

The Age of Disaster Capitalism

Contributed by Naomi Klein
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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 Dow Jones 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 secretly, 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 ideologists 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.

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Naomi Klein’s new book, *The Shock Doctrine: The Rise of Disaster Capitalism*, is now available. Visit her website at www.naomiklein.org

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