

Infopack

EDITORIAL

DECEMBER, 2013

Popular Information Centre

DIRTY GAMES THE EMPIRE PLAYS

- Piyush Pant

Often the change in regimes from dictatorial to democratic and the changes brought in economic policies in the third world countries as well as other parts of the world is welcomed as steps in the larger interest of the people. This is more so when the regime-change comes out as a result of the people coming out on the streets demanding change in the system and governance. Be it Iraq, Libya or Egypt in recent times or Latin America and Soviet Union in the past, people's uprisings and demand for better governance did result in replacing the dictatorial regimes with the democratic ones. But behind the veneer of positive change, the dirty games are played by the Empire and its cohorts. Says Canadian author and journalist **Naomi Klein** in her book '**The Shock Doctrine**'-"Around the world in Britain, the United States, Asia and the Middle East, there are people with power who are cashing in on chaos; exploiting bloodshed and catastrophe to brutally remake our world in their image." Similarly exposing the Empire, **John Perkins**, himself an economic hit man, comments in his book '**Confessions of An Economic Hit Man**'-"The telling of the real story about the British Empire and its selfish and ultimately self-destructive mercantile system had provided that spark. The exposure of the underlying meaning, through the words of men like Tom Paine and Thomas Jefferson, fired the imaginations of their countrymen, opened hearts and minds... They discerned the truth behind the patina, understood the way the British Empire had manipulated, deceived, and enslaved them. They saw that their English masters had formulated a system and then had managed to convince most people of a lie- that it was the best system mankind could offer, that the prospects for a better world depended on channeling resources through the King of England, that an imperial approach to commerce and politics was the most efficient and humane means of helping the majority of the people- when in fact the truth was that the system enriched only a very few at the expense of the many." Pointing towards the economic weapons used by the world powers to play their dirty games, **Susan George** in her book '**The Fate Worse than Debt**' says-" The debt crisis is less a financial problem than a political and human one.....The debt and default crisis of 1870s led directly to foreign(colonial) occupation of several debtor countries. Today's debt crisis is leading to something similar. Transfer of wealth from the poor countries to the rich, exactly as in the "good old days". Over 150 billion dollar has left Latin America and landed in Northern banks. Banks are also beginning to take over national industries and other assets in the Third World in lieu of interest payments."

Broadly this is the story of the 'March of Globalisation' over the years. According to John Perkins, United States has been involved in the Empire building process since the World War II. Perkins points out that towards meeting its objective of Empire-building, America uses the services of Economic Hit Men who are highly paid professionals who cheat countries around the Globe out of trillions of dollars. They funnel money from the World Bank, the US Agency for International Development (USAID) and other foreign "aid" organizations into the coffers of huge corporations and the pockets of few wealthy families who control the Planet's natural resources(Oil Wells etc.). Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex and murder.

This issue of **INFOPACK** summaries the above mentioned books as well as the documentaries based on them. Those who are keen to watch the Documentaries can send us requests for the CDs.

CONFESSION OF AN ECONOMIC HIT MAN

By:

John Perkins

Published by:

Ebury Press, Great Britain;
2006

Bird's Eye View

This paper is based on the book titled **Confession of an Economic Hit Man** written by John Perkins and a documentary, based on this book, titled **DESERT VENTURE** presented by "Standard Oil Company of California".

John Perkins was an Economic Hit Man (EHM) for an international consulting firm. His job was to convince poorer third world countries to accept enormous loans for infrastructure development - loans that were much larger than needed - and to make sure that such projects were contracted to US corporations. Once these countries were saddled with huge debts, the American government and the international agencies allied with it would request their "pound of flesh" in favours, including controlling their economies, access to natural resources, military cooperation and political support in order to build a global empire.

Economic Hit Men (EHMs) are highly paid professionals who cheat countries around the globe out of trillions of dollars. They funnel money from the World Bank, the US Agency for International Development (USAID), and other foreign "aid" organizations into the coffers of huge corporations and the pockets of few wealthy families who control the planet's natural resources. Their tools include fraudulent financial reports, rigged elections, payoffs, extortion, sex and murder. They play a game as old as Empire but one that has taken on terrifying dimensions during this time of globalization.

EHM is the story of one man's experiences inside the intrigue, greed, corruption and little-known government and corporate activities that the US has been involved in since World War II. This is the story of a venture by American capital in a strange and ancient land of the re-awakening of a slumbering civilization. It has to do with men who went among suspicious strangers and won their friendship... Men who challenged heat and sand, and a multitude of obstacles, and who won a victory which is serving the interest of the United States, of the country whose resources they are developing, and of a world that moves on wheels.

According to the writer, who was an EHM, this was the starting point of new American business venture abroad: a huge investment, years of efforts and no end of patience and perseverance. The most important of all was that the job required hardy and determined men, men who were willing to leave families and friends and journey half way around the world on a quest that might end in failure. Men who could face hardship and monotony and still take it.

According to him, United States has been involved in this empire building process since World War II. Most of these works have been done by secret EHM like the writer. They are not called spies, or CIA agents. They are called commercial attaché of US embassy, or political attaché of USA, or something some other official titles. Economic Hit Man is a generic term.

In the documentary, the writer narrates that he was still in college when National Security Agency (NSA), the United States' largest and probably the most secret spy organization recruited him. They put him through series of tests including personality test, lie-detector test, and identified him as a good potential Economic Hit Man. And he also discovered a number of weaknesses in his character. The three big weaknesses are money, power and sex.

The NSA said to him that he was going to go through training in the art of spying for a year and after that they together would decide his assignment.

However, before he had officially accepted this offer, he completed Peace Corps training in Southern California and headed for Ecuador in September 1968. One day a man in a business suit, Einar Greve, Vice-president at Chas T. Main, Inc. (MAIN), an international consulting firm, approached him and started talking to him about the benefits of working for a company like MAIN. They spent a couple of days together in Ecuador. Einar asked him to send reports assessing Ecuador's economic prospects.

When the writer's Peace Corps tour was over, Einar invited him to Boston to a job at MAIN. So it was that in January 1971, he was offered a position as an economist with MAIN. He was asked to read up on Kuwait. So he spent many hours in Boston Public Library where he was looking for some information about some countries on which he was doing some research work. But it was quite difficult for him to find the required information he was looking for. There he was contacted by an amazing woman. She knew about his background, she knew about his weaknesses. Without a word, she slid an open book in his direction. It contained a table with information that he had been searching for about Kuwait - and a card with her name - Claudine Martin, and her title, Special Consultant to Chas T. Main Inc., he was working with. She proceeded to teach him what was to be an EHM and she seduced him into accepting the role. Her assignment was to mould him into an economic hit man.

The EHM worked in many different ways. First, he has to identify a country, like a third world country, that has resources that corporations want such as oil. Then the EHM needs to arrange and justify huge international loans to that country from the organizations like World Bank and International Monetary Bank. Most of the money would directly go back to MAIN and other US construction companies such as Bechtel, Hulliburton, Stone and Webster, and Brown & Root. And these companies would build huge infrastructure projects like power plants, industrial parks, airports in these third world countries. MAIN had contracts with the governments and EHM's job was to inflate the need as high as he could. This was the essence of their policy.

The unspoken aspect of every one of these projects was that they were intended to create large profits for the contractors, and to make a handful of wealthy and influential families in the receiving countries very happy, while assuring the long-term financial dependence and therefore the political loyalty of governments around the world. The larger the loan, the better. The fact that the debt burden placed on a country would deprive its poorest citizens of health, education, and other social services for decades to come was not taken into consideration. The rich get richer and the poor grow poorer.

However, if EHMs fail, an even more sinister breed steps in, ones refer to as jackals. The jackals are always there, lurking in the shadows. When they emerge, heads of state are overthrown or die in violent "accidents". And if by chance the jackals fail, as they failed in Afghanistan and Iraq, then the old models resurface. When the jackals fail, young Americans are sent in to kill and to die.

In the documentary, John Perkins says that Saudi Arabia is a biggest success as an EHM and probably the one that in the long run has had most impact in the world history for a long time.

The king of Saudi Arabia sees the oil development has the greatest kingdom to modernize his country and improve the living standard of his people. Saudi Arabian oil is one of its strategic sources of supply.

In the book, the writer says that the Saudi view of religion as an important element of politics and economics contributed to the oil embargo that shook the Western world. The oil embargo ended on March 18, 1974. The embargo also resulted in significant attitude and policy changes. The embargo elevated Saudi Arabia's status as player in world politics and forced Washington to recognize the kingdom's strategic importance in our own economy. Furthermore, it encouraged US corporatocracy leaders to search desperately for methods to funnel petrodollars back to America, and to ponder the fact that Saudi government lacked the administrative and institutional frameworks to properly manage its mushrooming wealth.

Almost immediately after the embargo ended, Washington began negotiating with the Saudis, offering them technical support, military hardware and training, and an opportunity to bring their nation into the twentieth century, in exchange for petrodollars and, most importantly, assurances that there would never again be another oil embargo.

The EHM understood, of course, that his primary objective here was not usual - to burden this country with debts it could never repay - but rather to find ways that would assure that a large portion of petrodollars found their way back to the United States.

The above mentioned operation has been supported in the documentary where the EHM says.... "In seven days, the world was facing an oil crisis. OPEC (Organization of Petroleum Exporting Countries) has decided to basically hold us hostage and the Treasury Department came to me and another EHM said that we just

cannot let this happen. We can be blackmailed by OPEC. We have to know where to stop."

We knew that key to such solution lies to Saudi Arabia. We knew that the House of Saud was corruptible. Saudi Arabia has more oil than anybody in the world. So we worked a deal with Saudi Arabia. House of Saud guaranteed that price of oil would stay within limit, reasonable to US and we guaranteed House of Saud would stay in power. We agreed not to investigate Saudi Arabia, not condemn it, not look into it." But in the long run it blowed back. The CIA terminated the policy.

The documentary narrates that among the most important undertakings was the forced agricultural experiment project of Saudi Arabia. The irrigation canal which the US oil company helped the Saudi Arabia build is bringing water to area of nearly 3000 acres now under cultivation.

In the documentary, the EHM says, "the whole country will be stuck holding a huge debt and the debt so large that could not be possibly repaid. So at some point the EHM would go back to that country and would say that "look, you could repay your loan, if you do us a favour. Sell your oil to us real cheap, your labour or some of your other resource that we want". He says that it is an amazingly clever scheme. The private companies are paid by the government, but they are paid under misleading contracts like engineering feasibility studies, economic feasibility studies, and there was no direct connection. And other interesting thing is the money the EHMs need get through the World Bank. Their governments did not need put up money. In this way we managed for last 30 to 40 years to build the world's first global empire. I did it primarily without military, through economic hit man".

He said that Claudin was very frank with him. She said to him, "you know this is a very dirty business". He also said that she portrayed the dirty side of the business, but at the same time holding out the offer of money, power and sex. And she told him what she expected him to do. She put it that, "once you are in, you are for life."

Assignment: Venezuela

The writer, John Perkins says in his book that he had watched Venezuela for many years. He says that it was a classic example of a country that rose from rags to riches as a result of oil. It was also a model of the turmoil oil wealth foments, of the disequilibrium between rich and poor, and of a country shamelessly exploited by the corporatocracy. It had become the epitome of a place where old-style EHMs like the writer converged with new-style, corporate version.

During the 1973 OPEC oil embargo, petroleum prices skyrocketed and Venezuela's national budget quadrupled. The EHMs went to work. The international banks flooded the country with loans that paid for vast infrastructure and industrial projects and for the highest skyscrapers on the continent. Then, in the 1980s, the corporate-style EHMs arrived. It was an ideal opportunity for them to cut their fledging teeth. The Venezuelan middle class had become sizeable, and provided a ripe market for a vast array of products, yet there was still a very large poor sector available to labour in the sweat-shops and factories.

Then oil prices crashed, and Venezuela could not repay its debts. In 1989, the IMF imposed harsh austerity measures and pressured Caracas to support the corporatocracy in many other ways. Venezuelan reacted violently; riots killed over two hundred people. The illusion of oil as a bottomless source of support was shattered between 1978 and 2003. Venezuela's per capita income plummeted by over 40 percent.

In the documentary, it is being narrated that the writer, an EHM was being sent to Venezuela, was facing problem with the local people to communicate in Spanish. Nobody could understand a word he said in Spanish. So, during briefing he was told that as he was working in foreign country for an American oil company, he would have to learn their ways just as a real man. They each represent United States here, in the eyes of the Venezuela.

Further, in the documentary, the writer says, "if you work directly for the CIA and the National Security Agency and the other government organizations as the regional EHM did, and if he discovers what we do, the government would be capable to point that this is US policy. So, it is easier to hire someone who has been trained by a military or by a CIA, has all the qualification, not exactly what he is doing, but does not directly work for the government, but work for the private company.

I had a driver to take me around Caracas. He showed me the new section in the East. Just ten years ago there were sugar cane and coffee plantations. Some of the residential areas are futuristic, but others are so quiet and tranquil that it seems to be in another world. University city is one of the impressive site of Caracas; another example of the prosperity that oil helped bring to Venezuela.

He further says... every country in the world that has major supplier of the oil has suffered. Oil is not a

benefit for the country; it is the benefit for the very few wealthy people at the top of the economic turning pole of this country."

The whole theory of development planning was prepared by World Bank investing in wonderful dams, wonderful policies that would promote economic growth, which would easily pay back the loan and more. But this in reality is not so. Huge parts of the world have been going backward like Sub-Saharan Africa, most of Latin America. 50 to 60 percent of the people of Latin America are poor.

EHM says, "The Caracasians are really proud of their loans and housing projects. Huge apartment buildings infrastructures in hill-sides. Everywhere in the cities there are sky-crappers. People are driving Mercedes Benz, but if you go into the poor sections, you will find overwhelmingly worse in much more numbers. You don't think in general that is when you help the country's economy; you necessarily help its people. But you help only very few of the very rich of the top of the world. And that's true for the Third World.

Ecuador

The writer had many chances to visit Ecuador during his work tenure as EHM. He writes that Ecuador had suffered under a long line of dictators and right-wing oligarchies manipulated by US political and commercial interests. The serious exploitation of oil in the Ecuadorian Amazon basin began in the late 1960s, and it resulted in a buying spree in which the small club of families who ran Ecuador played into the hands of the international banks. They saddled their country with huge amounts of debt, backed by the promise of oil revenues. Roads and industrial parks, hydroelectric dams, transmission and distribution systems, and other power projects sprang up all over the country. International engineering and construction companies struck it rich - once again.

He also says that, one man, Jaime Roldos, in this Andean country was the exception to the rule of political corruption and complicity with the corporatocracy. He had established a reputation as a populist and a nationalist, a person who believed strongly in the rights of the poor and in the responsibility of politicians to use a country's natural resources prudently. When he began campaigning for the presidency in 1978, he captured the attention of his countrymen and of citizens in every nation where foreign interests exploited oil - or where people desired independence from the influences of powerful outside forces.

In the documentary, in a talk, an Ecuadorian says, "Jaime Roldos was the man who wanted the Ecuador to go on its way. He wanted that the indigenous people should not let the US people to come in and pollute the area. He was very enlightened and good man, not radical. We thought he would be better president in Latin America.

Jaime Roldos was in favour of Hydrocarbon Act that protects the oil of Ecuador and made sure that the Ecuadorian people had fair share of the profit."

The EHM narrates... as soon as the president was elected; he was visited by an EHM like me. I say to him, "look president, I congratulate you, and you and your family will get hundreds of million dollars if you play the game in our way. And in this pocket with a gun to shoot you with if you try to fulfill your campaign promise. But remember, Allende, Patrice Lulumba, Arnebz.

They know what happened to these people. Anyone who went against corporatocracy either die or take our offers. What do you do in this situation?"

If EHM fails, the next step, they call the Jackals. Jackals are CIA sanctioned people coming to foment a cool revolution. If that does not work, they perform assassination.

The writer says in his book that early in 1981, the Roldos administration formally presented his new Hydrocarbon law to the Ecuadorian Congress. If implemented it would reform the country's relationship to oil companies. It certainly aimed to change the way business was conducted. Its influence would stretch far beyond Ecuador, into much of Latin America and throughout the world.

Only weeks after sending his legislative package to Congress, Roldos warned all foreign interests, including but not limited to oil companies, that unless they implemented plans that would help Ecuador's people, they would be forced to leave his country. He delivered a major speech at the Atahualpa Olympic Stadium in Quito and then headed off to a small community in southern Ecuador. He died there in a fiery airplane crash, on May 24, 1981.

After the plane crash, the whole area was sealed off. Ecuadorian Police were not allowed, only the people were allowed in the area were US military personnel, not police officers.

A couple of very key people who were going to testify hearings of the assassination died in car crashes. They

were Ecuadorians.

The world was shocked. Latin Americans were outraged. Newspapers throughout the hemisphere blazed, "CIA Assassination!", In addition to the fact that Washington and the oil companies hated him, many circumstances appeared to support these allegations, and such suspicions were heightened as more facts became known.

The Canal Treaty, Panama

John Perkins says that for more than half century, Panama was ruled by an oligarchy of wealthy families with strong connections to Washington. They were right-wing dictators who took whatever measures they deemed necessary to ensure that their country promoted US interests. They also supported the CIA and NSA in anti-Communist activities throughout the hemisphere, and they helped big American businesses. These governments apparently did not feel that US interests were promoted by improving the lives of people who lived in dire poverty or served as virtual slaves to the big plantations and corporations. But the course of Panamanian history suddenly changed. A coup overthrew Arnulfo Arias, the latest in the parade of dictators, and Omar Torrijos emerged as the head of state. He was highly regarded by the Panamanian middle and lower classes. For the first time in its history, Panama was not a puppet of Washington or of anyone else.

In the book, the writer says that, in 1977, Torrijos successfully negotiated new treaties with president Carter that transferred the Canal Zone and the Canal itself over to Panamanian control. Then the white House had to convince the US Congress to ratify it. The Canal Treaty was ratified. Conservatives swore revenge.

Supporting this argument in the documentary, he says that US President Jimmy Carter and Panama's head Torrijos would conclude a process which nobody have negotiated in fear, and no one is afraid to negotiate.

In the meeting, a leader belonging to Jimmy Carter administration said, "We are here to participate in signing a treaty which will assure a peaceful, prosperous and secured future for an international water-way. It's of a great importance to us and all. But the treaties do more than that, they mark the commitment of the United states. They believed their fairness and not the force."

Omar Torrijos said, "The people of US who are technologically advanced opened up Panama and managed to communicate and linked two oceans, and what is now a trip of eight hours. Nonetheless, what happened to be a technologically advanced for mankind became a colonial conquest of our country as a result of our historic deformation. What made Panamanians hopefull and what strengthened Panamanian's patience was the firm conviction that American people are not colonialist people. My presence here together with the leaders and statesmen of the hemisphere represents the conclusion of many struggles for many generations of Panamanian people."

The EHM said that it was a terrible burden for him, He did not want to crop in as host, because he admired Torrijos's courage, his honesty and his determination to help poor people. On the other hand, it was his job to crop in and he felt if he did not cropped in, then the jackals will be coming and something worse will happen to him.

He further says that Roldos's assassination had been executed so blatantly in order to send a message. The new Reagan administration was the ideal vehicle for delivering such a message. The jackals were back, and they wanted Omar Torrijos and everyone else who might consider joining an anti-corporatocracy crusade to know it.

But like Roldos, Torrijos refused to be intimidated. He adamantly refused to give in to the Reagan administration's demands to renegotiate the Canal Treaty. Two months after Roldos's death, Omar Torrijos's nightmare came true; he died in a plane crash. It was July 31, 1981.

In the documentary, Omar Torrijos said, "the sovereignty of Panamanians should be respected". For the Canal Treaty in Panama, Torrijos said no to United States. He said, "we are not going to do things in your way anymore. This canal belongs to the Panamanian people. It bisects our country. We want it back". This brought tremendous pride to the Panamanians. It changed their attitudes, increased their spirits.

Since the Panama Canal is a very strategic waterway, the dilemma of the US was that will they allow this man to control this strategic water way? In the documentary, Reagan said, "Torrijos is a friend and ally of Castro. They threatened to attack our installations, if we do not deal with his demands. But the canal is not their colonial possession. It is not a long-term lease. It is Sovereign United States' territory; every bit of it is the same as Alaska and all states we curbed from Louisiana projects. We should end the negotiations. Tell the general, we bought it, we paid for it, we built it and we intend to keep it."

He further said, "You, the men and women of CIA are the eyes and ears of the free world. You are the trip-wire across which the forces of repression and tyranny must number in quest for global domination".

Latin America and the world reeled. Torrijos was known across the globe; he was respected as the man who had forced the United States to relinquish the Panama Canal to its rightful owners, and who continued to stand up to Ronald Reagan. People everywhere mourned the death of Omar Torrijos. Some said that this was not just an air-crash. It was a political vengeance.

In the documentary, the EHM said, "From the beginning my tenure as an EHM, it bothered my conscience. I was very tormented. And after sometime, I traveled first class all the time and led a good life. But I reached a point where in no way I could justify what I was doing. It was not to the best interest of humanity, not to the best interest of the future of US. As I was deepened into the process, I was bribed, I was threatened. If I talked to people about the work and the process of exploiting the country, they made it very clear to me about the serious consequences. I succumbed to the combination of bribe and threat.

He further says... being back in Ecuador was a mixed feeling for me. I have lot of responsibilities because I was an EHM during 70s and I did lot of things which caused problems. I feel terrible about that.

We took incredible notice on future Ecuadorian President. So when the EHM go to him and say that here is couple of hundred dollars for you and your family, either you take it or here is a bullet. The President thought to go along with the temptation, thinking maybe he can do something good and in the meantime become rich, his family would become rich and nobody can do better than him."

The writer in the book says, "I had come to know and love the one where I had first worked as Peace Corps volunteer: Ecuador. In the years since I first went there, in 1968, this tiny country had evolved into the quintessential victim of the corporatocracy. My contemporaries and I, and our modern corporate equivalents, had managed to bring it to virtual bankruptcy. We loaned it billions of dollars so it could hire our engineering and construction firms to build projects that would help its richest families. As a result, in those three decades, the official poverty level grew from 50 to 70 percent, unemployment increased from 15 to 70 percent, public debt increased from \$240 million to \$16 billion, and the share of national resources allocated to the poorest citizens declined from 20 to 6 percent. Today, Ecuador must devote nearly 50 percent to its national budget simply to paying off its debts - instead of helping the millions of its citizens who are officially classified as dangerously impoverished."

A Wonderful New World of Fords

In the documentary, US President Kennedy declares, "I offer Robert Mcnamara responsibility of Secretary of Defense. I am happy and glad to say that he had accepted it. Mr. Mcnamara leads the presidency of Ford Company and now sacrificed the post."

The EHM says, "Robert Mcnamara was a very significant player in all of these. He represents the corporatocracy. Corporatocracy is composed of three pillars. They head the big corporations, big banks and the governments. Mcnamara was president of Ford Motor Company, private sector, big corporation; then he became Secretary of Defense under Kennedy and Johnson".

In the documentary, he further narrates that 250 miles North of Saga, the air-base that was ripped by Vietnamese Communist Guerrillas. 108 men were wounded in this guerrilla attack, 79 of them were seriously injured. Mcnamara said that a joint retaliatory action was required. And in this attack, Vietnam Communist has lost 89,000 men in South Vietnam. In America, thousands of demonstrators opposing to the Vietnam War assembled at Nation's Capital for a mass protest. According to EHM, Mcnamara thought they were doing a great deal in Vietnam War. He saw that futility was trying to expand its empire through military.

According to the American Government, it took very long and quite demanding years for Mcnamara to get this defense establishment. They think that Mcnamara has helped give America the most military strength in its history, they are giving to the world a loyal, brilliant, good man to win the most important war.

Then Mcnamara has made the World Bank what it is today. When he joined World Bank, it was lending 900 billion dollars a year, and when he left in 1981, it was lending 12,500 billion dollar a year. He is the one who really made privatization the Bank's mission. He inspired the Bank people. He said that, "we are the brothers of poor". He said, "you are about to enter an exciting, beautiful, new world which you have never seen in the history. You will see not one, not two....."

And in 2003 - Invasion of Iraq

The EHM says "We have provided Saddam Hussein a great deal of money and weapons. We brought

Saddam Hussein into power. We had lent him billions of dollars. We built Chemico-plants for him, knowing very well that this Chemico-plant would be used to produce chemico weapons which would be employed against the Kurds and Iranians. And the EHM went to him and tried to convince him to accept the deal."

The writer says in the book.....We would be happy to offer him US government securities in exchange for petrodollars, for the promise of continued oil supplies, and for a deal whereby the interest on those securities was used to hire US companies to improve infrastructure systems throughout Iraq, to create new cities, and to turn the deserts into oases.

Above all else, Iraq presented a vast market for American technology and engineering expertise. The fact that it sits atop one of the world's most extensive oil fields assured that it was in a position to finance huge infrastructure and industrialization programmes.

However, by the late 1980s it was apparent that Saddam Hussein was not buying into the EHM scenario. This was a major frustration and a great embarrassment to the first Bush Administration.

In the documentary, the EHM also says, "that one of the sciences of the relationship was not working with Saddam Hussein when Bechtel tried to get pipeline built. Saddam Hussein did not accept this deal. This was one of the reasons that He is not present today. Had he accepted the deal, he would have been present today. The EHM thinks he must be crazy for not accepting the deal. So we sent him the jackal.

A series of CIA teams were sent to Iraq. They got in touch with military officers who agreed to do a equidata. The plan went forward and the plan included ten companies surrounding Saddam's residence, forcing him to resign, arresting him and killing him. So we sent the military as the last resort. We sent the military and we did take him out".

There was also a plan for post-invasion of Iraq. The post-invasion was to restructure the economy of Iraq, so that it would be switched from economy to close foreign corporate access.

They used US transports, cargo planes to fly. Tons of American cash were flown to Iraq.

As the name employed, the government development fund of Iraq is meant today to use for the development of Iraq. We, Coalition Provision Authority that was the sovereign government for Iraq held those Iraqi funds in trust for the Iraqi people and we dispersed against it for the projects we designed to build the country, i.e. to help the Iraqi people. That was the intention. In reality that system broke down in many ways.

The EHM further says that it was a total looting situation in Iraq. They were stealing everything, not just oil, money being stolen. It was the starting of corruption.

In the documentary, Bush, in a speech, said, "From 1st July, Iraq will have its own government. We have spent blood with you and for you. Your success will be our success".

In 2004, there was frantic rush to spend money. They dropped money from the helicopters. 18 billion dollars money were spent from the government fund of Iraq under the control of Coalition Provision Authority during the 18 months of occupation. Nobody knows what happened to half of that money, nobody knows where the money went.

Nobody can tell exactly how much money went into the reconstructions, using Iraqi money. That is a black hole. It said that about nine billion dollars were lost during the occupation. They are essentially doing what the US is trying to do to World Bank that is to restructure the economy. In a way that favours the motives of multi-national corporations. That is the game.

There are basically EHMs who spent 20 billion dollars of Iraqi money in the unbelievable wasteful economic fashion and now Iraq has trouble financially, in fact, it is in debt and that is very convenient for the US government, because for Iraq to credit and investment with IMF support they are to follow some conditionalities and one of those conditionalities is to privatize Iraq's oil. IMF signed an agreement with Iraqi government in December 2005 in cancellation of part of Iraqi's external debt. The conditions set by the IMF. One of the conditions was that the Iraqi government must pass a law by end of 2006 to shift the oil industry from public sector which has been the case in Iraq for 35 years to predominant multi-national companies.

So the way it went is that: we will give you structural adjustment programme, you liberalize, de-regulate, you privatize your economy, and the money that we give you will be channelized into debt-repayments to our commercial banks. It is the same old scenario. The empire has always found its way.

The EHM says, "You can go to places like Bolivia or Indonesia or Nigeria and all the poor countries and talk to the people who are illiterate and cannot read newspapers. But they know that their countries have accepted huge loans from the World Bank and they can see that big Americans corporations are building huge projects,

power projects. And they know that the electricity is not going to come to their cardboard shacks, or the canals of Jakarta in Indonesia, or a cappuccino firms in country-sides of Bolivia, Colombia or Ecuador. They know that they are not going to benefit from all these things.

The World Bank says that certain things are very clear and simple that the purpose of this poverty reduction is to increase our building capacity to provide usable natural resources, not to cutback our lending. But lending has reached to such a high level and to go further we need money from the donors.

The EHM says that 100 years ago, there was debt repayment crisis in Venezuela. US, Germany started sending gun balls to collect the debt. So this is in a way a very old story. Now you don't need to send gun balls to collect the debt, you send IMF and WB to collect the debt.

The above revelations astonished the writer so much that he decided to bring in the public domain the dirty games that the big powers play throughout the world.

Towards the end, the writer says: I was moved by the experience of 9/11. I stood there looking at the terrible thing. I realized, I have to take responsibility, where Osama-bin-Laden may be mass murderer, but I need to tell the story. I need to cleanse that what we have done in the last 50 years since the World War II. And I realized that American people did not understand why someone like Osama-bin-Laden has done this terror and we need to understand this. I knew that I was going against strong forces. I was an EHM. I saw jackals to work. So I was very concerned about these things. I was also concerned about my physical well-being. But I decided to give a better world to my daughter and her brothers and sisters. Now it really does not matter to me what the repercussions are. I must write this book. As a writer and as a productive member of the society, I don't have much time. I decided to devote my life no matter how I will be, to make a lovable world.

The Fate Worse than Debt

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Published for Food First by:

Grove Weildenfeld, New
York, 1988 & 1990

Bird's Eye View

This paper basically deals with the book "The Fate Worse Than Debt" written by Susan George. In this book, the writer talks about the world debt crisis and the impacts of the loans, given by International Monetary Fund (IMF) and the World Bank (WB), on the people and the environment of the Third World countries like Latin America and Africa. This paper also quotes from a Documentary film titled **The Fate Worse than Debt**, based on this book. Debt crisis prevails in dozens of countries, but the documentary only deals with the impact of the debt crisis on the economy of Mexico, Tanzania and Philippines. The documentary describes how these banks in the name of development and poverty alleviation exploit these Third World countries and bring miseries to the ordinary people.

Susan George says that the debt crisis is less a financial problem than a political and human one. The writer points out that debt and default crisis of the 1870s led directly to foreign (colonial) occupation of several debtor countries. Today's debt crisis is leading to something similar. Transfer of wealth from the poor countries to the rich, exactly as in the "good old days". Over 150 billion dollar has left Latin America and landed in Northern banks. Banks are also beginning to take over national industries and other assets in the Third World in lieu of interest payments.

Most debtor-country governments and elites are co-operating fully with what the writer call the consortium - the informal financial-political club of big banks, creditor-country governments and their central banks, the World Bank, and of course, the IMF. Indebted governments have so far avoided collective action and have not used the debt as an instrument to further democratic development in their countries.

The writer further says that The Third World debt crisis is one of the great outrages of our time. In Latin America and Africa, people's lives have been squeezed mercilessly: output, wages, and social services have all plummeted, while unemployment, malnutrition, and despair increase. Meanwhile, Third

World governments, representing domestic capitalists and associated elites, continue to seek accommodation with their creditor banks even as the banks adopt increasingly intransigent positions. The International Monetary Fund (IMF), World Bank, Reagan Administration, and US "liberals" such as Senator Bill Bradley demand that the Third World countries adopt free-market, export-led policies as the condition for obtaining even minimal debt relief despite the absence of evidence that such policies actually promote sustainable Third World development. The story begins in the early 1970s, with the emergence of the Eurodollar market as the world centre of international financial activity. The crucial feature of the Eurodollar market was that it enabled international banks to hold dollar deposits and issue dollar loans while remaining outside the jurisdiction of US financial regulations. As a result, international financial activity became virtually free of regulatory constraints.

People in the authority both in the North and in the newly decolonized countries wanted the South become like the rich, industrialized power. The model of industrialization is consequently imitative. The rich countries always built up their own industries on a strong agricultural base; but the model conveniently forgets this and favours instant industrialization over food security. Those who designed it were particularly scornful of small-scale peasant agriculture, the source of livelihood for most of the people in the countries concerned.

It neglects resources that the local environment could provide and the skill that the local people supply, counting rather on imports, at escalating prices. It neglects not only peasants but anyone who does not belong to a thin layer at the top of society, identified as the 'modernizing' elements. The model is basically outward looking. It never seeks to enhance the specific, generic, original features of underdeveloped countries and their peoples, treating them rather as if they were a kind of undifferentiated clay to be moulded to the standard requirements of the world markets and world capital, to the uniform taste of international bureaucrats and national one trained in their image. This model causes debt crisis and gives rise to hunger, militarization, consumption, industrialization for the benefit of Northern countries at the cost of their own lives resources.

Financing consumption: people who will not, or cannot become consumers in the global food system will not get enough food to eat. The spirit of unabashed consumerism is part of the model, and the purchase of Western consumer goods is part of the image of modernization. Sometimes, as in Chile, loans have been spent almost entirely on current consumption. Chile positively encouraged bloated imports, from 1979 until the day reckoning came in 1982, by allowing people to exchange their pesos freely against dollar and by keeping peso unrealistically over-valued. Inflation in Chile was rampant, much higher than in the USA. Small wonder that the Chilean middle class went on a durable goods buying spree. People bought imported rather than nationally made goods. Consequently, Chilean firms could not sell their products and was importing for more than it could dream of exporting, while the trade deficit and unemployment both soared. Then, how to finance the deficit? By borrowing, Chile now has one of the highest per capita debts in all Latin America. (1,540 dollar per head).

The mal-development projects call for industrialization at all costs. A major cause of debt accumulation was investment in ill-considered, ill-conceived projects, mainly involving bloated capital costs. The 1974 sugar boom encouraged many countries to build additional sugar-milling and sugar-refining capacity. As high-cost suppliers come to dominate the market, national debt escalates.

The writer says that debt crisis is a severe crisis, which has affected the whole world for the last fifty years. This crisis is vulnerable to violence. The violence where people see their own children die. The crisis has reached to such extent that the poor countries in the world are getting aid to the richer countries. Money is brought from the Third World to the North. Since the beginning of 1980 this crisis has caused tremendous misery to untold number of people.

Philippines is a classic example of crisis in a democratic system. One expensive debt-financed project is the Morong (Bataan) nuclear power plant ordered in 1976 from Westinghouse with a price tag of 2.1 billion dollar. The debt incurred for this plant alone cost the Philippines at least 350,000 dollar a week in interest payments - a figure that jumped to 500,000 dollars in 1987 when debt to the US Export-Import Bank fell due. It is a very white elephant. The reactor is not yet operating. The building site chosen is in the middle of the pacific 'fire-rim' earthquake zone at the foot of a volcano. It has not given any benefit to the people at all. Other countries fell into the same sort of trap.

According to the report in the New York Times, Marcos, the then President of Philippines, received 80 million dollars in commissions from the Westinghouse through one of his cronies, who mysteriously snatched the nuclear-plant contract from the General Electric approved by a panel appointed by Marcos himself. Marcos overruled the panel's choice.

The documentary film shows what Sam Gwynne, International Loans Officer, 1979-82, says while attending a conference in Manila, Philippines, the core of International spending was a fiction, a big lie. Their job performance is rated according to how many loans they make. He was at one point placing a loan with the Construction and Development Corporation of the Philippines (CDCP). There was considerable pressure on him from home to sell

this money.

He says that when he was in Manila he was picked up by a client of CDCP. He was met by a driver and at the back seat there was a girl, which was usual on those days. He was new and never traveled Third World. He had good time with his colleagues and peers together and collected information. But one of his own bank's clients wanted to sell CDCP equipment to Marcos for a reclamation project in Manila Bank. Refusing it will be bad for his promotion. Sam Gwynne was not the only banker; there came more banks and public institutions to Manila to lend Marcos.

We also come to know from the documentary that the World Bank and IMF had its conference in Manila in 1976 and lend the dictator four and half billion dollars of public money. Most of the dictators have gone, but they have left the legacy of disaster.

Robin Broad, Economist, 1983-86, US Treasury, says - The Red-carpet welcome to the conference was made out by CDCP, run by Marcos. Robin Broad traveled all over Manila to inspect his projects like Main High way. Soon he realized that his company will go bankrupt. The country was in inflation. Marcos made the country a concentration. Marcos said to the World Bank: "we want your money, your high way, your dams. We are happy to do anything you ask us to do". Marcos could make that promise.

Philippines is a classic case of price the democratic government paid to debt taken by dictator Marcos, The Aquino government later on relied on force to continue to run the government by putting debt above health, housing and education.

The writer in her book says that the best and easiest way to get the money from the debtor countries was **capital flight**. First the North banks make the loan to the South and almost instantly, a large portion of it returns to their coffers as deposits because corrupt government officials may transfer it there directly. National companies, heavy borrowers whose governments have guaranteed their debt, may also feel that the money they were supposed to invest at home will be happier abroad. This capital, which in fact left the debtor country long ago, will still, unfortunately appear on the bank's book as loans on which interest is due. The banks are thus paid back twice for a single commitment. As an economist remarks - 'the most aggressive banks, such as Citibank, have probably accumulated almost as much assets from poor countries as they have loaned to them'. The real role has been to take funds that Third World elites have stolen from their governments and to loan them back, earning a nice spread each way.

The writer further says that in 1986, Morgan Guaranty appraised capital flight from the big ten Latin American debtors at fully 70% of all their new loans from 1983 to 1985. Mexico takes the first prize in this category. For sheer magnitude Mexico is indeed unequalled. The president of the Inter-American Development bank, himself a Mexican, places Capital Flight from Mexico between 1979 and 1983 alone at 90 billion dollars - an amount greater than the entire Mexican debt at that time. In March 1985, a Mexican city newspaper published the names of 575 Mexicans who were all supposed to have at least one million deposited in foreign banks. One of the most affluent among these was the Ex-President of Mexico himself, Lopez Portillo, who has absconded with over one billion dollars when he left the office and moved to Rome. A lot of these billions arrived in suitcases. Many of them are carried by bankers. These bankers are also adept at designing complex schemes to help their wealthy private clients ferry money out of their countries.

The writer says that several countries ran up staggering debts buying toys (arms) for their generals. Military spending for the National Security State undergirds and protects the mal-development model. Stockholm International Peace Research Institute (SIPRI) concludes that 20% of Third World debt - Organization of Petroleum Exporting Countries (OPEC) excluded -- can be attributed directly to arms purchases. One might think that in heavily indebted societies austerity programmes would require that flab be first trimmed from defence spending, especially when a sizable part of the population is living in hunger and misery. One might further imagine that Western agencies in a position to do so would insist on such cuts. This, unfortunately, is not the case. The IMF consistently demands that its people make drastic reductions in civil spending, but arms budgets remain untouched. It is precisely the poorest countries, especially those in Africa with large debts to service, that tend to spend most heavily on national security.

The end result for the 1972-82 decade, as SIPRI explains, is that the value of arms transferred to the non-oil developing countries more than doubled between 1972 and 1982 and their share of total arm transfers increased from 32 percent to 40 percent. SIPRI also argues that arms purchases are never productive. They are nothing but pure consumption. Nevertheless, during these ten years Latin America's imports increased by 13 percent a year, while Africa bought 18.5 percent more weapons annually. Sixty percent of Black African countries now live under military rule. The increasing militarization of the continent has been sustained by outside financing: the huge strides in weapons procurement coincide exactly with the 'easy-money' era of 1973-82 (from the first OPEC price increase to the Mexican debt crisis). These unproductive expenditures also helped to set the stage

for the African food disaster.

The Eurodollar market ballooned in size after the first Organization of the Petroleum Exporting Countries (OPEC) led oil price jump in 1973-1974. In seven days the Arab countries sought the attention of the world by twice increasing the price of petroleum. Money flowed into OPEC quarters where industrialized and developing countries had no choice but to pay the money. OPEC leaders received more money than their countries possibly could absorb. OPEC deposited its millions petro-dollars in major banks and let them worry how to invest them. Banks were eager to profit and invested in the Third World, because they perceived tremendous capitalist growth potential in these areas, at a low interest rate and later on brought catastrophic consequences for the borrowers.

In the documentary 'War and Want', John Denham says that the scam that was launched in countries like Philippines and Argentina, which were under military dictatorship until 1982, was so huge that they could not distinguish between democratic government and military government. Argentina used all the money left as capital flight. Marcos was no exception. The cycle of greed and tragedy was repeated all over the Third World. Bankers, governments and international agencies loaned billions to these countries for militarization.

In the documentary, Solita Monsod, Philippines' Minister of Economic Planning, 1986-89, The Philippines, says, "We desire to have its recommendations followed in total and these recommendations are generally a package set of recommendations which are essentially austerity measures and never mind who bears the burdens. They give service to the poor and poverty alleviation, but in concrete policy recommendation and policy conditionality, sometimes this conditionality if ever implemented are going to be inconsistency in social justice and everything.

Debt crisis was triggered in the Third World in 1982, when Mexico could not meet the interest of debt. This situation was unsustainable under any circumstances. But the thrust into a crisis phase was accelerated by the 1980-1982 recession in the United States and other advanced countries. The recession meant, first of all, that export markets for the Third World products crashed. In addition, it was accompanied by unprecedented increases in real interest rates, producing the highest rates. Such interest-rate levels meant that the Third World debtors, holding floating interest rate contracts, faced skyrocketing debt servicing burdens. The combined effect on Third World debtors of export losses and interest-payment increases were immense, between 58 billion 133 billion dollars for 1981-1982 alone.

The crises were malnutrition, child mortality and low standard of living of ordinary Mexicans. The workers' wages were cut drastically. The financial system in Mexico was in the brink of collapse. Today it is secure because Mexico has sacrificed its own economy to pay its interest charges towards debt.

Horst Schulman, Managing Director, Institute of International Finance, Inc, points out in the documentary that ADB had put dollars in Mexico and Mexico saw the bankers' dreams come true for their abundant natural resources specially oil and cheap labour. The US made Mexico an alternative source of oil and invested 40 million dollars in National Petroleum Company. The President and the government of Mexico thought that their dreams also came true. They thought that oil will solve all the problem of Mexico. Mexico invested 400 million dollars in steel plant, which never opened, also in an ecological destructive dam (between 1973 and 1980 the Third World debt quadrupled to 650 billion dollars). The dam destroyed cultivated lands, destroyed forestlands where they feed their cattle to produce meat.

The documentary points out that the main reasons that ordinary Mexicans received so little benefit from the loans to their government were that nearly half the money was not invested in Mexico at all. Richer Mexicans were investing their money in real-estate in US borders like Texas, California. Cheap dollar in Mexico was in spending boom in Miami to Montreal. 40 million dollars were spent in 1980 -82. The money was invested in foreign banks. Foreign banks lend money to Mexico. But they did not trust profit from interest paid by Mexican government. Mexico is not the only country that debt getting its money out of hand.

It also says that Regan military spending boom in USA was the largest debtor to attract foreign capital including the capital from Third World and to curb its own inflation. US interest rate was doubled, 20% in 1981. The debt crisis in most of the countries in Third World was explored in 1981-1982 with enormous rise in real interest rate brought out by the American for the need of the USA to suck in the capital from the Third World countries to finance its own deficit.

Zesus Silva Herzog, Finance Minister, 1982-1986, says that interest rates are the prices they have to part for servicing the debt. One percent interest increase for Latin America implies close to 4 billion dollars more of interest paying.

Mexico had used away most of its borrowed money and increasingly depended on its oil income (by 1982, Third World debt had risen to 835 billion dollars). But when oil prices suddenly nose-dived, Mexico was caught in seizer movement with drastic rising in interest rates. In August 1982, Mexico Finance Minister realized that the party was over.

Prof. Jeffrey Sachs of Harvard University narrates that when Mexico crisis was headed, there was a panic among the major banks because they discovered that they have lent to the developing countries more than the total value of the banks.

The Mexican moratorium triggered a series of meetings around the finance world. The entire strategy of the US government after 1982 was to protect the banks. Keep the interest flowing, prevent these loans from being written off or going bad so that the banks could survive. Financial rescues of public and private money are coupled together in the US Treasury. The creditors have to recognize that they needed a tough cop to keep all the parties in line. The IMF was the obvious candidate. IMF became the crisis management number one. The fund simply told the banks how much they have to contribute to the Mexican rescue. The banks hated it but they paid up. They knew if they did not their future profit and indeed the whole financial system would collapse. In return to the money the Mexico had to agree to drastic 'adjustment package'. The basic goal of this 'adjustment package' is: increase revenue, reduce expenditure. Third World countries often do not have enough foreign currency to finance even their most basic necessities, and soon suppliers refuse further credit. To remedy this foreign-exchange shortage, the debtor must, in practice, reduce domestic consumption and increase export.

The most frequently imposed elements of an adjustment programme include devaluation of currency (to discourage imports and encourage exports); drastic reduction of government expenditure, particularly social spending and elimination of food and other consumption subsidies; privatization of government enterprises and/or increases in prices charged by them (electricity, water, transportation, etc) and abolition of price control; 'demand management' (meaning reduction of consumption) through caps on wages, along with restriction of credit, and higher taxes and interest rates in an effort to reduce inflation.

Mexico had no other option but to sign a letter of intents accepting strict economic measures in return for an IMF loans. If the intents are not kept, the IMF would stop the loan installments. Without the approval of IMF, no debtors in trouble get any loans from any other sources. Mexico was in real crisis due to debt crisis.

When the IMF stepped in, the salary of school teachers reduced to 50%. There was a dramatic change not only in the lives of school teachers but also for very ordinary people, not just the poor.

For example, a teacher Rosaryo Tamayo says, " Because of the crisis in Mexico, we teachers have to neglect our work to do several other jobs like driving taxis, shelling insurance, or books or working in a butcher's or a dairy selling food just to earn some extra money to survive. Some even hawk junk jewelry in the street. I don't have flare for business. So now I rely on the pawn shop. I don't want to lose my books. They are inheritance and assets. So I only pawn them. I have even done some unthinkable things. I have pawned daughter's bicycle, my son's toys. I have also pawned some household things. Lives are getting worse for us day by day".

But Michel Camdessus, the Managing Director of IMF, says, "They are temporary cost, human cost of adjustment for the poor segment of population. This is one of our objectives. In our discussion, we categorically explain that everything should be done to shelter the poor, to shelter the public expenditures which are very important for the poor segments of the population against the versatile cuts which are necessary for the time of adjustment".

Mexico government abolished all its traditional food subsidies, surviving food prices. Inflation has severely affected the diet of people of Mexico. Prof. Luis Calva, National Autonomous University of Mexico, says that a reduction of internal demand for food has caused food prices to increase. Consequently, profit margins for farmers have dropped by more than 40%. Farming is no longer commercially viable and more than two million hectares of arable lands have been taken out of cultivation.

Before the debt-crisis many small farmers used to grow grains. 80% of public expenditure is made to spend on agriculture. But this debt crisis had made it impossible to get the credit for essential items. Mexican government has increased its premium. The government has restricted the land for the farmers to cultivate and also the farmers are not getting the credit for their land. They are asked to produce more of cash crops which can be exported to earn foreign currency to pay the interest towards the loan payments. So many farmers stopped to cultivate grains. The government asked one farmer to grow mangoes for export.

It is said that the local people and farmers are in miserable condition. Every morning workers are picked up by the Fruitican company truck. Farmers, like Lazaro have already given up getting credit from the government system. Many farmers either immigrate to USA or are forced to work as day labourers for the rapidly expanding a new breed like agro-exports. As per Mexican standard Fruitican workers are well paid, seven dollars a day (that's about half the price of a large mango in Japan where the fruits will be sold). But the casual labourers can be hired and fired at the whims of the employer. And the crisis ensures a plentiful supply of cheap labour. In five years the company has earned 250-300 percent. The profit the company make at the cost of the farmers like Lazaro. They sell the mangoes dirt cheap to the export company. The farmers are trapped, they cannot go back to grow grains, nor can they survive on growing mangoes. If things get worse, the farmers may lose economic independence.

But the Managing Director of the company says, "We have 280 people working here and we are benefited from the crisis, in this sense, now we, the Mexican have learnt to do things in better way, and we don't depend on Mother Nature to do things for us. Now we have better connection, better communication with international market. We have tried to promote non-petroleum export". But produces depending on non-oil have scarcely benefited Mexican workers and hired labourers. Over 40% of Mexico's export earnings are devoted to pay off the debt.

Prof Luis Calva further says that production declines because there is not sufficient demand. This fall in demand provokes a decline in investment and employment. Lower investment and employment provoke a new fall in demand and it is a vicious cycle. If the debt were to disappear, Mexico could not make any progress without a fundamental change from the recessive policies which have been applied with fanatical perseverance since 1982. He also says that the creditor claims that the country has made significant improvement basically on the inflation front, which is now little more than one percent, which was almost unthinkable seven years back. In reality it is different. During this period, Mexican workers have been deteriorated by something between 40 to 50 percent. The economy has remained stagnant for seven years. There has been severe deterioration in education, nutrition, health, housing etc. There are a little more than 12 million people who are not able to find jobs. Mexican interest payments have averaged billion dollars a month since 1982. In spite of all sacrifices demanded the country owes more. The money crisis began. The creditors call Mexico a success story.

In the documentary, the writer narrates that all the money problems in the Southern hemisphere are due to debt. She says that the debt does compound them all. The IMF and the WB are not solving these problems, whatever they may claim. Since they took over the management in 1982, not only has the situation of ordinary people dramatically worsened but also the debt itself gone up to 50%. Nowhere is this more apparent than in Africa. Most African countries have IMF programmes. Tanzania is one of the poorest countries in the world, under five billion dollars; most are from the public sources. Some of them are provided debt relief. Interest payments still consume 2/3rd of Tanzania's export earnings, avoiding its achievements since independence. In Tanzania, there is 2/3rd drop in regular wages and many industries collapsed. People are working on part-time, working in the street to earn extra money. IMF is expecting Tanzania to clear its debt by reducing people's daily expenditure, expenditure on public services, especially essential services. Once the health care service of Tanzania was best in Africa, but it is going downhill.

The country hosted the best education and health systems in whole of Africa. Ugandans benefited too, because the credit financed the Tanzanian army. However, over borrowing loaded the state enterprises and mismanagement in economic system finally led Tanzania to accept the IMF austerity programmes in 1985.

Laetitia Van Den Assum, Country Representative, United Nations Children's Funds, says, "We don't dispute the adjustment. We are very much interested to see that as a result of adjustment processes, the basic human conditions don't deteriorate. Tanzania is the only country in Africa which achieved in early 80s universal primary education. Now that has slipped to approximately 70-75 per cent. It is devoting 35% of its national budget on serving the national debt and that has increased very rapidly in recent years. Earlier it was 19-20% and now it is 85-90%. It's a big strain for the country".

The writer further says that Tanzania's fortune reached a peak in 1976-77, when the coffee boom brought a sudden windfall, almost entirely the result of freezing weather that wrecked Brazil's harvest. Although Tanzania has maintained a strict policy on imports since independence, the boom conveyed a false sense of security, and the pressure to restrict them was relieved. The result was a 39% increase in imports in 1977 - most of them for current consumption, almost nothing for investment in long-term growth. The drain on hard-currency reserves prompted re-imposition of curbs, but too late; by 1981 reserves were zero.

Meanwhile, like other raw-material-producing countries, Tanzania found its export earnings taking a nosedive. By 1985 export earnings were 30% below the 1980-81 average, and in 1985 fully 40% below. Just to complicate Tanzania's plight, it got involved in a costly war against Idi Amin Dada's Uganda in 1978-79. The IMF, when approached in 1980 for a loan to finance oil imports, demanded that Tanzania apply, in exchange, the usual adjustment programme - including renewed liberalization of imports and drastic reductions in the state sector. The government said no, and thus began a conflict between this poor African country and the IMF.

At last, in 1986, partly because of the cotton debacle, the government had to cave in. In exchange, the IMF promised 2.5 billion dollars. Here is what former President Nyerere told a European audience in October 1986: We have been asked to encourage the producers of primary commodities with a good price. Good price is to devalue the ceiling. But giving the peasants good price with devaluation is cheating, because that is not the good price. The price of cotton is paid in dollars outside.

Producer countries like Tanzania have no control over the prices the experts fix. The value of cotton and other commodities are decided daily on the Northern commodities in exchange. They expect the Third World to pay

off their debts despite the massive drop in the prices nearly one half of the prices of their export since 1980.

President Nyerere further explains: This year the rain in Tanzania is very good. The peasants in our major cotton-growing regions have more than doubled their cotton crop compared with that of last year. We are desperately short of foreign exchange with which to buy essential imports, and cotton is one of our major exports; we were therefore pleased about this big output increase. But the price of cotton on the world market dropped from 68 cents a pound to 34 cents a pound on a single day in July this year. The result for our economy - and the income of the peasants - is similar to that of a natural disaster: half of our crop, and therefore of our income, is lost. Our peasants - and our nation - have made the effort, but the country is not earning a single extra cent in foreign exchange. That is theft. We cannot win because they fix the price of our commodities which they buy from us and they also fix the price of commodities that they sell to us.

According to the narrator, paying of that debt is costing million's lives especially lives of women. They play their role in economic programme by increasing the number of crops taken. Besides their entire household works, the village women in Tanzania, as well as in other African countries have to do extra hard work in the field. The drive to increase agriculture output and to increase agricultural production mainly lies on women to take on the extra burden on them on top of the workload already they have. The women spend longer hours working in the fields. At the same time, the women who are contributing to improve the economic conditions of the country, have no control, what so ever, over the tools of productions, no access to credits, no access to technologies to ease their burden.

As the women-workers say: we don't have money to hire a tractor. So we farm with our hand. We do have indication that maternal mortality has increased as a result of the workload of women. We are anxious that this situation will increase if we do not take any drastic measures to improve women's health and children's health. Many pregnant women are weak and anemic when they come to Tanzania's hospital. 20% of the women die from anemia caused by poor diet and lack of iron.

Local hospital staffs find they are losing battle against the lack of essential supplies like blood. They say that most of the people cannot donate blood due to poor health conditions. Lack of vital equipments for pre-mature babies is just a part of reasons for the hospital's decline. The falling budget no longer equipped with the over-crowded ward.

While talking about the consequences of debt crisis on environment of Third World, the narrator again refers to Philippine. He says Philippines is lucky to have considerable gold resources but its extraction takes a heavy toll. He says that no one knows how many miners died in the notorious worldwide gold mines. About 350,000 Philippines migrated to the area of gold mines to escape poverty. Over half the extracted gold was smuggled out of the country. Central Bank of Philippines is desperate to obtain gold for foreign exchanges.

Conditions of the workers are investigated by several doctors at the site of gold mines as metallic mercury causing long term environmental destruction in the area and will also destroy the health of many miners in years to come. They use mercury to separate gold from the original ore. Once this process is complete, they discharge the sludge into the water which runs through the mine camps from the above falling into the river below poisoning the valley, the whole area and water. The food they eat is also contaminated, because the fish they eat from the river is contaminated. The mercury level in the fish is very high and the water they drink also contaminated. As one doctor says that Philippines are so poor that they would rather die like that than die poor. They go into this fully knowing that they put their lives in stake.

The writer says that people in North are paying in environmental cost for the debt as well. She says that all countries with large rain-forests are also large debtors. The vast mining is one of the main source of foreign exchange. Massive Brazilian iron exports have forced prices down. So now Brazil moved into pig iron production. The pig-iron smelting plants are fuelled by woods from the rain forest. The country like Brazil would continue to disseminate the rain-forest so long as they are overburdened with debt.

Barbara Bramble, International Director, National Wildlife Foundation, (USA), says that the rainforest cannot be saved unless the debt crisis is resolved. She also says that it is impossible to expect the country which is desperately struggling to meet interest payments, to devote funds within their budgets to long-term aids. They need for their own people these natural resources. The rainforests are also being cleared by migrants from the towns who lost their jobs for this economic crisis. And they are joined by thousands of small farmers displaced by conversion of land for cash crops. All these people are looking desperately for places for work and places to scratch to live in. And many of them end up in trapped in rain forest.

Similarly, millions have chosen to move to urban areas and find places to scratch how to live in. Thousands and millions of people who are living in conditions that are unbelievably unhealthy. People who are never benefited from the loans, who were invited to petro-dollar party are now paying the cost.

Robin Broad, Economist, 1983-85, US Treasury, says that in the late 1980s, the social fabrics in the developing

countries were coming apart. The debts have become so great that Third World countries who have been in debt started taking actions on other countries on their own. In 1987, Brazil stopped paying its debt for a year. In 1988, Argentina stopped paying its debts and in 1989, there was great riots in Venezuela.

Susan George states that so far Mexico has not have any riots, but there have been riots in two dozens countries in which more than 4000 people have been killed.

Riots in Latin America and the risk of massive defaults pushed the US government to devise a new debt strategy. Shortly after the riots in Venezuela, the Brady plan was unveiled named after the US Treasury Secretary. The Brady plan at last recognized that debt must be reduced not be rescheduled. The US wanted the banks to reduce either loans principal or interest payments in return for IMF and WB money guarantying remaining debt. The Treasury Secretary tried to square the circle by enticing banks to lend new money as well as to reduce its own debt.

John Denham says that Brady plans are best when only debt can be reduced by 20%. It will take at least three years to do that and a large amount of public money going in to gun deals and the new bonds that are going to issue in order to banks to participate. The big problem of the Brady plan is that they are still in the game to persuade the banks to participate voluntarily in the debt's game in this case of reduction. And result is that they produce too little benefit over too long period.

In the documentary, the narrator says that the first country to renegotiate the Brady plan was Mexico. It asked for 50% relief, but bank figured down to 35%. And deals finally makes a lot low. Some flight capital has come home, but few believe that that Brady plan can save Mexico.

She says that the Brady plan is already late to save the last generation of the Third World kid. Children of 13-14 years have to leave school to work as street jugglers to earn some extra money to survive. Because of this debt crisis, bright children of many families have to leave schools and start working in the street.

Actually Brady plan offers too little, even that too little goes to the handful of countries. The new strategy like the old one masks the truth that the debt gives the creditors economic and strategic leverage. It is like a colonial warfare replaced by a silent war wedged with financial weapons.

She further says that in 1990, US renegotiated its military bases in Philippines. Even earlier American planes helped Mrs. Aquino's survival attempt in military camp. The US already had financial plan for its renewal through its contribution to a multibillion dollar aid for Philippines. They said that the plan would be helpful creating a favourable climate in Philippines for the renewal of the bases in it.

In this context, Solita Monsod points out that the agenda of US is quite clear. Their intent is to use the bases as its leverage. Right now, the Philippines is desperate for money. It needs money to repay its debt. The government also needs the money to grow. The banks are no longer interested to lend money, so the US government, the Japanese and other governments are promising a lot of money. The major interest of US in Philippines is their large military bases, which they see for themselves as an important role projecting in Asia. They say to the Philippines government that if they want this enormous amount of money, then the Philippines ought to keep the bases. US make it very clear that aid will only be coming if the bases remain.

Susan George says that the debt war has also exerted financial tribute from the south. Since the crisis began in 1982, the North has extracted more than 334 billion dollars from the Third World countries than it has given the aid and more than 700,000 American and British drafts have been lost because of the recession in the South. The financial systems get enough time to reduce drastically its exposure in the Third World.

A local teacher of Mexico says: I feel my children are going to face a difficult, anguished future; their future is bleak. It is hard for us. It will be harder, blacker for them. But they will have to learn that, however hard and black their path is. They must keep going, because this country must not die just for a debt.

In the conclusion in the documentary, Susan George says: debt crisis could be made instrument of hope and liberations, not of despair. We have the courage to write off the debt; in return we could demand a better government to make payments in local currency in international development funds. Funds will be used in people's development projects, for environmental renewal. We must get the money and power that go with it to those who never had before. The people had more than enough.

A Harvard professor tells: If the crisis is not resolved, there will continue the same modeling through approach. The prognosis is quite bad. It will be a slow and continuous silent war against the people of Third World. We will see living standard to continue so far, mal-nutrition and hunger rise. And if this continues, we already see across the world in 1989 people in developing countries rising up and saying that we don't take this anymore.

The Shock Doctrine

By:

Naomi Klein

Published by:

The Penguin Group, 2007

Bird's Eye View

This paper summarizes the book titled **The Shock Doctrine** and a documentary with the same title based on this book, produced by Revolution Film.

The writer, Naomi Klein, a Canadian author, social activist and award-winning journalist, talks about the rise of disaster capitalism. She tells that throughout the world, be it Britain, the United States, Asia and the Middle East, there are people in power who are cashing in on chaos; exploiting bloodshed and catastrophe to brutally remake our world as per their imagination. She calls them 'shock doctors'. Exposing these global profiteers, Naomi Klein discovered information and connections that shocked even her about how comprehensively the shock doctors' beliefs now dominate our world and how this domination has been achieved. Raking in billions out of the tsunami, plundering Russia, exploiting Iraq - this is the chilling tale of how a few are making a killing while more are getting killed.

The writer talks about shock, about how countries are shocked - by wars, terror attacks, coups and natural disasters. And how they are shocked again by Corporations and Politicians who exploit the fear and disorientation of this first shock to push through economic shock therapy. And then how people who dare to resist this shock politics are shocked for a third time by police, soldiers and prison interrogators. In her book, Naomi Klein tries to explain how the savage stream of pure capitalism, with living capitalism unrestrained came to dominate the world.

The Shock Doctrine

The story begins on 1st June, 1951 when representatives of Western Intelligent Agencies secretly met with academics in Ritz hotel of Montreal, Canada. This meeting contributed to military-funded research on sensory deprivation at McGill University. According to Dr. Hebb, this deprivation causes loss of clinical capacity.

Dr. Hebb was one of those at the Ritz meeting, Director of psychology at McGill University. Hebb paid a group of 63 McGill students 20 dollars a day to be isolated in a room wearing dark glasses, headphones playing loud noises and cardboard tubes covering their arms and hands so as to interfere with their sense of touch. For days, the students floated in a sea of nothingness.

In a confidential report on Hebb's findings, the Defense Research Board concluded that sensory deprivation clearly caused extreme confusion as well as hallucinations among the student-test subjects and that "a significant temporary lowering of intellectual efficiency occurred during and immediately after the period of perpetual deprivation. Furthermore, the students' hunger for stimulation made them surprisingly receptive to the idea expressed on the tapes. It was as if the confusion from sensory deprivation partially erased their minds, and then the sensory stimuli rewrote their patterns.

Later on, Dr. Hebb narrated in the documentary - "I began to think that when we are doing our experiments, it is possible that something involved physical discomfort, even pain might be more tolerable than deprivation condition we started. We have decided to stop work on research. I have no idea when I suggested that what a vicious weapon this could be. But ambitious psychiatrist, Dr. Ewen Cameron continued with the experiments. Dr. Hebb also said that Dr. Cameron did much more than what Dr. Hebb and his people have done". Cameron's patients were not sub-looking. The Allen Memorial Institute, where he worked, began to look like a McGill prison, where Cameron began bizarre experiment on his psychiatric patients, keeping them asleep and in isolation for weeks, then administering huge doses of electroshock as well as experimental drug cocktails, commonly known as angel dust. The experiments reduced patients to preverbal, infantile states.

The CIA's funding of Cameron had been revealed in the late 70s through a Freedom of Information Act request, sparking hearings in the US Senate. Nine of Cameron's former patients got together and sued the CIA as well as the Canadian government, which had also funded Cameron's research. The patients' lawyers argued that the experiments had violated all standards of medical ethics. These patients had been used as human guinea pigs to satisfy the CIA's thirst for information about how to control the human mind. Cameron wanted to deeper clean his patients' mind of previous memories, so that he could rebuild them from a blank slate.

A patient of Dr. Cameron, called Janine Huard says in the documentary, "I used to shiver when they told me that I was going to get a shock tomorrow. I was so scared of it. And next I would get up in my room all alone, mixed up and sad. It used to make me very sad. I was like a zombie walking around. Cameron combined shock therapy with slick therapy and repeated playing taped messages. It used to say, Jenny! Jenny! You are running away from your responsibility. You don't want to take care of your residents and children. All the time same thing was being repeated. I was being interrogated, but I did not know the purpose of interrogation".

It was long that CIA put Cameron's research into practice. Many research segments appeared in the agency "Kubark Counterintelligence Introduction, July 1963" manual. These words in tape are from this manual. It's a fundamental hypothesis of this hard work. These techniques were methods inducing regression on the personality. Not only did Cameron play a central role in developing contemporary US torture techniques, but his experiments also offer a unique insight into the underlying logic of disaster capitalism. Like the free-market economists who are convinced that only a large-scale disaster can prepare the ground for their "reforms", Cameron believed that by inflicting an army of shocks to the human brain, he could unmake and erase faulty minds, then rebuild new personalities on that clean slate.

The Other Doctor Shock

At the same time when Cameron was conducting this experiment in Montreal, an experiment of another kind of shock was being undertaken by Milton Friedman. He was teaching economics in Chicago. He believed economic shock therapy can encourage the society to accept a pure form of deregulated capitalism. In October 2008, in the midst of the biggest financial crisis, Naomi Klein went to Chicago to talk about Friedman. She said, "when M. Friedman turned 90, the Bush Whitehouse held a party for him. Among everyone's speeches including George Bush, I want to quote a speech of Donald Rumsfeld: Nothing is the embodiment of the truth that ideas have consequences". Her argument was: "The economic chaos we see right now on Wall Street, and Main Street and on Washington are the ideas of M. Friedman".

The Wall Street crashed in 1929. That is the depression of 1930. Sensor of Friedman thesis as an opposition to the New Deal was announced by President Roosevelt in his inaugural speeches. Influenced by the economist John Maynard Keynes, Roosevelt started a public employment to get people back to work. It was not simple. The depression lasted till the Second World War. After the war, the Martial Plans backed Keynesian model of government's regulation and intervention in Europe. This principle was widely accepted, but not in the department of economics of the university of Chicago.

According to Naomi Klein, Milton Friedman from this university wedged to war against this New Deal. She says that Friedman was a member of Mont Pelerin Society led by an Austrian economist Friedrich Hayek. They believed that if the government stops providing services, stops regulating markets, the economy will correct itself. In 1950s, there were serious cracks, but over the last 30 years, their ideas have become the dominant economic doctrine.

She further says that the thesis of the "shock doctrine" is that we have been sold a fairy-tale, how these radical policies have swept the globe. They have not swept the globe on the backs of Friedman democracy. But they have needed shocks, they have needed crisis, they have needed state of emergencies. Friedman understood the utility of the crisis. He said that only a crisis actually perceived and produced real change. When crisis occurs, the actions that are taken depend on the ideas that are lying around".

The First Test: Chile

It was in Chile that Friedman's disciples first learnt how to exploit a large sure-shock of crisis. In 50s and 60s Chile was a progressive developed country. Its developmental policies were beacons in the region. The government invested in health, education and industries. American corporations were worried that their investments would suffer. In response, the USA started sponsoring the students from Chile and rest of South America to study free-market economy with Milton Friedman. The University of Chicago had a joint arrangement with Catholic University of Chile in which great many students from Chile came to Chicago to be trained. When these students were back in Chile, the Catholic University of Economic Development in Santiago became a little "Chicago School".

The economist, Arnold Herberger, in-charge of the programme, described himself a seriously dedicated missionary. In 1970, Salvador Allende's Unity government won Chile's election on a platform promising to put into government hands large sector of the economy that were being run by foreign and local corporations.

Chile's strong company's majority was won by the US Corporation ITT (International Telephone and Telegraph Company). US owned 70 percent of Chile's soon-to-be-nationalized phone company. Its spearheaded attempt was to stop Allende become President. It had a support of Nixon in the Whitehouse. Edward Kerry, Ambassador to Chile, said that CIA issued order to prevent Allende becoming President. They tried to get Allende to lean on Chile and military right after Allende was elected.

Despite the efforts of the CIA, Allende was sworn in as President on September 4th 1970. Nixon ordered CIA director to "make the economy scream". Allende said, "Mr. Nixon is the President of United States of America and I am the President of Chile. I don't have any problem with Mr. Nixon just as long as Mr. Nixon respects the President of Chile". Preparation began for the military coup.

The Chilean Chicago Boys started working on the 500-page economic blueprint called "Brick". With US funding, everything terms to stabilize the economy. Truck drivers went on strike bringing the region standstill. There was a coup attempt on June 29th 1973. And then on September 11th 1973, General Augusto Pinochet was leading the army to attack the Presidential Palace. Santiago looked like a war zone. Tanks fired as rolled down the boulevards, and government buildings were under air assault by fighter jets.

The Shock of War

Chile had no experience with this kind of violence. It had enjoyed 160-years of peaceful democratic rule. The past 41-year rule was uninterrupted. Now the palace was in flames. The president's body was being carried out on a stretcher and his closest colleagues were lying facedown in the street at rifle point. Pinochet, the operation's vain and volatile commander, clearly wanted the event to be as dramatic and traumatic as possible. Even if the coup was not a war, it was designed to feel like one - a Chilean precursor to 'Shock and Awe'.

The Chicago Boys delivered their economic blueprint "The Brick" to Pinochet. With Allende's death, his cabinet in captivity and no mass resistance in evidence, the junta's grand battle was over by mid-afternoon. 'VIP' prisoners were eventually taken to freezing Dawson Iceland, Pinochet's approximation of a Siberian work camp. Killing and locking up government was not enough for Chile's new junta government. The generals knew that their hold on power depended on Chileans being truly terrified. According to declassified CIA report, roughly 13,500 civilians were arrested, loaded onto trucks and imprisoned. Thousands ended up in the two main football stadiums in Santiago, the Chile Stadium and the huge National Stadium. In the stadiums, death replaced football. Hundreds were executed. Lifeless bodies started showing up on the side of major highways or floating in murky urban canals. Chile became notorious around the world.

Even though Pinochet's battle was one-sided, its effects were as real as any civil war or foreign invasion. In all, more than 3200 people were disappeared or executed, at least 80,000 were imprisoned, and 200,000 fled the country for political reasons.

At the beginning of November 1973, 5000 prisoners were released. 900 were transferred to detention centers. A month later, on November 21st 1973, Chile played World Cup in the same stadium.

The Economic Shock

With the population and shock, Pinochet imposed the policies recommended by the Chicago Boys. Pinochet faithfully followed the Chicago rules: he privatized some, though not all, state-owned companies (including several banks); he allowed cutting-edge new forms of speculative finance; he flung open the borders to foreign imports, tearing down the barriers that had long protected Chilean manufacturers; and he cut government spending by ten percent, except the military which received a significant increase. He also eliminated price controls - a radical move in the country that had been regulating the cost of necessities such as bread and cooking oil for decades.

The Chicago Boys had confidently assured Pinochet that if he withdrew government involvement from these areas all at once, the 'natural' laws of economics would rediscover their equilibrium and inflation. But they were mistaken. In 1974, inflation reached 375% -- the highest rate in the world and almost twice the top level under Allende. At the same time, Chileans were being thrown out of work because Pinochet's experiment with 'free trade' was flooding the country with cheap imports. Local businesses were closing, unable to compete, unemployment hit record level and hunger became rampant.

The Chicago School's first laboratory was a debacle in general. But many business elites had had their fill of the Chicago Boys' adventures in extreme capitalism. The only people benefiting were foreign companies and a small clique of financiers.

Milton Friedman later openly acknowledged the Chilean experiment. It was a first case, where they turn the movement of communism into a movement of free-market. But their policy did not work. Their agenda was in great danger. So in March 1975, Milton Friedman and Arnold Harberger flew to Santiago at the invitation of a major bank to help save the experiment.

According to the Naomi Klein, Friedman used a term that has never before been used in a real world of economic crisis. He called for "Shock Treatment". He claimed, "He was a doctor and he was going to save the country suffering from epidemic. He is simply prescribing the medicine. "Shock Treatment" was the only medicine. There was no other medicine. There is no other long-term solution."

Friedman observed that the General was sympathetically attracted to the idea of "Shock Treatment" but was clearly distressed at the possible temporary unemployment that might be caused due this treatment. It was clear that Friedman economic policies only benefited the world-trade at the expense of the poor.

Friedman urged Pinochet to cut government spending much further by 25% within six months, and also asked him to simultaneously adopt a package of pro-business policies moving toward "complete free trade".

In 1975, Pinochet and Sergio de Castro, his Finance Minister, cut public spending by 27% in one blow and they kept cutting until 1980. Health and education took the heaviest hits. De Castro privatized almost 500 state-owned companies and banks. He took no pity on local companies and removed even more barriers; the result was the loss of 177,000 industrial jobs between 1973 and 1983.

Interestingly, the most powerful criticism of "Shock treatment" came from one of Friedman's own former students, Andre Gunder Frank. He served as an economic adviser to the Government of Salvador Allende.

He calculated what it meant for a Chilean family to try to survive on what Pinochet claimed was a "living wage". Roughly 74% of its income went simply to buying bread, forcing the family to cut out such luxury items as milk and bus-fare to get to work. Many children were not getting milk at school either, since one of the junta's first move had been to eliminate the school milk programme. As a result of this cut compounding the desperation at home, more and more students were fainting in class, and many stopped going to school. Gunter Frank saw a direct connection between the brutal economic policies imposed by his former classmates and the violence Pinochet had unleashed on the country. Friedman's prescriptions were so wrenching. The Chicago Boy wrote that they could not be imposed or carried out without the twin elements "military force and political terror."

Undeterred, Pinochet's economic team went into more experimental territory, introducing Friedman's most vanguard policies: the public school system was replaced by vouchers and charter schools; health care became pay-as-you-go, and kindergartens and cemeteries were privatized. Most radical of all, they privatized Chile's social security system. Pinochet's government introduced the idea of "a nation of owner".

In this context, Friedman and Harberger argued that free-market economics were hand in hand with freedom and democracy. But internally their ideas have been implemented in the context of dictatorship. Many Latin Americans saw direct connection between the economic shocks that impoverished millions of people and academics of torture inflicted on those who believed in a different kind of society. One of those was Orlando Letelier. According to him, the Chicago School economists' "shock treatment" was meant hoover wealth up to the top and shock much of the middleclass out of existence. After spending a year in Pinochet's prison, Letelier managed to escape Chile, thanks to an intensive international lobbying campaign.

In 1976, Letelier wrote: The economic plan had to be enforced and in 1976, Orlando Letelier was back in Washington D.C.as an activist with a progressive think-tank, the Institute for Policy Studies. Letelier used his newly recovered freedom to expose Pinochet's crime and to defend Allende's record against the CIA propaganda machine. The activism was having an effect and Pinochet faced universal condemnation for his human rights record. Letelier went so far as to write that Milton Friedman shared responsibility for Pinochet's crimes. Letelier said that according to Friedman, the economic plan had to be enforced in Chilean context that could only be done by killing thousands, the establishment of concentration camps all over the country and they jailed more than one hundred thousand people in three years. And during these three years, several billions of dollars were taken away from the pockets of wage earners and placed in those of capitalists and landowners.

According to Letelier, "Regression for the majorities and economic freedom for small privileged groups are, in Chile, two sides of the same coin" There was, he wrote, "an inner harmony between the free-market and unlimited terror".

Letelier's controversial article was published at the end of August 1976. Less than a month later, on 21st September, the 41-year old economist was driving to work and a remote controlled bomb exploded in his car killing him?

An FBI investigation revealed that the bomb had been the work of Michael Townley, a senior member of Pinochet's secret police. He was convicted in US Federal Court for the crime. The convict had been admitted to the country on false passport with knowledge of the CIA.

In the same year, after the murder of Orlando Letelier, Milton Friedman was awarded with Nobel Prize for economics.

The Revolution Spread

Chile was not the only country to adopt the Chicago School policies.The next fix came from other countries in

Latin America's Southern Cone, where Chicago School counter-revolution quickly spread. Brazil was already under the control of US-supported junta, and several Friedman's Brazilian disciples held key positions and advised the government to adopt the Chicago School policies.

Next to join the experiment was Argentina. On March 24, 1976, a military coup overturned the government in Argentina. That meant that Argentina, Chile, Uruguay and Brazil - the countries that had been showing cases of developmentalism - were now all run by US-based military governments and were living laboratories of Chicago School economics.

Once again, the human impact was unmistakable: within a year, wages lost 40 percent of their value, factories were locked, poverty spiraled. Poor neighbourhoods were without water, and preventable diseases ran rampant. People were terrorized to accept these policies.

By the mid-seventies, disappearances had become the primary enforcement tool for the Chicago School Southern Cone and none embraced the practice more zealously than Generals occupying Argentina's Presidential Palace. By the end of their reign, an estimated thirty thousand people had been disappeared.

The Argentine junta excelled at striking just the right balance between public and private horror. During the initial days in power, the junta made a single dramatic demonstration of its willingness to use lethal force. The junta's killings went underground, but they were always present. Disappearances, officially denied, were very public spectacles. Striking a balance between public and private horror, disappearances were often carried out in broad day-light. Many of the techniques used by Chilean and Argentinean military have been learned in US from School of America.

In the documentary, Major Joseph Blair, School of America, 1986-89, said that torture techniques taught from rape to torture with a pointed objects, breaking brains, poking eyes. He also said that the use of torture on known enemy soldiers in some kind of military advantage was justifiable and smart and going beyond that to use torture techniques to merely intimidate people was completely wrong, unethical and immoral.

A 1975 US Senate investigation into US intervention in Chile found that the CIA had provided training to Pinochet's military in methods for 'controlling subversion'. According to court testimony quoted in the country's truth commission report, Brazil: 'Never Again' published in 1985, military officers attended formal "torture classes" at army police units. During these sessions, prisoners were brought in for "practical demonstrations" - brutally tortured while as many as a hundred army sergeants looked on and learned the techniques. The results of this training were unmistakable in all - the human rights reports from the Southern Cone in this sinister period. Again and again they testified to the trademark methods in the "Kuberk Manual": early morning arrests, hooding, intense isolation, drugging, forced nudity and electroshock.

The only reprieve from isolation was the worse fate of the interrogation room. The most ubiquitous techniques was electroshock. Tens of thousands of prisoners were killed while going through the Southern Cone's torture machinery.

But in Argentina and Chile these techniques were not used just on soldiers and terrorists but also on students and union members. They were used on anybody who opposed the free-market policies of the regime. The vast majority of the victims of the Southern Cone terror apparatus were not members of armed groups but non-violent activists working in factories, farms, shantytowns and universities.

Argentina with terrorism went further than Chile. Among the disappeared were hundreds of pregnant women. Women were allowed to give birth before being murdered. An estimated 500 babies were born inside Argentina's torture centers, and these infants were immediately enlisted in the plan to re-engineer society and create a new breed of model citizen. The children were sold or given to couples, most of them directly linked to the dictatorship. The children were raised according to the values of capitalism and Christianity by the junta and never told of their heritage. Their parents were always killed in the camps.

Later General Miguel Osvaldo of Argentina found guilty of murder, kidnapping and torture. He was sentenced to life imprisonment.

In a talk held in Hamilton University, New York, in 2009, Naomi Klein told that the experiment of Latin America presented by Friedman in his Cohort with an ideological problem. She also said that Friedman had promised that these policies would not just make the literature but they would create society as free as possible, that this was a war against tyranny. Countries putting all these ideas into practice were military dictatorship. Nixon fully supported imposing this type of bureaucratic policies in South American dictatorships. But when it came to domestic economic policy in the US, it was a different story.

The Chicago School and the English Speaking World

Friedman enjoyed a friendly relationship with Nixon. Several of Chicago School colleagues and disciples were recruited to work for the government. Ronald Dumsfeld was one of them. With true disciples, making policy and

a strong personal rapport with the President, Friedman had every reason to believe that his ideas were about to be put into practice in the most powerful economy in the world.

But in 1971, with the economy in slumps Nixon turned his back on Friedman ideas. The US economy was in a slump; unemployment was high; inflation was pushing prices way up. Nixon knew that if he followed Friedman Laissez-faire advice, millions of angry citizens would vote him out of a job. So he imposed price-control policies. He decided to put caps on the prices of necessities such as rent and oil. Friedman was outraged of all possible government "distortions", price controls of the wage-and-price-control programme. The Keynesian policy was success and Nixon was elected as President for the second time with a landslide majority. It was a real blow for Friedman.

Then in 1979, Margaret Thatcher was elected Prime Minister of Britain. A year later Ronald Regan was elected as President of USA. Although the estate sales offered glimmer of hope for the possibility of hard-right economics in a democracy, Thatcher still looked poised to lose her job after just one term. In 1979, she had run on the "Labour is not working", but by 1982, the number of unemployed had doubled under her watch leading to strike as had the inflation rates. After three years in office, Thatcher saw her personal approval rating drop to 25 percent. Even Margaret Thatcher's admirers had doubt. The economic performance of Thatcher government had been mixed. Friedrich Hayek urged that copy of Keynesian economic shock therapy policies be applied in Britain.

It was in those trying circumstances that Thatcher wrote to Hayek politely informing him that a Chilean type transformation was quite unacceptable in the UK. Six week after Thatcher wrote this letter to Hayek, something happened that changed her mind and after the destiny of corporatist crusade: on April 2nd, 1982, Argentina invaded the Falkland Island thousands of miles away from Atlantic, a relic of British Colonial rule. It was the Falkland War that gave Thatcher the political cover she needed to bring a programme of radical capitalist transformation to a Western liberal democracy for the first time.

Most people of Britain never even heard of Falkland. Thatcher saw her opportunity to prove her credential as 'Iron Lady'. The war was over in less than three months. A patriotic celebration swept the country. Thatcher won the 1982 election with a massive majority. Thatcher used the enormous popularity afforded her by the victory to launch the very corporatist revolution she had told Hayek was impossible before the war. The most powerful gain was the National gaining of mine workers. When the National Coal Board tried to close its dam, the miners went on strike. Part of the Central Avenue brought to a halt when thousands of mine workers and sympathizers marched through the city and supported the miners' strike. The strike lasted for a year. Thatcher used every means at her disposal to destroy the Union. By 1985, Thatcher had this war. Workers were going hungry and could not hold out. In the end, 996 people were fired. It was a devastating setback for Britain's most powerful union, and it sent a clear message to the others: if Thatcher was willing to go to the wall to break the coal miners, on whom the country depended for its light and warmth, it would be suicide for weaker unions producing less crucial products and services to take on her new economic order. Thatcher used this victory to bring the Chicago School Revolution in Britain. A massive programme of privatization was launched in Britain. Between 1984 and 1998, the government privatized, among other things, British Telecom, water, electricity, gas, oil, healthcare, Airways, Airport Authority and steel, while it sold its shares in British Petroleum. Public services were sold off. Cancer services were put on to tender.

It was a message just similar to the one Ronald Reagan had sent a few months after he took office with his response to a strike by the air-traffic controllers. Reagan fired 11,400 of the country's most essential workers in a single blow. Much as the terrorist attacks on September 11, 2001, would take an unpopular precedent and hand him an opportunity to launch a massive privatization initiatives. Thatcher used her war to launch the first mass privatization auction in a Western democracy.

In 1986, financial and banking services were deregulated. It was a storm with a "Big Bang", while the government claimed that it was just the beginning. In Britain, before Thatcher they used to earn ten times more of an average worker, but by 2007, they earned more than 100 times. As in USA, before Reagan, they used to earn 43 times more than their average workers, but by 2005, they earned 400 times more.

Friedman openly acknowledged Reagan and Thatcher for spreading the Chicago School Policies around the world.

Beyond the Iron Curtain

In a talk, Naomi Klein said, "We all know the fairy-tale about the fall of communism. Reagan and Thatcher looked so prosperous to the people of Communist Blocks, so they themselves demanded lot of free market policies. It is true that people who have been living under authoritarian communism genuinely wanted democracy and have much more. But that does not mean that they want that kind of capitalism and no social protections that so many Eastern Block countries actually ended up with and suffered these days.

In the past the Soviet Union used military force to curb democratic movement. But by the beginning of nineties, Gorbachov had led Soviet Union through a remarkable process of democratization with his twin policies 'glasnost' (openness) and 'perestroika' (reconstruction): the press had been freed, Russia's Parliament, local councils, President and Vice-President had been elected, and the Constitutional Court was made independent. As for economy, he talked about a third way, a gradual transition off Scandinavian style of social democracy, a mixture of a free-market and a strong safety net, with key industries under public control. Something between free-market capitalism and communism. Gorbachov charmed the public and politicians of the West. He charmed one by one the world's leaders which the communist regime could not do. At the end of the year, the famous symbol of division of Europe scrambled down. The Friedman and Chicago Boys had a new whole world opened up before them. In the Soviet Union, Gorbachov was hoping to gradually reform the Russian economy.

In 1991, Gorbachov was invited to G-7 Summit in London. He was hoping for financial support for his gradual economic reforms. Instead, he was told unless he embraced radical shock therapy, there would be no financial support. Gorbachev knew that the only way to impose this kind of shock therapy being advocated by the G-7 and the IMF was with force - as had experienced many in the West pushing for these reforms.

Gorbachov soon found himself facing an adversary who was more than willing to play the role of Russian Pinochet. This adversary was Boris Yeltsin. On August 19, 1991, there was coup attempt against him. A group of Communist Party hardliners arrested Gorbachov. They surrounded the White House, as the Russian Parliament building is called. In a bid to halt the democratization process, they threatened to attack the country's first elected Parliament. Hardliners resolved to violence. Such chaos and actions were not seen during the revolution. The military had not moved. Inside, Boris Yeltsin was more powerful than ever. Gorbachov was released and he returned to Moscow. He lost much of his power. In December 1991, the Soviet Union was dissolved. It was a profound shock for the Russian people. Yeltsin was now in-charge of the economic policies for the Russian Federation.

After Yeltsin's coup, Stanley Fischer, First Deputy Managing Director of the IMF, advocated that Privatization, Stabilization and Liberalization all must be completed as soon as possible.

Free-market came to Russia. There was chaos. The adoption of Chicago School policies in Russia marks the beginning of a new chapter in the march of free-market.

Yeltsin announced the lifting of price controls, predicting that the liberalization of prices will put everything in its right place. The shock therapy programme also included free-trade policies and the first phase of the rapid-fire privatization of the country's approximately 225, 000 state-owned companies. The country was taken by surprise by the "Chicago School" programme. That surprise was a deliberate strategy of unleashing change so suddenly and quickly that resistance would be impossible.

The Shock Doctrine

Despite the public efforts to promote popular capitalism, reality was different. In theory all these dealings were supposed to lift Russia out of desperation; in practice the Communist State was replaced with Corporatist one; the beneficiaries of the boom were confined to a small club of Russians and a handful Western mutual fund managers, many of whom were to become part of the group universally known as "the oligarchs" for their imperial level of wealth and power, teamed up with Yeltsin's Chicago Boys and stripped the country of nearly everything of value, moving the enormous profits off shore at a rate of two billion dollars a month. After only one year shock therapy had taken a devastating toll: millions of middle-class Russians had lost their savings when money lost its value, and abrupt cuts to subsidies means millions of workers had not been paid in months. The average Russian could consume 40% less in 1992 than in 1991. One third of 140 million are living below the poverty-line. Middle-class was forced to sell personal belongings on the street. Corruption was in rise, organized crime boomed. Moscow became a new world like the West.

The majority of Russians opposed the Chicago Boys' radical vision for their country. Under the pressure in March 1993, Parliamentarians made a crucial decision. They voted to repeal the special power given to Yeltsin to impose his economic laws by decree. Yeltsin retaliated against the Parliament's "mutiny" by going on television and declaring a state of emergency, which conveniently restored his imperial powers. As per the Constitution this was called illegal.

Nevertheless, the West threw its weight behind Yeltsin. The majority of the Western press also sided with Yeltsin against the entire Parliament, whose members were dismissed as "Communist hardliners" trying to roll back democratic reform.

In the spring of 1993, the collision drew closer when parliament brought forward a budget bill that did not follow IMF demands for strict austerity. IMF was unhappy with Russia's backtracking on reforms, so a promised 1.5 billion dollar loan was rescinded. Yeltsin took his first irreversible step towards what was now being openly referred to as the "Pinochet Option". He abolished the Constitution and dissolved the Parliament. Three days

later, Parliament impeached Yeltsin by 636 votes to two.

On October 3, thousands of supporters of Parliament gathered outside the White House and marched to the Octankino TV center to demand that news be announced. They were met by Yeltsin's troops and were machine-gunned. That night more than hundred demonstrators were killed. Yeltsin abandoned negotiations and moved into war posture. He ordered the troops to storm the Russian White House, setting it on fire.

Yeltsin now had absolute power. With the advice of Chicago Boys, he ruled through a form of crony capitalism. Even most state-owned industries were sold off, creating a new classic building of businessmen with huge political influences. By 1998, 80 percent of Russia's firms were bankrupt, 70,000 factories were closed. In eight years, the number of people living in poverty increased by 72 million. Before the shock therapy, Russia had no millionaires, but by 2003, the number of Russian billionaires had risen to seventeen.

A New Enemy

Ronald Dumsfeld became the Secretary of Defense during George Bush's Presidential regime. He was also the Secretary of Defense earlier, during President Ford. At that time the enemy supposed to be feared was Soviet Union. Now, there was a new enemy closer home. Dumsfeld advised to privatize its much of the US military. He said, "Apex-aid was an adversary which poses a serious threat to security of US. The adversary is closer to home. Its the Pentagon bureaucracy. Today we declare war on bureaucracy". The next day American Airlines Boeing 077 crashed the Pentagon killing 194 people.

The Shock of 9/11

In this context, Naomi Klein said, "Think about the feelings after the attacks on twin towers and Pentagon". She raised some questions regarding this. "Who were these people? Where did they come from and why do they hate us? We are not living in a world that we thought we lived in. And we kept hearing from our political leaders a new phrase, "pre-9/11 thinking" economy? And suddenly a new story magically appeared. We are in "clash of civilizations". That is the world suddenly we started living in, that there is "Axis of Evil". We are fighting against terror.

North Americans had become a blank slate. A new army of experts instantly materialized to write new and beautiful words on the blank slate or the receptive canvas of our post-trauma consciousness: "Clash of civilization", they inscribed "Axis of Evil", "Islamofascism", "Homeland Security". With everyone preoccupied by the deadly new culture of wars, the Bush administration was able to pull off what it could only have dreamed of doing before 9/11: wage was privatized, wars were launched abroad and build a corporate security complex at home".

This abstract of winning a war has huge economic consequences. Before 2001, "Homeland security" was barely registered as an industry. Today it is an industry bigger than Hollywood that a music industry can buy. Between September 11, 2001 and 2006, the department of "homeland security" handed out 130 billion dollars to pay to contract this security agency.

The War on Terror (Part-I)

According to George Bush: the best defense against terror is a global offensive against terror, wherever it might be found.

The first phase of war was the bombing of Afghanistan. The Taliban government was quickly overthrown. The aftermath of the war was more complicated. The fight against terrorism started in Afghanistan, but it boomeranged. For the first-time, technique of the 'Kuberk ' manual was explicitly publicly being used by American forces, officially sanctioned in the White House and openly broadcasted on television around the world. "Isolation, physical and mental, must be maintained from the moment of apprehension. The capacity of resistance in diminished by disorientation, prisoners must maintain silence all the time. They should never be allowed to speak to each other. For the neocolonialist blindness is a running theme in the War and Terror. At the US-run prison at Guantanamo Bay, Asif Iqbal and two more prisoners spent two years in the Guantanamo prison before being released without charge.

Asif Iqbal and his friend Rihel Ahmed had been grabbed by the Northern Alliance while visiting Afghanistan on their way to a wedding. They have been violently beaten, injected with unidentified drugs, put in stress position for hours, sleep deprived, forcibly shaven and denied all legal rights for twenty-nine months. Of the 779 prisoners who have been held in Guantanamo, only three were convicted of any offence.

Naomi Klein said that this was a message to the whole world, and the message was clear that this was going to happen to you if you get on our way.

The War and Terror (Part-II)

Second attack was on Iraq. Ramsfeld said that the War on Terror was not about one man and not about one country.

There were many justifications given for the invasion of Iraq. If US really wanted to attack the country and selling killing-technologies, then Pakistan would have been the obvious choice, where the terrorists were hiding and killer weapons were hidden. As it had close connection with the Talibans and being run by military dictator. Instead, George Bush targeted Iraq, a country with the 3rd largest oil reserve in the world. In addition to its vast oil reserve, it also made a good contract location for military bases now that Saudi Arabia looked less dependable, and Saddam's use of chemical weapons on his own people made him easy to hate.

Its hard to believe - but then again, that was pretty much Washington game plan for Iraq: Shock and terrorize the entire country, deliberately ruin its infrastructure, do nothing while its culture and history are ransacked, then make it all okay 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. 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.

The Iraq invasion marked the use of ultimate shock to forcibly wipe out and erase all obstacles to the construction of model corporatist states free from all interference.

As Ewen Cameron, the CIA-funded psychiatrist who had tried to "de-pattern" his patients by regressing them to infantile states, had believed that if a little shock was good for this purpose, more was better. He blasted human brains with everything he could think of - electricity, hallucinogens, sensory deprivation, sensory overload - anything that would wipe out what was and give him a blank slate on which to imprint new thoughts, new patterns. With a larger canvas, that was the invasion and occupation strategy for Iraq. The architects of the war decided to go with all sorts of shock tactics like military bombardment supplemented with elaborate psychological operations, followed up with the fastest and most sweeping political and economic shock therapy programmes.

War on Mass Torture

The invasion on Iraq was not like the Gulf War. The US military dropped more than 30,000 bombs on Iraq, as well as thousand precision-guided cruise missiles - 67% of the total ever made. Not a single minute passes by without hearing and feeling a drop of a bomb somewhere. Us news media outlets were conscripted by the Pentagon to "fear up" Iraq. They called it "A-Day". "A" as in air-strikes. This air-strike is so devastating that they would leave Saddam's soldiers unable to or unwilling to fight. The idea is to drain the country so that to create "Shock and Awe".

Iraqis, who picked up the terrifying reports spent months imagining the horrors of "Shock and Awe". The phrase itself became a potent psychological weapon. This was an integral part of the Department of Defense's strategy - "fear up".

The seer size of this attack on Iraq has never been seen before, never been contemplated before. Harlam Ullman, author of "Shock and Awe", which is a military doctrine, explained: "You have this simultaneous effect, rather like the nuclear weapons at Hiroshima, not taking days or weeks but in minutes".

When the war began, the resident of Baghdad were subjected to sensory deprivation described in Kuberk manual 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, the Ministry of Communication was bombed and set ablaze, as were four Baghdad telephone exchanges. During the same assault, television and radio transmitters were also hit.

Next to go were the eyes. There was no audible explosion, but in an instant, an entire city of five million people was plunged into an awful, endless night. Trapped in their homes, the residents could not speak to each other, hear each other or see each outside. The entire city was slackened and hooded. Next it was stripped. The first stage of breaking down prisoners was stripping them of their own clothes and any item that have the power to evoke their sense of self. Items like Koran or a cherished photograph were treated with open disrespect.

Hundred of looters who smashed ancient ceramics, stripped display cases and pocketed gold and other antiquities from the National Museum. 80% of the museum's 170,000 piece-less objects were gone. The deep memory of an entire culture, that has continued for thousands of years, has been removed.

There were numerous reports of US soldiers hanging out by their armored vehicles and watching as trucks loaded with loots drove by. It was a reflection of indifference coming from Rumsfeld. In the chaos that followed the overthrown of Saddam Husain, the US did little to stop the looting. Peter Mepherson, the senior economic adviser to Paul Bremer, was not also bothered about the looting. His job, as Iraq's top economist shock therapist, was to radically downsize the state and privatize its assets, which means that looters were really given him a jump-start. He termed the pillage a form of public sector "shrinkage".

John Agresto, director of higher education reconstruction for the occupation, envisioned his job as the remaking of Iraq's system of higher education from scratch. In the context of the stripping of the universities and the education ministry, he explained, "it is the opportunity for a clean modern equipment". In fact, before sanction,

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 to determine the total on a sale's receipt.

The Shock Doctrine: According to Naomi Klein, the party had three distinct form of shocks. They were all working together and reinforcing each other. You have the shock of the war, which was immediately followed by economic shock therapy imposed on the programme. And as resistance to the economic transformation, a very rapid economic shock grew. You have the shock of enforcement including torture.

The Economic Shock

In May 2003, Paul Bremer was appointed by Bush to serve as director of the occupation authority in Iraq. Three weeks after he arrived, he declared the country 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. Bremer was new to Iraq, but he knew about disastrous capitalism. He launched Crisis Consulting Practice at the start of Homeland Security in Iraq almost exclusively focused on economic transformation, passing a series of laws that together make up a classic Chicago School shock therapy programme.

Before the invasion, Iraq's economy had been anchored by its national oil company and two hundred state-owned companies, which produced the staples of the Iraqi diet and the raw materials of its industries. Next, Bremer imposed some economic laws to entice foreign investors to take part in the privatization auction and to build new factories, and retail outlets in Iraq. One law lowered Iraq's corporate tax rate from roughly 45% to a flat 15%. Another law allowed foreign companies to own 100% of Iraqi assets, even better, investors could take 100% of the profits they made in Iraq out of the country. They would not be taxed.

The White House was so focused on unveiling a shiny new Iraqi economy that it decided, in the early days of occupation, to launch a brand-new currency, a massive logistical undertaking. The UK firm De La Rue did the printing and bills were delivered and distributed in armored vehicles and trucks that ran at least a thousand missions throughout the country - at a time when 50% of the people lacking drinking water.

One of the first major act of Bremer in Iraq was firing of approximately 500,000 state workers. This was called "De-Baathification", which was supposed to clean out the government of Saddam Loyalists. Money was promised for reconstructions.

As Bush declared on television: "Our investment in future in Afghanistan and Iraq is the greatest commitment of this kind to since the Marshal Plan". But in fact, it was just the opposite. The Bush Cabinet had in fact launched an anti-Marshal Plan. None of the money went to Iraqi factories, so they could reopen and form the foundation of a sustainable economy; create local jobs and fund a social safety net. Iraqi had virtually no role in this plan at all. Even Iraqi's low-wage labour was not required for the assembly process because the major US contractors such as Halliburton, Bechtel and California-based Engineering Giant Parsons preferred to import foreign workers whom they felt confident they could control. If at all money came to the Iraqis, it came to them through a series of subcontractors.

So while Bremer may have signed the laws, it was private accountants who designed and managed the economy. Management and Technology Consultant Bearing Point was paid 240 million dollars to build a "market-driven system" in Iraq. Creative Associates, a management-and-education- consulting firm based in Washington D.C., was given contracts with more than 100 million dollars for this task. The Colorado-based Engineering and Construction Company CH2MHill was paid 28.5 million dollars in a joint venture with Parsons to oversee four other major constructors. North Carolina-based Research Training Institute was given contract worth up to 466 million dollars to advise to bring democracy in Iraq. Halliburton was awarded the contract worth to 20 billion dollars in cost cutting Iraqi contracts. Parsons was handed 186 million dollars to build 142 health clinics. Only six were ever completed.

Health, basic electricity and water supply were hardly being improved, despite billions being spent in the first four years. Bremer claimed: "We are going to succeed in Iraq. And once we succeed, we are going to do something important for the 25 million Iraqis. We are going to do something for the vested interest of the whole region" Even the new Iraqi currencies were printed abroad. US even paid to the private contractors to monitor the work of the private contractor given the works.

In 2004, Naomi Klein was in Baghdad during war. One of the striking things to her was that despite the chaos, despite the violence, next morning Iraqis were in the streets protesting. They were demanding that the time was for elections, right to actually say what the post-Saddam era would look like. In early days of occupation, the protests were peaceful, but as time went on more and more Iraqis joined the protests.

But the violence was controlled. As in South America, three decades ago, bodies were wrapped and dumped at the road side, now these were Iraqis that disappeared. Extreme aggressive measures were needed to suppress

the opposition.

The Shock of Enforcement

As resistance mounted, the occupation force fought back with escalating shock tactics. These came late at night or very early in the morning. Men's heads were forcibly bagged before they were thrown into trucks and sped to prisons and holding camps.

In the first three and half years of occupation, 61,500 Iraqis were captured. By spring 2007, 19,000 remained in custody. In prisons they interrogated the prisoners using (approved by CIA) device from Ewen Cameron experiments in the 50s. According to the Red Cross, Iraqis were expecting Washington to make good on its promise to organize national elections and hand over power directly to a government elected by the majority of citizens. But Bremer canceled local elections. This cancellation of election was a betrayal for Iraqis Shia. As the largest ethnic group, they were certain to dominate an elected government after decade of subjugation. At first Shia resistance took the form of massive peaceful demonstration: 100,000 in Baghdad, 30,000 in Basra. After peaceful protests had no effect, many Shia became convinced that if majority-rule democracy was ever to become a reality, they would have to fight for it.

Thousands of prisoners rounded up in the raids brought to CIA agents, US soldiers and private contractors who conducted aggressive interrogation to find out whatever they could about the resistance. One of the highest-ranking shock specialists was the US commander James Steel, who arrived in Iraq in May 2003. He was eventually directed to bring to Iraq what unnamed sources at the Pentagon were chillingly calling "the Salvador Option". On August 31, 2003, Major General Geoffrey Miller, warden of Guantanamo Bay prison was brought to Iraq on his mission to "Gitmoize" (torture) in the Abu Ghraib Prison. Lieutenant General Ricardo Sanchez, top commander in Iraq, authorized a wide range of new interrogation procedures based on the Guantanamo model.

It was shortly after the Sanchez memo was sent out, in early October, that the incidents documented in the infamous Abu Ghraib photographs took place. One of the detainees of Abu Ghraib prison was Haj Ali, a former major. He said that like other prisoners he too was aggressively tortured. And later he was released from the prison without charge, pushed off a truck after being told "you are arrested by mistake". The Red Cross has mentioned that US military officials have admitted that somewhere between 70% to 90% of the detentions in Iraq were "mistakes". Just as Cameron shock therapy left its patients broken and confused, so the shock therapy on Iraq put the country in a violent lawless. By the time of Saddam Hussein execution in 2006, thousands of Iraqis were killed each week. The chaos in Iraq was defeat for shock therapy. But still in Iraq disaster capitalism moved on. Now the disaster itself provided the opportunity for profits.

Profiting from War

With Iraqi industry all but collapsed, one of the only local businesses booming was kidnapping. Over just three and half months in early 2006, nearly 20,000 people were kidnapped in Iraq. 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 was Iraq's own version of disaster capitalism.

The war in Iraq is the most privatized war in the history. At the start of the occupation, there were an estimated ten thousand private soldiers in Iraq, already for more than the first Gulf War. Three years later, it was found that there were 48 thousand private soldiers, from around the world deployed in Iraq. The corporation that gained the most from the chaos was Halliburton.

The longer the war bore on, the more it became a privatized war. Crisis was the enabler of the boom. During the first Gulf War in 1991, there was one contractor for every hundred soldiers. At the start of the 2003 Iraq invasion, the ratio had jumped to one contractor for every ten soldiers. Three years into the US occupation, the ratio had reached one to three. Less than a year later, there was one contractor for every 1.4 US soldiers. By the year 2007, there were more contractors than soldiers.

This was going beyond what Milton Friedman really hoped. One of the most high profile contractor was Blackwater from USA. Blackwater's original contract in Iraq was to provide private security for Bremer, but a year later into the occupation, it was engaging in all-out street combat. During the April 2004, uprising of Maqtada al-Sadr's movement in Najaf, Blackwater actually assumed command over US marines in a day-long battle, during which dozens of Iraqis were killed.

The World of Green Zones and Red Zones

When Hurricane Katrina hit New Orleans in August 2005, the world was shocked to witness the sort of disaster. Tens of thousands were stranded with literally no help from the state. After the flood, an already divided city turned into a battleground between gated green zones and raging red zones like Iraq. The result was not of water damage but of the "free-market solutions" embraced by the president. The Bush administration refused to allow emergency funds to pay public sector salaries, and the City of New Orleans, which lost its tax base, had to fire

three thousand workers in the months after Katrina. Among them were sixteen of the city's planning staff - with shades of "de-Baathification", laid off at the precise moment when New Orleans was in desperate need of planners. Instead, millions of public dollars went to outside consultants. Many of whom were powerful real estate developers. And of course, thousands of teachers were also fired, paving the way for the conversion of dozens of public schools into charter schools, just as Friedman had called for.

The news racing around the big Red Cross shelter in Baton Rouge was Richard Baker, a prominent Republican congressman from this city, had told a group of lobbyists, "We finally cleaned up public housing in New Orleans. We could not do it, but God did." Joseph Cazarano, 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 the Louisiana state Legislature in Baton Rouge had been crawling with corporate lobbyists helping to lock in those big opportunities: lower taxes, fewer regulations, cheaper workers and a "smaller, safer city" -- which in practice meant plans to level the public housing projects and replace them with condos.

One of those who saw opportunity in the floodwater of New Orleans was Milton Friedman. "Most New Orleans schools are in ruins", Friedman observed, "as are the homes of the children who have attended them. The children are now scattered all over the country. This is a tragedy. It is also an opportunity to radically reform the education system".

Friedman's radical idea was that instead of spending a portion of the billions of dollars in reconstructions money on rebuilding and improving New Orleans' existing public school system, the government should provide families vouchers, which they could spend at private institutions, many run at a profit, that would be subsidized by the state.

A network of right-wing think tanks seized on Friedman's proposal and descended on the city after the storm. The administration of George Bush backed up their plans with tens of millions of dollars to convert New Orleans schools into "charter schools", publicly funded institutions run by private entities according to their own rules. For Friedman, however, the entire concept of a state-run school system reeked of socialism. In his view, the state's sole functions were "to protect our freedom both from the enemies outside our gates and from our fellow-citizens: to preserve law and order, to enforce private contracts, to foster competitive markets. The auctioning off of New Orleans' school system took place with military speed and precision. Within nineteen months, with most of the city's poor residents still in exile, New Orleans' public school system had been almost completely replaced by privately run charter schools. Before Hurricane Katrina, the school board had run 123 public schools; now it ran just four. Before the storm, there had been seven charter schools in the city; now there were thirty one. New Orleans' teachers used to be represented by a strong union; now the union's contract had been shredded, and its forty-seven hundred members have all been fired. Some of the younger teachers were rehired by the charters, at reduced salaries; most were not. A Friedman think tank, enthused that "Katrina accomplished in a day What Louisiana school reformers could not do after years of trying?" Public school teachers, meanwhile, watching money allocated for the victims of the flood being diverted to ease a public system and replace it with a private one, were calling Friedman's plan "an educational land grab."

Similar catastrophe was witnessed in Sri Lanka after the Tsunami in December 26, 2004.

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