# A superficial analysis of global capitalism—Part 1

## The Shock Doctrine: The Rise of Disaster Capitalism by Naomi Klein, Allen Lane: 2007

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*This is the first of a two-part review of Naomi Klein's* The Shock Doctrine: The Rise of Disaster Capitalism. Part two *will be posted on February 28.*

Since its release last September, Naomi Klein's latest book has been climbing best seller lists around the world. This response is the product, not merely of an undoubtedly well-organised promotional campaign along with significant exposure in the mass media, but of a significant shift to the left in broad sections of the world's population.

In every country there is widening and deepening hostility to the free market program that has prevailed over the past two decades, and growing opposition to the official political establishment that has promoted it.

According to Klein, her 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 markets go hand in hand with democracy. Instead, I will show that this fundamental form of capitalism has consistently been midwifed by the most brutal forms of coercion" [p. 18].

This theme has undoubtedly struck a chord. But escalating opposition to the prevailing order inevitably raises the question: What is to be done? How can anger at the depredations of the "free market" be translated into an alternative program?

Herein lies the political significance of Klein's book. Her central argument is that it is not necessary to overturn the capitalist profit system—indeed that would represent simply another version of the "fundamentalism" that characterises "free market doctrines". On the contrary, another way can be found, based on returning to the so-called Keynesian measures—government intervention and regulation—that were employed during the post-World War II boom.

"I am not arguing that all forms of market systems are inherently violent," she writes in the introduction. "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 is possible to require corporations to pay decent wages, to respect the rights 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 round 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" [p. 20].

Just as Keynes saw himself as a saviour of capitalism—he famously advised President Roosevelt in 1933 to take up his policies lest "orthodoxy" (the free market) and revolution "fight it out"—so Klein's critique is not aimed at overturning the capitalist profit system. Like Keynes, she wants to save it from itself, by curbing its worst excesses.

Klein, of course, has the right to adopt any political stand she chooses. But her opposition to Marxism and its method of analysis means that she continually holds back from a deeper analysis of the global economy, lest it raise questions that would challenge her political standpoint, and the social interests it represents.

Klein begins by pointing to what she maintains is contemporary capitalism's "core tactical nostrum"—what she calls the "shock doctrine", as articulated by Milton Friedman. Friedman 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" [p. 6].

But Klein can provide no real explanation as to how the "free market" doctrines of Friedman and his Chicago School, regarded as the writings of near-cranks in the 1950s and 1960s, were elevated in the 1970s, leading to Friedman being awarded the Nobel Prize for Economics in 1976.

For Klein, the application of Friedman's shock doctrines is the outcome of a 50-year campaign for total corporate liberation. "Though always cloaked in the language of math and science, Friedman's vision coincided precisely with the interests of large multinationals, which by nature hungered for vast new unregulated markets" [p. 57].

In fact, this is far from the case. During the war, and in its immediate aftermath, there was a significant shift by large sections of big business towards supporting government intervention and economic regulation. Not only did they accommodate themselves to regulatory mechanisms, they often played a key role in setting them up.

The attitude of key sections of American business was summed up in a speech by William Benton, founder of a business lobby group, the Committee for Economic Development (CED), delivered in 1949:

"The historic attitude of business has been to use government if it could, and abuse it if it couldn't. Philosophically, business was committed to the doctrine that, 'the government is best which governs least.' The emerging CED attitude has been that 'government has a *positive* and *permanent* role in achieving the common objectives of high employment and production and high and rising standards of living for people in all walks of life.' ... The greatest single achievement of CED ... may turn out to be the clarification it has been developing on the role of government in the economy. ... This is our present answer to the European brands of socialism. Long may it thrive" [cited in Robert M. Collins, *The Business Response to Keynes, 1929-1964*, Columbia University Press, 1981, p. 206].

Twenty years later, Nixon summed up the attitude of large sections of the corporate elite with his famous remark that "we're all Keynesians now." As far as Friedman was concerned, however, Nixon had carried out "socialist" measures.

Furthermore, even if it were the case that the imposition of Friedmanite measures was the culmination of a 50-year corporate campaign, one would still have to explain why this campaign was successful. One would need to detail the changes in the economic situation that rendered yesterday's "crank" writings today's official wisdom.

Klein does not provide such an explanation because it would make all too clear that the rise of "Friedmanism" was associated with objective processes within the capitalist economy, leading to the end of the post-war boom and the world economic crisis of the 1970s—processes that Keynesian measures proved incapable of reversing.

**The "free market" and state repression**

The economic boom following World War II was not the product of Keynesian measures but of the restructuring of the world economy organised by the United States, especially via the Marshall Plan. This restructuring made possible the extension to the rest of the world of the more productive methods associated with assembly-line production that had been developed in the United States. It engendered an increase in the rate of profit throughout the world capitalist economy, which became the primary factor leading to the boom, making possible the increased wages and social concessions of this period. In other words, Keynesian measures were the product, not the cause, of the post-war boom.

That is why, when profit rates began to turn down by the end of the 1960s and early 1970s, Keynesian measures were unable to restore the previous expansion. In fact, rather than alleviating economic problems, these policies, based on increased public spending, tended to exacerbate them.

Under condition where profits were falling, Keynesian reflationary measures saw major corporations increase their prices to try to counter the trend, rather than increasing output and employment, leading to "stagflation"—the combination of high and persistent unemployment and high levels of price inflation.

As a consequence, the application of Keynesian measures played a not inconsiderable role in providing the social base in sections of the middle class upon which Thatcher and Reagan—two of the chief proponents of the "free market"—based their respective successful election campaigns of 1979 and 1980.

Throughout her book, Klein establishes the connection between the imposition of the "free market" agenda and the use of violent methods of state repression, from Latin America, to China and the shock of the Tiananmen Square massacre, to Boris Yeltsin's decision to use tanks to fire on the parliament building in 1993, and to the NATO attack on Belgrade in 1999.

In the case of Latin America, where the Freidman agenda was first imposed in the 1970s, Klein emphasises the relationship between state violence and the economic agenda it served by criticising the human rights lobby for its refusal to examine the reasons behind the repression it was denouncing.

Acts of terror in Chile and Argentina were framed narrowly as "human rights abuses" rather than as "tools which served clear political and economic ends". "[B]y by focusing purely on the crimes and not on the reasons behind them, the human rights movement also helped the Chicago School ideology to escape from the first bloody laboratory virtually unscathed."

Amnesty International's report on Argentina, detailing the military junta's atrocities, was "a breakthrough worthy of its Nobel Prize. Yet for all its thoroughness, the report sheds no light on why the abuses were occurring." The 92-page report made "no mention of the fact that the junta was in the process of remaking the country along radical capitalist lines. It offered no comment on the deepening poverty or the dramatic reversal of programs to redistribute wealth, though these were the policy centerpieces of junta rule."

If the junta's economic project had been examined, she continues, it would have been clear why such extraordinary repression was necessary and why so many of Amnesty's prisoners of conscience were trade unionists and social workers.

"In another major omission, Amnesty presented the conflict as one restricted to the local military and left-wing extremists. No other players are mentioned—not the US government or the CIA; not local landowners; not multinational corporations. Without an examination of the larger plan to impose 'pure' capitalism on Latin America, and the powerful interests behind that project, the acts of sadism documented in the report made no sense at all—they were just random, free-floating bad events, drifting in the political ether, to be condemned by all people of conscience but impossible to understand" [pp.118-120].

These points are well made. But they can be extended to Klein herself. She goes further than Amnesty, but like the human rights organisation calls a halt right at the point where further investigation should begin. If the acts of violence were not random events but were bound up with a definite economic agenda, then the question immediately arises: why then, in the mid 1970s? Why not earlier?

Klein does not choose to even pose the question, let alone probe the connection between the crisis of the world capitalist economy that erupted in the 1970s, the end of the post-war boom and the breakdown of the Keynesian program of economic reforms. And yet the connection is clearly visible. In September 1976, as the junta's repression was being unleashed in Argentina and Milton Friedman was receiving the Nobel Prize, British Prime Minister James Callaghan was explaining to the Labour Party that the days of Keynesian spending to boost the economy were over.

According to Klein, the refusal of the human rights lobby to "connect the apparatus of state terror to the ideological project it served" can be seen, in the case of Amnesty, as an attempt to "remain impartial amid Cold War tensions". In the case of many other groups it was a question of money, given the significance of the Ford Foundation in providing funds for human rights organisations.

One is obliged, however, to pose the same question in relation to Klein: why does she refuse to examine the underlying processes of the capitalist economy that give rise to the state terror and violence she condemns?

*To be continued*