. Iraq, Bremer declared two weeks after he arrived, was "open for business". Overnight, Iraq went from being one of the most isolated countries in the world, sealed off from the most basic trade by strict UN sanctions, to becoming the widest-open market anywhere.

While the pickup trucks stuffed with loot were still being driven to buyers in Jordan, Syria and Iran, passing them in the opposite direction were convoys of flatbeds piled high with Chinese TVs, Hollywood DVDs and Jordanian satellite dishes, ready to be unloaded on the sidewalks of Baghdad's Karada district. Just as one culture was being burned and stripped for parts, another was pouring in, prepackaged, to replace it.

One of the US businesses ready and waiting to be the gateway to this experiment in frontier capitalism was New Bridge Strategies, started by Joe Allbaugh, Bush's ex-head of Fema [Federal Emergency Management Agency]. It promised to use its top-level political connections to help US multinationals land a piece of the action in Iraq. "Getting the rights to distribute Procter & Gamble products would be a gold mine," one of the company's partners enthused. "One well-stocked 7-Eleven could knock out 30 Iraqi stores; a Wal-Mart could take over the country."

Like the prisoners in Guantánamo's love shack, all of Iraq was going to be bought off with Pringles and pop culture - that, at least, was the Bush administration's idea of a postwar plan.

Ewen Cameron was a psychiatrist who performed CIA-funded experiments on the effects of electric shock and sensory deprivation on patients, without their knowledge, in the 1950s. When I was researching what he did I came across an observation made by one of his colleagues, a psychiatrist named Fred Lowy. "The Freudians had

developed all these subtle methods of peeling the onion to get at the heart of the problem," he said. "Cameron wanted to drill right through and to hell with the layers. But, as we later discovered, the layers are all there is." Cameron thought he could blast away all his patients' layers and start again; he dreamed of creating brand-new personalities. But his patients weren't reborn: they were confused, injured, broken.

Iraq's shock therapists blasted away at the layers too, seeking that elusive blank slate on which to create their new model country. They found only the piles of rubble that they themselves had created, and millions of psychologically and physically shattered people - shattered by Saddam, shattered by war, shattered by one another. Bush's in-house disaster capitalists didn't wipe Iraq clean, they just stirred it up. Rather than a tabula rasa, purified of history, they found ancient feuds, brought to the surface to merge with fresh vendettas from each new attack - on a mosque in Karbala, in Samarra, on a market, a ministry, a hospital. Countries, like people, don't reboot to zero with a good shock; they just break and keep on breaking.

Which, of course, requires more blasting - upping the dosage, holding down the button longer, more pain, more bombs, more torture. Former deputy secretary of state Richard Armitage, who had predicted that Iraqis would be easily marshalled from A to B, has since concluded that the real problem was that the US was too soft. "The humane way in which the coalition fought the war," he said, "actually has led to a situation where it is more difficult to get people to come together, not less. In Germany and Japan [after the second world war], the population was exhausted and deeply shocked by what had happened, but in Iraq it's been the opposite. A very rapid victory over enemy forces has meant we've not had the cowed population we had in Japan and Germany ... The US is dealing with an Iraqi population that is un-shocked and un-awed." By January 2007, Bush and his advisers were still convinced that they could gain control of Iraq with one good "surge". The report on which the surge strategy was based aimed for "the successful clearing of central Baghdad".

In the 70s, when the corporatist crusade began, it used tactics that courts ruled were overtly genocidal: the deliberate erasure of a segment of the population. In Iraq, something even more monstrous has happened - the erasure not of a segment of the population, but of an entire country; Iraq is disappearing, disintegrating. It began, as it often does, with the disappearance of women behind veils and doors, then the children disappeared from the schools - as of 2006, two-thirds of them stayed home. Next came the professionals: doctors, professors, entrepreneurs, scientists, pharmacists, judges, lawyers. An estimated 300 Iraqi academics have been assassinated by death squads since the US invasion, including several deans of departments; thousands more have fled. Doctors have fared even worse: by February 2007, an estimated 2,000 had been killed and 12,000 had fled. In November 2006, the UN High Commission for Refugees estimated that 3,000 Iraqis were fleeing the country every day. By April 2007, the organisation reported that 4 million people had been forced to leave their homes - roughly one in seven Iraqis. Only a few hundred of those refugees had been welcomed into the United States.

With Iraqi industry all but collapsed, one of the only local businesses booming is kidnapping. Over just three and a half months in early 2006, nearly 20,000 people were kidnapped in Iraq. The only time the international media pays attention is when a westerner is taken, but the vast majority of abductions are Iraqi professionals,

grabbed as they travel to and from work. Their families either come up with tens of thousands in US dollars for the ransom money or identify their bodies at the morgue. Torture has also emerged as a thriving industry. Human rights groups have documented numerous cases of Iraqi police demanding thousands of dollars from the families of prisoners in exchange for a halt to torture. It is Iraq's own domestic version of disaster capitalism.

This was not what the Bush administration intended for Iraq when it was selected as the model nation for the rest of the Arab world. The occupation had begun with cheerful talk of clean slates and fresh starts. It didn't take long, however, for the quest for cleanliness to slip into talk into "pulling Islamism up from the root" in Sadr City or Najaf and removing "the cancer of radical Islam" from Fallujah and Ramadi - what was not clean would be scrubbed out by force.

That is what happens with projects to build model societies in other people's countries. The cleansing campaigns are rarely premeditated. It is only when the people who live on the land refuse to abandon their past that the dream of the clean slate morphs into its doppelgänger, the scorched earth - only then that the dream of total creation morphs into a campaign of total destruction.

The unanticipated violence that now engulfs Iraq is the creation of the lethally optimistic architects of the war - it was preordained in that original seemingly innocuous, even idealistic phrase, "a model for a new Middle East". The disintegration of Iraq has its roots in the ideology that demanded a tabula rasa on which to write its new story. And when no such pristine tableau presented itself, the supporter of that ideology proceeded to blast and surge and blast again in the hope of reaching that promised land.

• Extracted from: *The Shock Doctrine: The Rise of Disaster Capitalism* by Naomi Klein, published by Allen Lane on September 20,

Extract Four: Why failure is the new face of success

It may have been the military that invaded but, with Iraq completely dismantled, the reconstruction was to be the preserve of US corporations ... Thus was born 'disaster capitalism', where oil companies profit from a broken country and private security firms grow rich on political chaos, says Naomi Klein in this final extract from her new book



A Burger King in al-Asad air base, 100 miles west of Baghdad. Photograph: Charles J Hanley/AP

On my flight leaving Baghdad, every seat was filled by a foreign contractor fleeing the violence. It was April 2004, and both Falluja and Najaf were under siege; 1,500 contractors pulled out of Iraq that week alone. Many more would follow. At the time, I was convinced that we were seeing the first full-blown defeat of the corporatist crusade. Iraq had been blasted with every shock weapon short of a nuclear bomb, and yet nothing could subdue this country. The experiment, clearly, had failed.

Now I am not sure. On one level, there is no question that parts of the project were a disaster. US chief envoy Paul Bremer was sent to Iraq to build a corporate utopia; instead, Iraq became a ghoulish dystopia where going to a simple business meeting could get you lynched, burned alive or beheaded. By May 2007, more than 900 contractors had been reported killed and "more than 12,000 wounded in battle or injured on the job", according to a New York Times analysis. The investors Bremer had done so much to attract had never showed up - neither HSBC, nor Procter & Gamble, which put its joint venture on hold, as did General Motors. New Bridge Strategies, the company that had gushed about how "a Wal-Mart could take over the country", conceded that "McDonald's is not opening any time soon". Bechtel's reconstruction contracts did not roll easily into long-term contracts to run the water and electricity systems. And by late 2006, the privatised reconstruction efforts that were at the centre of the "anti-Marshall Plan" [by which western corporations would remake Iraq in their own image rather than help Iraqis rebuild their own economy, as the US did in Germany after the second world war], had almost all been abandoned. And some rather dramatic policy reversals were in evidence.

Stuart Bowen, US special inspector general for the reconstruction of Iraq, reported that in the few cases where contracts were awarded directly to Iraqi firms, "it was

more efficient and cheaper. And it has energised the economy because it puts the Iraqis to work". It turns out that funding Iraqis to rebuild their own country is more efficient than hiring lumbering multinationals who don't know the country or the language, surround themselves with \$900- a-day mercenaries and spend as much as 55% of their contract budgets on overhead. Jon C Bowersox, who worked as the health adviser at the US embassy in Baghdad, offered this radical observation: the problem with Iraq's reconstruction, he said, was its desire to build everything from scratch. "We could have gone in and done low-cost rehabs, and not tried to transform their health-care system in two years."

An even more dramatic about-turn came from the Pentagon. In December 2006, it announced a new project to get Iraq's state-owned factories up and running - the same ones that Bremer had refused to supply with emergency generators because they were Stalinist throwbacks. Now the Pentagon realised that instead of buying cement and machine parts from Jordan and Kuwait, it could be purchasing them from languishing Iraqi factories, putting tens of thousands to work and sending revenue to surrounding communities. Paul Brinkley, US deputy under-secretary of defense for business transformation in Iraq, said, "We've looked at some of these factories more closely and found they aren't quite the rundown Soviet-era enterprises we thought they were", though he did admit that some of his colleagues had begun calling him a Stalinist.

Lieutenant General Peter W Chiarelli, the top US field commander in Iraq, explained that "we need to put the angry young men to work A relatively small decrease in unemployment would have a very serious effect on the level of sectarian killing going on." He couldn't help adding, "I find it unbelievable after four years that we haven't come to that realisation ...To me, it's huge. It's as important as just about any other part of the campaign plan."

Do these about-turns signal the death of disaster capitalism? Hardly. By the time US officials came to the realisation that they didn't need to rebuild a shiny new country from scratch, that it was more important to provide Iraqis with jobs and for their industry to share in the billions raised for reconstruction, the money that would have financed such an undertaking had already been spent.

Meanwhile, in the midst of the wave of neo-Keynesian epiphanies, Iraq was hit with the boldest attempt at crisis exploitation yet. In December 2006, the bipartisan Iraq Study Group fronted by James Baker issued its long-awaited report. It called for the US to "assist Iraqi leaders to reorganise the national oil industry as a commercial enterprise" and to "encourage investment in Iraq's oil sector by the international community and by international energy companies."

Most of the Iraq Study Group's recommendations were ignored by the White House, but not this one: the Bush administration immediately pushed ahead by helping to draft a radical new oil law for Iraq, which would allow companies such as Shell and BP to sign 30-year contracts in which they could keep a large share of Iraq's oil profits, amounting to tens or even hundreds of billions of dollars - unheard of in countries with as much easily accessible oil as Iraq, and a sentence to perpetual poverty in a country where 95% of government revenues come from oil. This was a proposal so wildly unpopular that even Bremer had not dared make it in the first year of occupation. Yet it was coming up now, thanks to deepening chaos. Explaining why

it was justified for such a large percentage of the profits to leave Iraq, the oil companies cited the security risks. In other words, it was the disaster that made the proposed radical law possible.

Washington's timing was extremely revealing. At the point when the law was pushed forward, Iraq was facing its most profound crisis to date: the country was being torn apart by sectarian conflict with an average of 1,000 Iraqis killed every week. Saddam Hussein had just been put to death in a depraved and provocative episode. Simultaneously, Bush was unleashing his "surge" of troops in Iraq, operating with "less restricted" rules of engagement. Iraq in this period was far too volatile for the oil giants to make major investments, so there was no pressing need for a new law - except to use the chaos to bypass a public debate on the most contentious issue facing the country. Many elected Iraqi legislators said they had no idea that a new law was even being drafted, and had certainly not been included in shaping its outcome. Greg Muttitt, a researcher with the oil-watch group Platform, reported: "I was recently at a meeting of Iraqi MPs and asked them how many of them had seen the law. Out of 20, only one MP had seen it." According to Muttitt, if the law was passed, Iraqis "would lose out massively because they don't have the capacity at the moment to strike a good deal".

Iraq's main labour unions declared that "the privatisation of oil is a red line that may not be crossed" and, in a joint statement, condemned the law as an attempt to seize Iraq's "energy resources at a time when the Iraqi people are seeking to determine their own future while still under conditions of occupation". The law that was finally adopted by Iraq's cabinet in February 2007 was even worse than anticipated: it placed no limits on the amount of profits that foreign companies can take from the country and placed no specific requirements about how much or little foreign investors would partner with Iraqi companies or hire Iraqis to work in the oil fields.

Most brazenly, it excluded Iraq's elected parliamentarians from having any say in the terms for future oil contracts. Instead, it created a new body, the Federal Oil and Gas Council, which, according to the New York Times, would be advised by "a panel of oil experts from inside and outside Iraq". This unelected body, advised by unspecified foreigners, would have ultimate decision-making power on all oil matters, with the full authority to decide which contracts Iraq did and did not sign. In effect, the law called for Iraq's publicly owned oil reserves, the country's main source of revenues, to be exempted from democratic control and run instead by a powerful, wealthy oil dictatorship, which would exist alongside Iraq's broken and ineffective government.

It is hard to overstate the disgrace of this attempted resource grab. Iraq's oil profits are the country's only hope of financing its own reconstruction when some semblance of peace returns. To lay claim to that future wealth in a moment of national disintegration was disaster capitalism at its most shameless.

There was another, little discussed, consequence of the chaos in Iraq: the longer it wore on, the more privatised the foreign presence became, ultimately forging a new paradigm for the way wars are fought and how human catastrophes are responded to.

This is where the ideology of radical privitisation at the heart of the anti-Marshall Plan paid off handsomely. The Bush administration's steadfast refusal to staff the war

in Iraq - whether with troops or with civilian administrators under its control - had some very clear benefits for its other war, the one to outsource the US government. This crusade, while it ceased to be the subject of the administration's public rhetoric, has remained a driving obsession behind the scenes, and it has been far more successful than all the administration's more public battles combined.

Because Rumsfeld designed the war as a just-in-time invasion, with soldiers there to provide only core combat functions, and because he eliminated 55,000 jobs in the Department of Defense and the Department of Veterans Affairs in the first year of the Iraq deployment, the private sector was left to fill in the gaps at every level. In practice, what this configuration meant was that, as Iraq spiralled into turmoil, an ever-more elaborate privatised war industry took shape to prop up the bare-bones army - whether on the ground in Iraq or back home treating soldiers at the Walter Reed Medical Centre in Washington.

Since Rumsfeld steadfastly rejected all solutions that required increasing the size of the army, the military had to find ways to get more soldiers into combat roles. Private security companies flooded into Iraq to perform functions that had previously been done by soldiers - providing security for top officials, guarding bases, escorting other contractors. Once they were there, their roles expanded further in response to the chaos. Blackwater's original contract in Iraq was to provide private security for Bremer, but a year into the occupation, it was engaging in all-out street combat. During the April 2004 uprising of Moqtada al-Sadr's rebel movement in Najaf, Blackwater actually assumed command over active-duty US marines in a day-long battle with the Mahdi Army, during which dozens of Iraqis were killed.

At the start of the occupation, there were an estimated 10,000 private soldiers in Iraq, already far more than during the first Gulf war. Three years later, a report by the US Government Accountability Office found that there were 48,000 private soldiers, from around the world, deployed in Iraq. Mercenaries represented the largest contingent of soldiers after the US military - more than all the other members of the "Coalition of the Willing" combined. The "Baghdad boom", as it was called in the financial press, took what was a frowned-upon, shadowy sector and fully incorporated it into the US and British war-fighting machines. Blackwater hired aggressive Washington lobbyists to erase the word "mercenary" from the public vocabulary and turn its company into an all-American brand. According to its CEO, Erik Prince, "This goes back to our corporate mantra: We're trying to do for the national security apparatus what FedEx did for the postal service."

When the war moved inside the jails, the military was so short of trained interrogators and Arabic translators that it could not get information out of its new prisoners. Desperate for more interrogators and translators, it turned to the defence contractor CACI International Inc. In its original contract, CACI's role in Iraq was to provide information technology services to the military, but the wording of the work order was vague enough that "information technology" could be stretched to mean interrogation. The flexibility was intentional: CACI is part of a new breed of contractor that acts as a temp agency for the federal government - it has ongoing, loosely worded contracts and keeps large numbers of potential workers on call, ready to fill whatever positions come up. Calling in CACI, whose workers did not need to meet the rigorous training and security clearances required of government employees,

was as easy as ordering new office supplies; dozens of new interrogators arrived in a flash.

The corporation that gained most from the chaos was Halliburton. Before the invasion, it had been awarded a contract to put out oil fires set by Saddam's retreating armies. When those fires did not materialise, Halliburton's contract was stretched to include a new function: providing fuel for the entire nation, a job so big that "it bought up every available tanker truck in Kuwait, and imported hundreds more". In the name of freeing up soldiers for the battlefield, Halliburton took on dozens more of the army's traditional functions, including maintaining army vehicles and radios.

Even recruiting, long since seen as the job of soldiers, rapidly became a for-profit business as the war wore on. By 2006, new soldiers were being recruited by private headhunting firms such as Serco, or a division of the weapons giant L-3 Communications. The private recruiters, many of whom had never served in the military, were paid bonuses every time they signed up a soldier. One company spokesperson bragged, "If you want to eat steak, you have to put people in the army." Rumsfeld's reign also fuelled a boom in outsourced training: companies such as Cubic Defense Applications and Blackwater ran soldiers through live combat training and war games, bringing them to privately owned training facilities, where they practised house-to-house combat in simulated villages.

And thanks to Rumsfeld's privatisation obsession (as he first suggested in his speech on September 10 2001), when soldiers came home sick or suffering from post-traumatic stress, they were treated by private health care companies for whom the trauma-heavy war in Iraq generated windfall profits. One of these companies, Health Net, became the seventh-strongest performer in the Fortune 500 in 2005, owing largely to the number of traumatised soldiers returning from Iraq. Another was IAP Worldwide Services Inc, which won the contract to take over many of the services at the Walter Reed military hospital.

The greatly expanded role of private companies was never openly debated as a question of policy (much in the way Iraq's proposed oil law suddenly materialised). Rumsfeld did not have to engage in pitched battles with federal employees' unions or high-ranking generals. Instead, it all just happened on the fly in the field, in what the military describes as "mission creep". The longer the war wore on, the more it became a privatised war, and soon enough, this was simply the new way of war. Crisis was the enabler of the boom, just as it had been for so many before.

The numbers tell the dramatic story of corporate mission creep. During the first Gulf war in 1991, there was one contractor for every 100 soldiers. At the start of the 2003 Iraq invasion, the ratio had jumped to one contractor for every 10 soldiers. Three years into the US occupation, the ratio had reached 1:3. Less than a year later, with the occupation approaching its fourth year, there was one contractor for every 1.4 US soldiers. But that figure includes only contractors working directly for the US government, not for other coalition partners or the Iraqi government, and it does not account for the contractors based in Kuwait and Jordan who had farmed out their jobs to subcontractors.

British soldiers in Iraq are already far outnumbered by their countrymen working for private security firms at a ratio of 3:1.

When Tony Blair announced in February 2007 that he was pulling 1,600 soldiers out of Iraq, the press reported instantly that "civil servants hope 'mercenaries' can help fill the gap left behind", with the companies paid directly by the British government. At the same time, the Associated Press put the number of contractors in Iraq at 120,000, almost equivalent to the number of US troops. In scale, this kind of privatised warfare has already overshadowed the United Nations. The UN's budget for peacekeeping in 2006-2007 was \$5.25bn (£2.6bn) -that is less than a quarter of the \$20bn (£9.8bn) Halliburton got in Iraq contracts, and the latest estimates are that the mercenary industry alone is worth \$4bn (£2bn).

So while the reconstruction of Iraq was certainly a failure for Iraqis and for US taxpayers, it has been anything but for the disaster capitalism complex. Made possible by the September 11 attacks, the war in Iraq represented nothing less than the violent birth of a new economy. This was the genius of Rumsfeld's "transformation" plan: since every possible aspect of both destruction and reconstruction has been outsourced and privatised, there is an economic boom when the bombs start falling, when they stop and when they start up again - a closed profit-loop of destruction and reconstruction, of tearing down and building up. For companies that are clever and far-sighted, such as Halliburton and the Carlyle Group, the destroyers and rebuilders are different divisions of the same corporations.

The Bush administration has taken several important and little-examined measures to institutionalise the privatised warfare model forged in Iraq, making it a permanent fixture of foreign policy. In July 2006, Bowen, the inspector general for Iraq reconstruction, issued a report on "lessons learned" from the various contractor debacles. It concluded that the problems stemmed from insufficient planning and called for the creation of "a deployable reserve corps of contracting personnel who are trained to execute rapid relief and reconstruction contracting during contingency operations" and to "pre-qualify a diverse pool of contractors with expertise in specialised reconstruction areas" - in other words, a standing contractor army. In his 2007 State of the Union address, Bush championed the idea, announcing the creation of a brand-new civilian reserve corps. "Such a corps would function much like our military reserve. It would ease the burden on the armed forces by allowing us to hire civilians with critical skills to serve on missions abroad when America needs them," he said. "It would give people across America who do not wear the uniform a chance to serve in the defining struggle of our time."

A year and half into the Iraq occupation, the US State Department launched a new branch: the Office of Reconstruction and Stabilization. On any given day, it is paying private contractors to draw up detailed plans to reconstruct 25 different countries that may, for one reason or another, find themselves the target of US-sponsored destruction, from Venezuela to Iran. Corporations and consultants are lined up on "pre-signed contracts" so that they are ready to leap into action as soon as disaster strikes. For the Bush administration, it was a natural evolution: after claiming it had a right to cause unlimited pre-emptive destruction, it then pioneered pre-emptive reconstruction - rebuilding places that have not yet been destroyed.

So in the end, the war in Iraq did create a model economy - it was just not the "tiger on the Tigris" that the neo-cons had advertised. Instead, it was a model for privatised war and reconstruction - a model that quickly became export-ready. Until Iraq, the frontiers of the Chicago crusade had been bound by geography: Russia, Argentina, South Korea. Now a new frontier can open up wherever the next disaster strikes.

Links

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Naomi Klein's homepage: naomiklein.org/shock-doctrine