

# Doctrines come cheap

Andrew Kemp reviews

*The Shock Doctrine:  
Rise of Disaster Capitalism*

by Naomi Klein

(Penguin, 2007, 576 pages)

Naomi Klein's latest offering, *The Shock Doctrine*, is a valuable study of how Milton Friedman will kill your children and abduct your parents.

In this breathless book, the 'shock doctrine' refers to the use of crises by free market supporters to implement policies that might otherwise not be accepted through a democratic process. The villain of the book is the late economist Milton Friedman. In the Australian edition of the book, a quote from Friedman is written in big bold letters in the inside cover of the book:

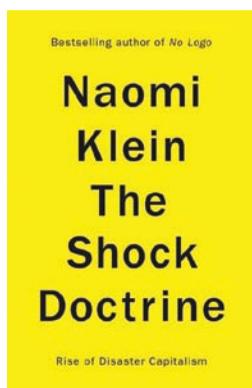
Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.

This short quote forms the foundation of Klein's 466 page tome. Indeed, if the key to understanding the book is this very quote, it is also the key to understanding why the book is fundamentally flawed from the start.

Of all the 'doctrines' one could mould out of Friedman's giant catalogue of writings, Klein has taken two minor sentences from the preface to the second edition of a book, labelled it a doctrine, and assigned it as the root ideology behind humanity's suffering at the hands of capitalist policies. Indeed, Klein describes it as Friedman's 'influential passage'.

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But nevertheless, from this tangential intellectual origin, arises Klein's 'disaster capitalism'. So many claims are made and implied in *The Shock Doctrine*, that it is difficult to know where to begin. Klein tries to establish a link between psychological torture and economic policy—that is, the wiping out of memory and identity and its replacement with something new (and something worse). A similar strategy is necessary when trying to implement free market programs, argues Klein, as democracy typically rejects radical market reforms, and as a consequence authoritarian and inhumane policies are needed to implement them.

Klein's focus on the political injustices imposed by various governments is not entirely without merit. On a purely political level, Klein's concern for individual rights and human freedom is her greatest strength, but that is not the purpose of this book. Rather, Klein draws a correlative link between these political injustices and the so called economic injustices of free market reforms. The two are inextricably

linked, argues Klein, with political injustice and authoritarianism embedded within free market ideology.

'I am not arguing that all forms of market systems are inherently violent', argues Klein, but 'the Chicago School strain of capitalism does indeed have something in common with other dangerous ideologies'.

This is a fascinating hypothesis. Firstly, it is the opposite approach of the historical revisionism that most left-wing historians have adopted since the Russian Revolution. Klein explicitly ties economic ideology with political oppression. The new left historians have spilt much ink in trying to *separate* the intellectual concept of economic socialism with the political oppression that occurred during the twentieth century. The result of this is a reverse *Road to Serfdom*—Hayek turned on his head with free markets replacing socialism.

But where Hayek's book was the result of decades of research and his own gradual conversion from fabianism, Klein's book is the product of a few years of travel and lazy research, based on a lifelong hatred for capitalism passed down to her by her parents.

Indeed, Klein's powers are limited by her own obsessions, anger and at times, idiocy. For a work that tries to be so ambitious, Klein has applied too much of her ordinary journalistic research skills to a project that requires enormous skill and attention to detail. Interviews are worthwhile when asking questions related to the individual. They are not however useful economic indicators, nor are they trustworthy when the individual is asked to generalise about the state of the country.

Little use is made of primary sources in discussing the economics of free market policies. Rather, much of her 'evidence' is footnoted to another polemic like the very one she is writing, or to an opinion piece written by a like-minded

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journalist. This is the equivalent of arguing against evolution and then referencing last Sunday's sermon as your evidence.

Klein's chronic tendency to misquote articles to the point of absurdity is disturbing. Take for instance her argument that Friedman's ideas weren't taken seriously before Thatcher and Reagan's rise to power. Her only evidence is an article in *Time* magazine—'Friedman was dismissively described in *Time* in 1969 as a "pixie or a pest", and revered as a prophet by only a select few'.

This is the actual passage of the *Time* article that Klein quotes from:

Friedman, a 57-year-old economics professor at the University of Chicago, is still regarded by critics as a pixie or a pest, but he has reached the scholar's pinnacle: leadership of a whole school of economic thought ... Friedman has succeeded in persuading many leading economists to adopt his monetary theories, at least in part.

So while the article itself actually praises Friedman, Klein selectively makes the article take the opposite view.

Such a criticism may be nitpicking, but Klein's book is full of such misleading quotations. That the author relies heavily on quotations from articles and books for evidence, serves only to compound the problem.

Her research into the Chicago School is particularly deplorable. She characterises economist Frank Knight as someone who 'thought professors should "inculcate" in their students the belief that each economic theory is a "sacred feature of the system", not a debatable hypotheses'.

Frank Knight of course was famous for taking the *opposite* position. Knight wrote in *The Economic Organisation* that 'there is no more important pre-

requisite to clear thinking in regard to economics itself than is the recognition of its limited place among human interests' and 'living is an art: and art is more than a matter of a scientific technique'. Arguing that Knight believed that economic theory was not debatable is like arguing that Einstein did not believe in the theory of relativity. How could Klein get it so wrong?

Indeed, we also learn that Friedman's contemporaries often referred to themselves as 'classical economists' (a term that actually describes a particular branch of economics in the nineteenth century, of which people like David Ricardo and Karl Marx are included).

If there is a real evil to Klein's book however, it is her mission to seek out any correlation between free market or US endorsed policies and economic depression and then claim causation. The book as a whole is a chronic abuse of one of the most important rules of social science.

Take the case of Bolivia. Klein describes how the eradication of coca crops in Bolivia in 1984 (funded by the United States) 'cut off the source of roughly half of the country's export revenues' which 'pushed the country over the edge'. 'It was in those circumstances' writes Klein, 'with inflation up 14,000 per cent, that Bolivia entered its historic 1985 national elections'.

This is the only explanation given to the cause of Bolivia's now famous hyperinflation crisis in the 1980s. Yet inflation was already reaching 300 per cent by 1982. Klein does not discuss the heavy borrowing by Bolivia in the decade before nor the fact that the country was cut off from borrowing internationally at the beginning of the 1980s, initiating the hyperinflation.

Instead, Klein invites her readers to believe that it was Ronald Reagan who was responsible for Bolivia's economic strife. Furthermore, no mention

is made of the improvements to Bolivia that have occurred since the reforms, with GDP per capita up, adult literacy up, school enrolments up and the child mortality rate down.

Ignorance of these improvements reflects Klein's tendency to focus only on short term consequences while ignoring longer term impacts. Readers will learn for instance, that Chile's inflation rate rose significantly following its market reforms. Had Klein extended her time period, readers instead would have learnt that inflation in Chile fell from a peak of 1000 per cent to nearly 10 per cent. *The Shock Doctrine* also makes the less than compelling argument that China is now *worse off* than it was before the market reforms.

Despite Klein's technique of dealing with most reform case studies in crude generalities, she still manages to confuse her rhetoric. In one case, Klein describes the 'Holy Trinity' of free market economics as 'privatisation, deregulation, and cuts to social spending'. Of course, the reason why free market economics proposes privatisation and deregulation is precisely because it will allow social spending to increase, only this time from individuals and families rather than governments.

*The Shock Doctrine's* greatest strength is to serve as a warning to future writers, one which screams out the dangers of ideological prejudice and the damage it does to research and intellectual integrity. Klein rose to stardom as an articulate spokesperson for the anti-globalisation movement, whose strong rhetoric introduced many young activists to the cause through her best-selling book *No Logo*. *The Shock Doctrine* will cement her as another political fanatic, adored by her acolytes but destined to be superseded and eventually forgotten.

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