Good evening and welcome to the Aurora Forum at Stanford University. I’m Mark Gonnerman, the Forum’s director. Tonight, we’re pleased to present a conversation with Naomi Klein, “Disaster Capitalism and the Rise of Democratic Reconstruction.” Naomi Klein will be in conversation with Terry Karl, a professor in Stanford’s Department of Political Science.

Tonight we will follow our typical Aurora Forum format of 45 minutes of on-stage conversation followed by another 45 minutes of audience-inspired discussion. If, when we get to that portion of the evening, you have a question or comment to contribute, please line up behind one of the two aisle microphones and we’ll bring you into the mix.

Tonight’s conversation is being recorded for broadcast on KQED Public Radio at 8:00 p.m. on Thursday, October 30. For this and other obvious reasons, please turn off your cell phones.

This program will also be available on Stanford on iTunes. To learn more about this and other Aurora Forum programs, please visit our Web site, AuroraForum.org.

I’m honored to introduce tonight’s guests. Canadian journalist Naomi Klein is author of The Shock Doctrine: The Rise of Disaster Capitalism, an international bestseller published in 2007 that presents a new paradigm for understanding global politics and celebrates those who continue to work for justice against great odds. Her previous book, No Logo: Taking Aim at the Brand Bullies, published in 2000, was also an international bestseller and is referred to as the Das Kapital of the growing anti-corporate movement. A gifted writer, she has an internationally syndicated column for The Nation and The Guardian. In 2004, her reporting from Iraq for Harper’s won the James Aronson Award for Social Justice Journalism. In 2004, she released The Take, a feature documentary about Argentina’s occupied factories, co-produced with her husband, director Avi Lewis. She is a former Miliband Fellow at the London School of Economics and holds an Honorary Doctor of Civil Laws degree from the University of King’s College, Nova Scotia. I just learned that both of her parents went to Stanford and this is her first visit here. [Applause]

Ms. Klein will be interviewed by Professor Terry Karl, the William and Gretchen Kimball University Fellow and Professor of Political Science, who was the Director of Stanford’s Center for Latin American Studies from 1990 to 2001. She has published widely on transitions to democracy, problems of inequality, human rights, and civil wars,
contemporary Latin American politics, and comparative politics and international
relations, with special emphasis on the politics of oil-exporting countries. She is the
author of The Paradox of Plenty: Oil Booms and Petro-States and articles such as
“Economic Inequality and Democratic Instability” and “Dilemmas of Democratization in
Latin America.” She has a strong interest in U.S. foreign policy and has prepared expert
testimony for the U.S. Congress, the Supreme Court, and the United Nations. After
serving on the faculty at Harvard, she came to Stanford in 1987 and was award the
Walter J. Gores Award for Excellence in Graduate and Undergraduate Teaching in 1997.
This is our university’s highest academic prize. Her return to Stanford came after earning
her Bachelor’s, Master’s, and Ph.D. degrees here.

Please join me in welcoming Naomi Klein and Terry Karl to the Aurora Forum stage.

[Applause]

Terry Karl: I think I can speak for Naomi in this case and thank you all for being here.
Thank you for coming to this. This is a very important moment in our history, and we’re
hoping we’ll be able to shed a little bit of light on our contemporary moment as well as
the kind of work that Naomi’s done in the past. I also want to thank Mark Gonnerman,
who just introduced us. It’s through Mark’s efforts that Naomi is here and that the
Aurora Forum exists. I remember when he first came up with the idea and he said, “Let’s
invite Naomi Klein,” I thought, “Well, that’s great. She’s got this new book and I think
it’s pretty relevant.” [Laughter] Little did I know!

I want to start by asking you one question first before I ask you about your own book. I
was listening to an interview you gave the other day, and you said something that
intrigued me, and that is: you said there are too many books in the world. What did you
mean by that?

Naomi Klein: I’d also like to thank Mark for inviting me here. I’m thrilled to be here.
And Terry, it’s an honor to be sharing the stage with you today.

What did I mean about there being too many books? It was an interview with Charlie
Rose. I think he was asking me why it had taken me so long. It was seven years between

Karl: No Logo, which, I believe, by the way, has sold a million copies.

Klein: Yes. So I just chilled. [Laughter]
I guess he was asking why it took so long, and I told him that I do feel there are too many
books in the world. My first book took me four years to write, and then there was this
expectation, because it was a success, that I would turn out a book a year. Without
naming names, I had had the experience of being disappointed by writers who had
written a book that had really affected me and then they started writing the same book
over and over again, and then getting disappointed by that. I didn’t want to do that to my
readers, I guess. But the truth of it is that I bore easily, and I bore myself if I start
repeating myself. It really took that seven years for me to feel that I had an idea that was
worthy of writing another book, and *The Shock Doctrine* really was seven years in the making. Even though I wasn’t consciously working on that book, all of the research that I did in the interim period, going back to journalism and reporting from Iraq and Argentina, and all of that created this space for me to think of the idea that is this book. So I think fewer books may be a good idea.

**Karl:** It seems that waiting a while was a very good idea in this case. I want to turn to *The Shock Doctrine* itself, but I want to preface it for the audience by saying that I am going to go into the contemporary moment very quickly. But before we do, one of the questions that really interests me is the extent to which what you wrote in *The Shock Doctrine* might apply to the situation we’re in today. Before we go there, I wonder if you could just sum up the argument of *The Shock Doctrine*. For those of you who haven’t read it, I think it’s important to hear what the key argument is that you’re making in this book.

**Klein:** Well, the key argument is that we have been living with a fairy tale about how we ended up with this radical form of deregulated capitalism, not just in this country but around the world, whether in Latin America or Russia … how this vision of the world that was popularized by Milton Friedman, that in Latin America is called “neoliberalism,” and that the French call “savage capitalism”—it goes by many names. In this country, it was called “Reaganesque” for a long time, “Thatcherism” in Great Britain. The basic tenets of this ideology, we know: it’s privatization of the state, it’s deregulation in the interests of the corporate sector, and hyper-regulation in the interests of the corporate sector when it comes to protecting intellectual property, and so on, accompanied by deep cuts to social spending. It is, essentially, a counter-revolution against the New Deal—a dismantling of the gains that were made in countries around the world after the market crashed in 1929—the selling off of the state that was constructed in the midst of the Great Depression and the dismantling of protections, of regulations. I see it as a liberation movement for capital, and I think it’s the most successful liberation movement of our time, unfortunately—the attempts by the elites to free themselves from all constraints on their ability to accumulate massive profits. I think we see the culmination of that ideology in the derivatives market, not to speed too far into the present, but a completely unregulated shadow banking system that has imploded before our eyes.

So the thesis of the book is that we—broadly speaking, humanity—didn’t actually ever vote for this project. We may have voted for bits and pieces of it, like lowering taxes, but that these are fundamentally unpopular ideas. People tend to protect their social programs, protect their labor standards. The missing ingredient in our understanding of how this ideology swept the world is an understanding of the role and utility of crisis, of shocks, in creating a context where you could speed through what economists call “economic shock therapy,” rapid-fire transformation of societies. What I do in the book is go through the Big Bang moments of this counter-revolution: Latin America in the 1970s, Russia in the mid-1990s, the United States after September 11, Thatcherism, and I look at the crises that created the contexts for the change. I quote a lot of very high-level, influential, so-called free market economists admitting that they need crisis in order to
impose what used to be called the Washington consensus. This is a whole field of
economics that I didn’t know about until I started studying this that looks at the
intersection, the interrelationship, between deep crisis and what they call deep reform.
This is something that economists, politicians, and corporate leaders have deeply
understood now for quite some time: that crises are needed. Yet we were given this fairy
tale, which is that this ideology spread throughout the world on the wings of freedom and
democracy because it was so popular and so desired. So what I’m trying to do in the
book is show this—expose this—tactic so that we can be more resistant to it, because it’s
a tactic that relies on us not knowing about it in order to be effective.

Karl: Let me ask you a couple of questions about that first. Are you saying that these
interests are the ones who are creating the crisis, or are they taking advantage of a crisis
that happens to come their way? I should add that you have two different kinds of crises:
you have natural disasters such as a tsunami or any other kind of natural disaster, and
then you have these economic melt-downs.

Klein: Yes, and other kinds ... a whole range of crises. But economic crisis has really
been the most frequent enabler of the ideological campaign and the policies themselves,
more importantly.

I’m not saying that they create the crisis in order to exploit it. What I’m arguing is that
policy makers—economists, think tanks, politicians—exist in a state of acute intellectual
disaster preparedness precisely because they have studied the interrelationship between
crisis and reform along their lines, and precisely because they understand that normal
times, particularly in a democracy, are distinctly unconducive to this project. I’m also
arguing that deregulated capitalism is a crisis-creation machine. You actually don’t need
to plot the crises in the back rooms. It becomes a self-reinforcing cycle because you
deregulate the financial system and you will have a series of bubbles and busts, and you
just need to be ready for them. If you have an economic model that is just built on short-
term growth and resource extraction, your field of study, then you are going to have an
increasing number of extreme weather events, you are going to have more wars over
natural resources, you are going to have more blow-back from those wars. So I feel that
the one thing we can count on the market for to actually deliver through trickle-down is
crisis. Trickle-down economics works in this one area.

So no, I’m not arguing that they’re creating the crisis, but some of the crises are created,
like wars, coup d’ètats. But I’m not arguing, even in those cases, that they are created so
that you can take advantage of them. I think they’re created for complex reasons, but yet
there is that understanding that, right after, you have this window of opportunity. The
war in Iraq: I’m not saying the war in Iraq was plotted so that Iraq could be turned into a
radical free market. I think Iraq was invaded for a variety of reasons: sending a message
to the world about American supremacy; oil; a complexity of forces. But yet there was
an understanding from day one that immediately after the invasion was the best time to
radically transform Iraq’s economy from a protected one to a model free-market state,
and that’s what Paul Bremer tried to do the first three months that he was in Baghdad.
**Karl:** So this disaster capitalism complex moves in on a crisis. Before we go there—because that, of course, is going to bring us to this current moment—let me ask you another question. You say that deregulation will create these crises and then we have this disaster capitalist complex of interests that moves in and turns it in different ways. My question to you is: Is this new? Has capitalism changed? Is it at a different stage? Did it always operate this way and we just didn’t notice? Or is there something going on in the way the market is working—maybe globalization, maybe different ways that the market works today—that it didn’t work in the ‘50s, say, or the turn of the century? Is this a different market, and is the move to create crises—is this something new? Are we living in a period of, say, accelerated crises?

**Klein:** Well, I think we are living in a period of accelerated crises because of climate change, because of resource scarcity. There have been other periods before, but just on the measures of natural disasters, for instance, there’s no doubt that we’re seeing more. The IMF measures what it calls “exogeneous shocks,” which is market shocks. In your field of research, once again, once you completely deregulate the commodity markets, then you’re going to have price shocks again and again, whether it’s the price of coffee or the price of oil. So there is an interrelationship between the deregulation and the frequency of the shock. Add to that climate change and, yes, you have a more crisis-prone situation.

I do think that this is a different kind of capitalism than there was in the 1950s because that was a Keynesian model and it was also a period where societies were learning from the tragedies of what happens when you shock economies. Keynesianism carried the day in large part because Keynes predicted—after the signing of the Treaty of Versailles and the punishing sanctions imposed on Germany after World War I, he was representing Britain in those negotiations, and he wrote *Economic Consequences of the Peace* after leaving those negotiations—he predicted that the economic punishing of Germany would create such a politically volatile situation that, as he wrote, “Vengeance will not limp.” So he was predicting this. Then the Great Depression hit, so you had another shock followed by the sanctions and you had the conditions for the rise of Nazism in Germany, so Keynes was vindicated. And the global architecture—the Bretton Woods institutions, were sort of a global compact in favor of a more stable model because there was a consensus that shocking economies wasn’t just economically dangerous and a bad idea on its own merits; it was deeply, politically dangerous.

**Karl:** We’re in a period, I think you’re arguing, and I would really agree, of accelerated crises. And part of that has to do with globalization: the stock market goes down in the United States and suddenly it’s going down all over the world, just like that. Before, you would have had to send a letter saying, “The stock market went down,” and the letter would have taken a long time, but it’s a different situation now. That doesn’t happen anymore. We’re really in a world that is so connected that the ways we all function are completely interconnected, and that seems to be part of the story of these accelerated crises.
That brings me to this crisis. We didn’t know when Naomi was coming that we would have an economic crisis in the United States. I wish I could tell you that we were really good at predicting, but we weren’t. Tell me, as you look at the situation we’re in today in the United States: you talked about derivatives, and some people may or may not know what derivatives are….

Klein: The whole point is that no one knew what derivatives were. That’s how we got into this.

Karl: Everyone is going to know soon. But we’re in a situation where we’ve had this huge bailout, massive bailout, which we all probably deeply know isn’t enough; we’ve seen it isn’t enough to fix what’s wrong (let me be clear about that). We also have seen that the ways….

Klein: It was supposed to be a confidence shock. That’s a new phrase: “a confidence shock.” It didn’t work.

Karl: We have seen that this is spreading and what is interesting, by the way, is we’re also seeing that other countries are taking leadership in dealing with it, and it is not the United States that’s doing that. It is not the United States calming the markets, etcetera, so think about your book, your argument, look at this moment, and tell us what fits and, if there is something that is making you rethink how you think about this, tell us what that is, too.

Klein: I wrote the book for a moment like this. I wrote the book because, as I said at the beginning, this tactic of harnessing this window of opportunity created by a crisis, when everybody is panicked, when everybody wants strong leaders, when they think Rudy Giuliani is their long-lost daddy—this sort of thing [Laughter]—there is a law of diminishing returns on that tactic because you start to engage in pattern recognition. So my hope in writing this book was not to be proven right. It was actually to give people a few tools to be more shock-resistant, and just knowing about these tactics makes you more shock-resistant.

So I think that the way the Bush administration reacted to this crisis was classic shock doctrine. First of all, we have to pause and just try to come to terms with the fact that there were so many people predicting this. Now we find out more and more. First of all, it’s called a bubble for a reason, right? They burst. So the idea that you had no way of knowing that a bubble would burst is insane, right? But we also find out that they were planning for six months for this. Yet, when the crisis really hit, the week that Lehman’s went down, all they had was a two-and-a-half-page plan. And the plan is: Give Hank Paulson $700 billion to buy toxic debt that’s been described as financial weapons of mass destruction and move it to Washington; so, basically, blow up the government with these bad debts. Oh, and by the way, the decisions that he makes cannot be challenged by any arm of government or be challenged in any court of law. The president goes on television and says: If you don’t give me $700 billion, we’re all going down.
Once again, it is really worth pausing and appreciating just how crazy that is because, as we’re seeing, the market is deeply volatile. I know that there might even be a couple of economists in this room, unless they all stayed away in droves, as they did when I went to The University of Chicago a few weeks ago [Laughter]. I’m haunting the ghost of Milton Friedman, by the way.

The International Monetary Fund—and I’m no fan of the International Monetary Fund—when they are negotiating a bailout, there is a cone of silence. Nobody is allowed to breathe a word to the press precisely because any leak sends the market reeling. The slightest hint either way sends the market reeling. The idea that the president of the United States would go on television, dangle a plan that he does not have political agreement on, and say, If I don’t get this, banks are closing in your neighborhood…. He’s encouraging a run on the banks? I mean, this is just…. I feel that not nearly enough analysis was done about just how recklessly the Bush administration behaved. Now, are they causing the crisis? They may not be doing it consciously, but, boy, they sure don’t care whether they cause these crises.

The posture of the Bush administration in the face of crisis is Donald Rumsfeld, your friend here, saying, “Stuff happens” during the looting in Iraq. That’s their attitude towards all of these crises, whether it’s New Orleans or being warned about 9/11 ahead of time. It’s just this sort of shrug, “Stuff happens.” There’s a comfort level with crisis that I think is connected to an understanding that either way there are opportunities to benefit enormously.

So they did try a classic shock doctrine maneuver of getting this blank check, and what’s really encouraging is that people called them on it. There was this pattern recognition, and people immediately started saying, Wait a minute, this is like the economic equivalent of the Patriot Act. And they started comparing Paulson to Giuliani. So there was this period … even in this very amnesiac culture, people remembered something. There was a great segment that Jon Stewart did—brilliant—where he cut together Bush’s WMD speech ahead of the invasion of Iraq with his speech about the bailout. That was a devastating piece. I don’t think it was even satire; this was God’s work. [Laughter]

**Karl:** He gave the same speech: one to get us into Iraq and the other to get us to accept the bailout.

**Klein:** And Congress voted down this terrible plan. By the way, it was a plan that almost every leading economist in the world right now admits, or says (and they were saying at the time): This is not going to fix the problem; that equity buys were a much better route, and we can debate the type of equity buys that they’re doing. I think they’re negotiating extraordinarily bad deals for taxpayers, but still, it’s a better route. And it’s happening, as you say, because Europe led the way, because Gordon Brown led the way. Europe responded and it forced Paulson’s hand because they only had this one idea. But then it turns out that there are lots of other ideas.
By the way, CNN sold that bailout so hard. I don’t know whether you watched Ali Velshi on CNN, but he reminded me of the lead-up to the war in Iraq, where CNN was just being the arm of the Pentagon. But suddenly CNN and all the other networks were being the arm of the Treasury department, going “Sign, sign, sign,” and really belittling all of the people who were calling the networks and calling their congress people saying: This makes no sense, this is a bad deal; we don’t want to bail out these guys.

So I think there were a few factors. One: pattern recognition. Two: it was short, so people read it. [Laughter] Usually, these documents that they ram through, like the Patriot Act: people read it after the fact and they said, Oh, no. But this was two and a half pages. Everyone read it but John McCain. [Laughter] It’s an unbelievable document—still worth a read if you haven’t read it. And then there was this other factor, which was the elections and this amazing and odd receptivity among some congress people to the views of their constituents. The New York Times broke down who voted “no” in Congress on the original vote and found that overwhelmingly they were congress people in very tight races who found themselves very interested in the views of their constituents. So then what happened? That is when this whole idea of buying the toxic debts should have died because it was a terrible idea, and it’s now a discredited idea, and it should have just died right there because Congress voted against it. Instead, it went to the Senate and they piled on all these tax cuts and they got it through Congress. So I think it is and it isn’t fitting the thesis. I’m thrilled to the extent to which it is not fitting the thesis.

Karl: Let me ask you something. You said, if I can remember the quote—I may get it wrong—but you said the bailout is the equivalent for Wall Street to the fall of the Berlin Wall for communism.

Klein: No, I said it should be for Milton Friedman’s ideology: the crash on Wall Street should be for Friedmanism what the fall of the Berlin Wall was for authoritarian communism.

Karl: And that because?

Klein: Because it’s an indictment of everything he believed in and everything he popularized. The derivatives market, which Alan Greenspan and Robert Rubin (I’m going to be bipartisan here) fought off, and now there have been some great investigations in the New York Times and the Washington Post telling the story of people who were whistle blowers within the Clinton administration and who were saying, “We need to regulate this shadow banking industry; this is a disaster waiting to happen,” and the marginalizing of those voices and the very concerted decision to have a huge sector of the financial world left to self-regulate. This was the argument that Alan Greenspan was making with a straight face. So if we want to know…. One of the things about Friedmanism—about this ideology—is that it doesn’t really exist anywhere in the world so it never really has to be held accountable for its effects because you can always say, “Well, that’s not a totally free market. There’s some kind of government intervention there.” So you blame that one piece of regulation; that’s what was distorting the market.
This is what all fundamentalists share in common. But what’s interesting about this shadow banking industry is that it truly was the dream unregulated market. And the reason why I say it’s an indictment of the ideology is that the ideology is: If you allow people to pursue their self-interest, you will create the best possible society. As Milton Friedman said, “The mistake is when you try to do good with other people’s money.” But if you just let people pursue their narrow self-interests, then it will be self-balancing.

**Karl:** But that’s not just Milton Friedman. That was Adam Smith, too. That’s why I’m asking you….

**Klein:** But he also talked about the morality of the markets. He’s read very selectively by these guys. It’s Hayek, it’s Friedman, but it actually isn’t Smith. He wasn’t as radical as them. He was taken out of context. I’m not doing a big Adam Smith apology or anything, but I think that he did believe that there had to be a morality that was rejected by his followers who invoked him and of course used many of his ideas, but used them quite selectively. No, I think we’ve seen what a deregulated market looks like, and it looks like bankers paying themselves these incredible bonuses year after year because they understand that the party could end at any time; protecting themselves with these golden parachutes, thinking in an incredibly short-term way, and detonating their own system, not because they want to take advantage of it but because they are so focused on their narrow self-interests. The whole bonus structure of the industry was built on that very, very short-term, get-it-while-you-can sort of mentality.

**Karl:** Plus, it’s not linked to any performance at all. So you can drive a country into the ground and still get a huge bonus. Just like in the IMF there’s no accountability. You can actually go to a country, totally create a disaster (as we saw in Asia), and get promoted in the bank. So there’s no accountability or there’s no way for people to have to pay costs for the decisions they make that may be wrong.

**Klein:** No, you’re rewarded for the profits that you earned in the previous quarter.

**Karl:** Let me ask you a question, which I’m actually taking from some of my colleagues here, and that is: You connect, if I understand correctly, three kinds of shocks. There’s the economic shock that we’ve been talking about, there’s shock and awe (the shock of military force, in a sense), and then there is this very devastating portrayal of torture and shock. In your book, I understood these as being, in a sense, two sides of the same coin, at least the economic shock being somehow linked to the authoritarian way of politics, which requires both military force and some form of torture—that there’s some interconnectedness here. And this has caused a lot of discussion among … I’ve been running saying, “What would you like Naomi Klein to talk about?” … among my colleagues and my students. And one of the big questions that comes up is, Why aren’t these just totally different processes? Why are they connected? And must they be connected? In other words, if you go towards these economic shocks, are we necessarily coming to the use of more military power, the violation of more civil and political rights, etcetera? Must they go hand in hand? Are they interconnected? If so, how do you think about that?
Klein: I am looking at three distinct forms of shock and looking at how they are related to each other and how they reinforce each other. The first is the shock of the original crisis; it could be the shock and awe of war, it could be the shocking hyper-inflation crisis—but a crisis, a shock to a society that sends people reeling—that makes people lose their bearings. Then, a window of opportunity opens up when you can push through what economists call “economic shock therapy.” And then there is a third form of shock that I look at in the book, which is the shock of torture and, more broadly, of repression—the shocks to bodies. And I don’t argue that everywhere that this ideology has been imposed torture has been present, but I’m arguing two things. One, it’s often present, and it is present where this project meets the most resistance. So the very first laboratory for these ideas and for the Chicago School of Economics was, as we know, Chile in the 1970s. This was the first place, and this is not a controversial statement that I’m making. This is recognized in the official tellings of the triumphant histories of neoliberalism that Chile under Pinochet created a kind of a laboratory for the so-called Chicago Boys to test out these ideas. Now, what the economists will say is that the fact that this was a repressive state was not a factor in the fact that they were able to impose these ideas in Chile. That was unfortunate, and they were against it, and they abhorred those violations. But it just so happened that Pinochet had a good economic head, and that was the good side of Pinochet. And when Pinochet died, that was the editorial that ran in the Washington Post—that he had committed terrible human rights violations, and that was to be condemned, but we should also praise the fact that he was a visionary on economics and he imposed some very enlightened policies.

I believe these forces are connected. This is not a controversial argument in Latin America, nor is it an original argument in Latin America. As you know, in the first section of the book, which is about the Southern Cone and the fact that is was this laboratory for the Chicago Boys for a variety of reasons, the people who were making this argument are Latin American economists and historians. And I quoted Eduardo Galliano, the Uruguayan historian and poet, saying, at the beginning of the ‘80s, “How can you have these economic shocks without the shock of the electrodes?”

One could not think of a more inhospitable place to have your first experiment in radical, totally deregulated capitalism than Chile in 1973. This is a country that had just voted for a Socialist president. It’s like trying to have a revolt against the bourgeoisie in Beverly Hills. It’s not the right place to do it. So you need a strategy to get rid of your opposition, and torture provided that strategy in Chile and Argentina and Uruguay and Brazil—all countries that had moved to the left very radically.

What torture did was it physically removed the trade unionists, the left opposition leaders, but it also sent a message. Torture is always semi-public, and it’s always actually a way for the state to communicate with the broader society: This is what will happen to you if you step out of line. So it’s a disciplining of the society. But as I read the interrogation manuals—the CIA’s declassified interrogation manuals—I was just back from Iraq. I was in Iraq in the Bremer period but also when the Abu Ghraib photographs were leaked and we found out that torture was being used by Americans in
the Iraqi prisons. So I was reading these manuals, and they were describing how you put a prisoner into a state of shock. They explained that you take away everything that’s familiar, you disorient them, confuse them between day and night so that they lose their narrative, who they are. And then the manual states (this is the declassified ’63 manual) that a window of opportunity opens up when the prisoner starts to see the interrogator as a father figure, and that’s the window that an experienced interrogator recognizes. I’m quoting verbatim: “…and understands that that’s when the prisoner is least able to resist.”

So I look at torture in these two ways in the book, and that’s why it’s very controversial and why it pisses off a lot of economists. I look at it as an enforcement tool to impose unpopular policies. And I say very clearly that these are not by any means the only unpopular policies that have used this technique. Any regime that is trying to impose a system on a population against its will, will use torture. It is an indicator species of something going on that lacks popular support. And we know that about authoritarian communism. We know that about all kinds of ugly regimes. But neoliberalism has been selling us a myth, which is that it is spread through freedom and democracy, and if there was some violence, it was just the excesses of some brutal regime that got out of control, or it was the cold war, or today, it’s the war on terror, but it had nothing to do with what it was trying to impose. The other way I look at torture is as a metaphor for what happens to societies more broadly when we go into a state of shock—that unmaking, the loss of narrative, that opening up of a window of opportunity—and that period when we are more likely to comply and less likely to resist.

So it’s both as metaphor and as enforcement. I’ve debated whether it was smart to go that far in the book, because I certainly lose some people there, where it’s: OK, I’m with you except there; that’s just too far. And the reason why it’s in the book is because this is what I learned from interviewing survivors in Argentina, in Chile, in Uruguay, and I also feel that I’m honoring a tradition, particularly in Latin America, of people who did say this at the time and paid a tremendous price. As you know, I quote extensively Orlando Letelier, who was Allende’s ambassador to Washington and also his defense minister, and he was killed in a terrorist attack in Washington—DuPont Circle. You know the essay that he wrote—his last essay before he died—where, in many ways, it’s an attack on the human rights movement because he’s saying that he’s sick and tired of all these people wagging their fingers at Pinochet’s human rights record at the same time that he’s getting away with this economic transformation, or even they’re praising his economic freedom. And he says, in Chile, economic freedom for the minority and repression for the majority are two sides of the same coin. It’s impossible to separate the two. They are the same project. One enables the other. I feel that a lot of people had enormous courage when it really mattered trying to name these connections, and they paid a tremendous price. That’s why, even though I get scolded in the mainstream press for my excesses and my extremism because I made this connection with torture, I feel really proud to be part of that tradition. When I was in Santiago, we launched the book there a few months ago. I launched the book with Orlando Letelier’s widow and son, and I felt very much that I had made the right decision because the book is meaningful to them. [Applause]
**Karl:** I want to inject something here. I actually had a lot of discussions with Orlando Letelier when he was writing that essay, and actually I don’t think it was really meant to be an attack on the human rights movement because the human rights movement was born in Chile, really. You know, the growth of Amnesty International, the beginning of Americas Watch, etcetera—all of that started with the coup in Chile and the shock it was to people that a democratically elected government had been overthrown. And what I think he was trying to say is that there were people who were morally opposed to Pinochet but who accepted all of that. And he was really the first, in a lot of ways, to say what you are trying to argue. He said these are ideas in harmony—that you can’t have the Pinochet policies without these other policies, and they go together. And it was actually the power of that argument, I think, that was one of the reasons he was killed. He became so effective in articulating it that he really was a very dangerous person.

**Klein:** People can read that final essay on my Web site, www.shockdoctrine.org. It’s really worth reading. We have it in full there.

**Karl:** I want to go back to that because we have very little time before we turn the floor over to all of you. I want to ask you to think about Latin America and us in the following way. Latin America was the place where not only were neoliberal policies first tried, and then they spread, but it was also the place where certain interrogation tactics also were first tried. I do want to say that there’s a very strong continuity between what happened in Latin America and Abu Ghraib. I’ve been in a series of war crimes trials, and the people we’ve been defending are torture victims. When the Abu Ghraib photos came out, they ended up at my house completely melting down because they all recognized the tactics that had been used on them in the 1980s. So they were sitting there looking at those pictures and saying, “This is exactly what happened to us.”

So Latin America has been the place where a lot of these things happened first, and it’s also a very different place today. I want to think a little bit about crisis and opportunity. Are we doomed? We’re having a financial crisis; are we now going to go into a neoliberal economic model and the cutting of all of our social services, and are we going to see a tightening of … greater attacks on civil and political rights, are we going to see a rise in all kinds of things that come together in your story that are not pretty? That’s certainly a possibility. Another possibility is that you have a crisis and you get something like a New Deal, which really looks different, and you get social experimentation and you get other kinds of things that might look very different. What we’re seeing in Latin America is a very strong reaction to the package of privatization, deregulation, and the cut of social services. We’re seeing it across the board in virtually all countries. There are a few exceptions, but virtually all countries are reacting against that, with degrees of difference between them. So that story has played itself out, and now it’s becoming a lot of mass involvement in politics in a very different way than we’ve ever seen in Latin America—new definitions of citizenship.

So what about that? Where are we now? And what do you see when you look around now that tells you that something might look different here? Are we going to go down that path and are we going to be the next Latin America? People talk about the Latin
Americanization of the United States for a lot of reasons. Are we the next ones in the shock doctrine so that we get more privatization, more military involvement, more attacks on civil rights, etcetera, or is there something else happening that we can think about, or should there be something else happening even if it is not?

**Klein:** None of it is preordained. We can still be subjects. In Latin America, it’s amazing how quickly things have changed. One of the little indicators—and this is one of the ways in which our media fails us—is that when people really resist this model, it’s not told in a big-picture way. One of the best indicators of how much has changed and how quickly it has changed is that in April 2001, there was a summit of the Americas, a meeting of all of the heads of state except Castro—34 heads of state in Quebec City—to sign the mother of all free trade agreements, the Free Trade Area of the Americas, which was going to go from Alaska down to Tierra del Fuego, and every single country in the Americas except Cuba was to be part of this vision. It was actually a vision first articulated by Bush, senior. This was George Bush’s first trip abroad after his inauguration—to Quebec City—and what’s striking is that all 34 heads of state signed on the dotted line, including Chavez. That’s where the discussion was. I was in the streets. We had a big protest. It was after Seattle, after Genoa. But the politicians were all signing, every one of them. And now, not a politician in the Americas would ever say that they were in favor of the Free Trade Area of the Americas. It has been just blasted off the political agenda. And not only that, but you have all of these alternatives that are emerging, like Mercosur, like ALBA, the alternative trading block. That’s not that long; that’s the Bush era. And that’s what’s happened in this hemisphere.

**Karl:** What’s happening in factories, for example?

**Klein:** Well, I’ll come to that. I think that … one of my hopes in writing this alternative history of neoliberalism and starting where it started, in Latin America, was to make the argument that maybe the fact that Latin America is rejecting neoliberalism is because Latin America has been living with neoliberalism for longer than anyone else, so their rejection of it…. Yes, they’re a few years ahead of us, but they got it a full decade before anybody else, so maybe they are showing us the way.

Now, in terms of what you’re saying and what we can expect next, we know what will be attempted. We don’t know whether we will accept it. It’s no secret. We can see the ideas lying around; we can see what the think tanks are proposing. This economic crisis will be used as Republican insurance against an Obama presidency. This is the hedge. I’m not saying they’re doing it deliberately, but this is the hedge. All of the things that Obama is inspiring a whole generation of new voters and older voters about—what he said in the debate the other night—that we can invest in people and in the country again and in infrastructure and in alternative energy … all of that we’re going to hear, “No, you can’t,” to your “Yes, we can,” “We have no more money.” All of those austerity arguments will be used by the very same think tanks that have been selling the bailout. And it’s no secret: they have their wish lists. On the one hand, it’s: “We can’t afford social programs; we have to privatize Social Security.” You know, Paulson, just two days ago, when he released the new budget numbers—huge deficit—said we’re going to
have to reexamine the so-called entitlement programs, which means Social Security and health care. So this is not conspiracy; it’s all out in the open. We know what the policies are going to be. It’s going to be offshore oil drilling; it’s suspend the capital gains tax. The flip side of this is …

Karl: Protect the military budget….

Klein: …protect the military budget. So, it’s: cut social spending; cut those aspects of the government that help people; privatize. And the next bubble is infrastructure, and it won’t happen at the federal level; it will be offloaded onto the states and municipalities that have passed balanced budget ordinances. You can’t make the budget: privatize the roads, privatize the bridges. You’re seeing this here in California, so it’s not a mystery. That’s the next shock. The other side of it is businesses in a slump. What do they need? Tax cuts? Less regulation? It’s all the same.

So the question is, are we going to have the courage to say, “Your ideas are bankrupt”? We know what they’re going to do. We absolutely know what they’re going to do. There is no mystery there. This has all already started. But the fact that they have just so spectacularly broken all their rules, and this is where Argentina comes in…. I’ve had the incredible experience of living in a country that was truly shock-resistant because I was in Argentina in the midst of the economic crisis in 2001 and 2002 when that country’s economy melted down. There were all of these attempts to use that crisis to push more privatization, more austerity. There were the craziest ideas being floated. Rudiger Dornbusch was saying, writing in the Wall Street Journal, that Argentina should have what they called an “offshore economic team,” which meant that they should close down their economics department and treasury, and it should be run by a group of what they were calling “wise men” in Switzerland or somewhere.

Karl: Probably in Washington, actually.

Klein: They were talking about giving Patagonia to the creditors. That’s how crazy things were getting in 2002. What Argentines did is they went through five presidents in three weeks. And there was this absolute crisis of faith in the expert class, which was really incredible. It wasn’t just politicians. The chant in the streets in Buenos Aires was “Que se vayan todos” (All of them must go). What they were protesting, and this is why they kept going through presidents, was not a single political party and not a single politician, but what they called el modelo, which is privatization, deregulation, cuts to government spending. They were going after the ideology. Then there was this period of democratization in the streets—neighborhood assemblies, co-ops—and it was actually a lot like the Great Depression in this country and that kind of community organizing. And what made Argentina, I think, particularly shock-resistant was two things. One was historical memory; it was the pattern recognition. When the president declared a state of siege in the midst of the economic crisis, that’s when people went into the streets banging pots and pans and, to the person, they said, We’re not going to let them do it again. It was a memory of the coup in ’76, which had also been an appeal to stability in the midst of an economic crisis. It had also begun with a state of siege. And they said no. So
before the president had even finished his speech, the streets were filled with people on their way to the congress and the Plaza de Mayo, banging pots and pans, until the president had to flee in a helicopter. You know, it’s Latin America. Here, Blackwater would show up. [Laughter]

So it was historical memory, and I think that’s important. That’s a really important thing for us in North America to remember: one of the things that makes us vulnerable is our amnesia. But the other thing with that Argentina had been held up as a model by the International Monetary Fund. So it was very hard to say, Your problem is that you need to privatize more, because they’d privatized everything. They had accepted the ideology. And that’s, I think, where there is a similarity with this country.

This is what is so interesting about Obama at this moment: the more he says that this is an indictment of deregulation, this is an indictment of trickle-down economics, this is the culmination of this ideology that we’ve been living, the more his numbers go up because it resonates. I think that when you have a society where people are conscious that they have embraced these ideas, then it’s actually very hard to sell more of them.

So I think it is a moment of possibility; I really think it is. And the biggest problem we face, I think, is a crisis of confidence. This is something that happens during economic crises. To contrast it with the ‘30s, economics is so much more complex now. Complexity created this mess, but at the same time, those people who are not economists feel really in over their heads even talking about sub-prime mortgages. So even though you had that original organic response to the bailout, which turns out to be right (it turns out that people’s original gut reaction was better than the experts they were supposed to trust; we see that now, that the original Paulson plan was a disaster, and everybody agrees about that), I think what holds us back is just this feeling that it’s economics; that’s for other people.

And this is the real legacy of Friedmanism, by the way. This is the real legacy of monetarism, or treating economics as a hard science. It used to be a branch of political science. At The University of Chicago, they derided the Keynesians as mere essay writers; they’re working with words instead of numbers. Obviously, it’s always going to be about numbers, too. But the triumph of neoliberalism, if you’ll forgive the jargon, I think, has been less the winning of the arguments, less the selling of the ideas, and more the taking away—the removal—of economics from the spectrum of acceptable political debate, saying, This is too complicated, and also it’s fixed; there are right and wrong answers, and only the experts understand them. This is how they rationalize going into Iraq and rewriting the country’s entire economic architecture and then saying, Now you can have elections. Now you can vote, now that we’ve decided everything for you. Because regular people aren’t supposed to have opinions about economics, right? It’s like Fukuyama said: It’s the end of history—liberal democracy in the political sphere, and free market in the economic sphere. But you can’t use your liberal democracy to affect those free markets because it’s fixed. So this is also what’s imploding.

Karl: Naomi, there are, I imagine, a lot of people who want to ask some questions..
**Question from the Audience:** I’m one of those people intimated by economics, although I’ve greatly benefited from it because I got education although my folks were blue-collar workers. My question is, How did we, as private individuals, get into a zero-percent savings rate? Someone I know who earns no more than $50,000 got a $1.5 million house. You hear that on TV. How did we get into that? I don’t know if that’s an appropriate question, but aren’t we part of the neoliberalism itself by running up our credit cards?

**Klein:** Absolutely, individuals played a part in this, but I don’t think there’s an equivalency between the person who accepted a mortgage that they should have known was too good to be true and the person who sold them that mortgage so that they could speculate. The real money was not made in the original transaction. The real money has been made in the bundling of those mortgages into these complex securities and all of these complicated debt swaps. You’ve got the original bad deal, but then the real fraud has been taking place in this shadow economy of derivatives and debt swaps, and the whole house of cards falls down because the whole thing was built on this faulty assumption that house prices would keep going up and up. As soon as that stopped happening, then the flaws of the system and the fact that these banks were leveraged 30-to-1, on average, just collapses. Now, who is really at fault in this? I’m sorry. I think it’s the regulators who failed to regulate. I don’t think it’s that surprising that people accept deals that seem too good to be true. That’s what they do. There was also an ideology that was sold that was called the ownership society. This was a government policy. And the ownership society is very much connected to this war on the public sphere. Think about New Orleans. As soon as the city was flooded, the first things the republicans declared war on was the public housing projects. And Bush said—instead of moving people back into public housing projects, instead of giving people rental vouchers, which meant there were a lot of empty apartments in New Orleans—it was going to be what he called the Homesteading Act. There was this more just encouraging people to buy homes that they can’t afford, and now it turns out that this was because there was such a lucrative industry and there was so much lobbying going on from the mortgage industry to feed this bubble. It was like the dot-com bubble.

**Karl:** Let me just interject one thing here. I actually was able to once sit in on an IMF negotiation with a Latin American country that was in deep debt. I watched the IMF banker sort of shake his finger at the minister of finance of this country and say, “You people borrowed like a bunch of drunken sailors in a bar.” And the Latin American finance minister looked at him and said, “Well, if we were drunken sailors in a bar, you were a drunken bartender.” [Laughter]

**Klein:** Which reminds me of Bush saying that the real problem is that Wall Street got drunk. That was his first diagnosis. He was the bartender-in-chief.

**Question from the Audience:** This really follows very nicely. In the late ‘80s, I believe it was, my husband and I, as coordinators of “Our Developing World,” were invited to sit
around a table with six or eight people at the University of Santa Clara with the international vice president of the Bank of America to discuss third-world debt. At one point, I said to him, “If I went into your bank and asked for a loan, would you ask me for collateral?” He said, “Of course.” I said, “Well, why didn’t you ask this of the poor countries you were trying to lend money to?” (most of whom were dictators, but aside from that). And he said, and I quote, “Greed.” He said “Greed.” He said, “We were flush with oil money, and banks like to make money on money, and so it was greed.” About a week and a half ago, after Bank of America bought Merrill Lynch, the president of Bank of America was asked, “How do these sub-prime mortgages get launched?” And he said, and I quote, “Greed.” So it seems to me that what we did to others, we (the bankers and the mortgage lenders) did to us, and maybe we’ll learn. Maybe we’ll learn, not just domestically but globally. Do you think we have a chance?

Klein: You know, this has happened before. After the market crash of ’29, there was a regulation of the industry. Glass-Steagall put a firewall between investment banks and consumer banks, and that firewall was taken down in 1999 because of greed—because the banks wanted to merge and it was the height of the dot-com bubble and everybody wanted to be part of the speculative bubble. Just to add one thing. That’s such refreshing honesty that we just heard from bankers about what drives them. What really struck me in this big exposé that the New York Times just did about Alan Greenspan and his decision not to regulate derivatives: they quoted Alan Greenspan recently in a speech explaining the one thing that he didn’t account for in all of this was the dishonesty of bankers. [Laughter]

Question from the Audience: You say that in Friedmanism and the pursuit of self-interest, in a way morality is not necessary. My question is: What can be the role of an education in community values that recognizes this as a detrimental pattern?

Klein: That’s a very good question. There was actually a piece that came out that I just saw today about the role that business schools played in creating this crisis, in failing their students. I think education can play a huge role. I think it isn’t, certainly in the business schools, although certainly there are attempts at some of the schools. Usually, it’s kind of an add-on; you know, one ethics course, and there’s no attempt to integrate it. I think it probably just sort of confuses students to go from classes where ethics is just totally off the agenda or seen as a liability, and then you go to your business ethics class and just have all your other classes contradicted. [Laughter] It has to be an organic approach.

Karl: I’d like to add one thing to that. It’s been my experience, just watching the institution I’m a part of, Stanford, and the different communities that I’ve lived, that without community challenges and without community organizing, you don’t get any change. So if you think of the way the market works, the lack of regulation, the greed, the incredible excesses that we have seen, and then you think of what puts barriers in front of it, well, here at Stanford, it was students who said: I’m sorry, you have to pay workers a living wage on this campus. That’s what happened. [Applause] That’s what the living-wage thing is. And it came from students, and it’s students right now who are
saying: You said you were going to do a living wage, and you’re not living up to all of it, and here are the things you’re not doing, so you have to do it, Stanford. If you look at that, if you look at the sweatshop thing, if you look at a whole series of questionings about our investments, those things are coming, not entirely, but largely from below. If you ask me what communities do, they question. They question expertise; they must, because even if you don’t understand the complexities of a sub-prime mortgage, you do know when something is unfair. You do know, and it seems to me that we all know, that we have hit a tipping point in the United States where the level of unfairness and inequality is damaging the very fabric of who we are. [Applause] So for me, and I would say this over and over again, it is the community organizers, it’s the young. You see it in this electoral campaign. You see it in just about everything where they’re saying, Wait a minute; this isn’t right. And even if people can’t articulate exactly why the argument isn’t right, they know it’s not right, and they organize around it.

Klein: Yes. And morality is intruding into this discussion even though we have been told that it has no place. That’s what is kind of wonderful about this moment. Even in this sort of populist response to things like learning that AIG executives spent $440,000 at the spa immediately after being bailed out by taxpayers, that is just an “It’s not fair” response, a gut reaction. And then you see Henry Paulson, who wants $700 billion, saying, “I’m as appalled about this as the rest of you.”

But I think the other thing about this that is important—and you raised the living-wage campaign—is that this really is a volatile moment. That kind of class anger that’s emerging in this country is something that hasn’t been seen here for a long time. There is a strategy, and it will deepen, to try to take that anger and focus it on the most vulnerable people in this society: undocumented workers, illegal immigrants. That’s Lou Dobbs’s job, right? To take this rage of the middle class and have a little bit directed up at Wall Street but have most of it directed to immigrants. These are really the stakes of this moment. This can go bad; this can go really, really, really ugly unless we inject that morality into the discussion. We have a moral imperative to make this a discussion about real justice. [Applause]

Question from the Audience:
Thank you for the Aurora Forum. This question is about the revolving doors between private enterprise and government. Caspar Weinberger, as CEO of Citicorp, was known as “Cap the Knife.” As Secretary of Defense, he was known as “Cap the Ladle.” Henry Paulson was interviewed by Charlie Rose on television between the vote down by Congress and the vote up by Congress to give him $700 billion without restriction. Under the pressure of trying to be very frank and forthright, Charlie took advantage and asked him what his net worth was. In my life, I have never heard anyone, including Joe the Plumber, admit what his net worth was. [Laughter] My question is: If you are Secretary of the Treasury and you had $500 million in your name and the banks were failing, what would you do to save it?

Klein: I would have a meeting and give them $150 billion. That meeting took one hour, by the way, whereas Henry Paulson supposedly twisted the arms of the bank CEOs and
forced them to take billions of dollars of taxpayer money. The return that U.S. taxpayers are getting on that equity is 5 percent. Gordon Brown got 12 percent a few days earlier. No wonder it only took an hour, including lunch, for him to convince them.

Listen, this revolving door is a really big deal. If things go the way it looks like they’re going to be going, Obama is going to win the election. [Applause] So let’s think about how you prevent a repeat of ’92, when Clinton was elected. Even before he took office, he was “converted” to Rubinomics and abandoned many of the promises that he had made about NAFTA, about social spending, before he even took office.

Right now, Barack Obama is winning this election because people like what he’s saying about the economy. Let’s not forget that it looked like he was losing before this happened and we were really scared. Things turned around for him when the crisis hit and he named it properly and he said that this crisis is not just about a few bad policies; it is about this whole ideology. He put the ideology on trial, and the more he said that, the more his ratings went up. The problem is, he also said, “I’m taking my advice from Robert Rubin, Larry Summers,” which is a wink to Wall Street—let’s be serious about what’s going on—and they’re reading it. If you read the Wall Street Journal, I forget which of the CEOs said, “This is an election campaign. We understand he has to say this, but we’re not worried.” That’s what saying “I’m consulting with Robert Rubin” says to them. This is a former Goldman Sachs executive, a current Citibank executive. He’s sending a message of economic continuity, which means there’s not going to be real change.

I think people need to start saying to Obama that if he really means what he’s saying about putting this ideology on trial, then he needs to stop taking advice from the very people who created this mess. It was a bipartisan mess. Let’s be honest about this. It was under Clinton; it was ’99 when Glass-Steagall was killed and when the key decision was made not to regulate derivatives. We have to be honest about this. It doesn’t pay to simply see this through a partisan lens. And we have an opportunity now, because we know Obama is susceptible to pressure, to make it a political liability that he’s listening to the very people who share responsibility with Greenspan and Phil Gramm for creating the mess that we’re in right now. And the reason why we should do that is because he’s going to be making the decision about who his next Treasury secretary is, and I think the message should be: How about a Treasury secretary who does not come from Wall Street? How about that? How about a Treasury secretary who saw this coming? How about Joseph Stiglitz? Can you imagine that? [Applause] So the key decisions are being made. I feel that he is susceptible to pressure, and we should make Bob Rubin as much of a political liability as Reverend Wright, and he should throw him under the bus.

**Question from the Audience:** My question is about political culture and branding, so this is probably more of a *No Logo* question than a *Shock Doctrine* question. Part of the success of the Obama campaign is that he’s just breathed life into civic discourse in this country. A lot of it, though, I think, is attributable to the fact that he knows how politics works now, and he knows how to work within that until perhaps he can initiate change. I think part of that has been branding. You look at the “Obama: Hope,” the “Obama:
Change.” The Obama logo is one of the most beautiful logos I think we’ve ever seen in politics: rising sun, tilled fields. This is like a really well-branded campaign. Is there a risk in that, though? Is there a risk in Americans associated themselves so closely with one individual in politics, with the image of that politician and whatever they attach their rubber stamp to?

**Klein:** I think there is a risk, but I’ll tell you, I feel somehow that it’s less risky now that we’re in a deep economic crisis than it was at the start of the campaign. I think, in a weird way, he started off with a marketing slogan, and because things have gotten really serious, it’s become more meaningful, and more meat has been put on the bone as things have gotten more serious. And I also think that his supporters understand the stakes more. I was quite worried that all of this hope and organizing would just dissipate the day after the election and everyone would just wait for Obama to fix everything. I somehow don’t feel that that’s the political mood right now. I think people are going to be more inclined to stay engaged, and more of the organizations that have turned themselves into Obama organizations will kind of go back to being activist organizations, I hope. But you’re absolutely right. When I first saw the Yes, We Can video that will.i.am made, my first thought was, “Oh, wow. A politician has finally made an ad as good as Nike.” [Laughter] But actually using … that was what ’90s lifestyle branding was about; it was tapping into civil right imagery and memory and transcendence, and also our desire for politics, but funneled through running shoes and laptops and lattes. And suddenly it was, “Oh, politicians can do that, too.” I’m not cynical about Obama. I feel that I’m realistic about him, and I think that he is a centrist and he is very, very good at being a centrist. If you don’t like where he’s at, then move the center. We’ve got our marching orders.

**Karl:** Let me add to that, it seems to me there is a risk for him because the risk for him is he’s organized so many people. Just look at anything: if any of you have anything like my e-mail, this country is being organized by this campaign. The problem with doing that is you’ve left an organization which has to push not only on the content of economic policy but on the content of foreign policy, because the same thing you said about economic advisers one can say for national security advisers. If you want to end these wars, for example, people have to push. If you want to change economic policy, you have to push. And if you don’t push, I guarantee you, as we’ve learned from Naomi tonight, the other side is already pushing.

**Klein:** Yes, and that’s the biggest favor people can do for Obama is to give him the ammunition that he needs to say, I have no choice; people are so mobilized and so radicalized, I have to get us out of Iraq, we have to pass a moratorium on foreclosures, we need a green New Deal. It’s exactly because he’s being pressured by all these corporate donors. Those were the dynamics that created the New Deal. It wasn’t just FDR being a nice guy. It was FDR facing so much organized pressure from below that the New Deal was a compromise that he could sell. I’m actually convinced that Obama knows this and that in many ways he’s telling his supporters. He’s said it directly: I need you; I’m going to need you to stay engaged. He probably hopes that he can continue to have control over
them, but that’s exactly what Terry is saying: it is a decentralized campaign; it’s impossible to control.

But the other place to exert pressure is with organizations like MoveOn. MoveOn has turned itself into an arm of the Obama campaign. It used to be a very important part of the anti-war movement, and now they’re supporting a candidate. We all understand why they’ve made this decision, but they’re just providing blanket support for a candidate who does not have a plan to end the war in Iraq and does have a plan to deepen the war in Afghanistan. MoveOn needs to hear from its members, because they’re always talking about how democratic they are, that it’s time to become an anti-war movement again.

**Question from the Audience:** Thank you, Naomi, for your book and for your talk on Democracy Now! and the last few weeks at the Chicago School. Thank you.

My question is, with these credit default swaps and these mortgage-backed securities, you mentioned that your next bubble might be the infrastructure. Is there a way that we could regulate the profits of these hedge fund traders so that, as we move forward, we can either disqualify them or regulate them somehow?

**Klein:** Well, you know, Paulson today refused to rule out bailing out some of the hedge funds, which is quite worrying. This is the argument. The argument, as we know, is going to be: We can’t afford the investment in infrastructure that this country so badly needs. The American Society of Civil Engineers says that there’s an infrastructure deficit of around $1.5 trillion, maybe as much as $2 trillion, to bring the roads and bridges and levees up to acceptable safety standards. It is an emergency. We saw that with New Orleans; we’ve seen it with collapsing bridges. And they’re just going to say: There’s no money. So we need to be thinking about different revenue streams, including closing the loophole that the hedge fund managers are enjoying, and just getting more taxes out of the elites, which is exactly what they are going to be saying they can’t afford anymore because we need to stimulate the economy.

The real issue is that the financial crisis isn’t the only, and I would argue isn’t the biggest, crisis we face. I think the global climate crisis is a bigger crisis, and we are going to be told that we cannot afford the investments in green infrastructure and retrofitting buildings and all of that because of the money that is being used right now to bail out Wall Street. We need to be very clear that that is unacceptable and, if money is needed, then it should come from windfall profit taxes on the oil and gas industry. Personally, I’m calling for the nationalization of Exxon. That’s my way of moving the center. [Applause] There’s money! There is money. Exxon made $40 billion in profits last year. So remember that when you hear the argument that we can’t afford investment in alternative energy. I say that at Stanford because I know Exxon is a little bit of a hot-button topic. I think that this is where the discussion about climate change needs to go because one of the models—and this is another bubble: the green energy bubble—is that up until now, people have been sort of assuaged by the idea that the climate crisis can be met with market-based solutions: carbon trading, venture capital investment in green energy. Listen, we don’t need another bubble in pollution—in trading pollution. This is
a disaster. In terms of green energy and the venture capital route, what’s happening right now is that all of the green venture capital funds are finding that their money is being halved because that whole model is really a boom-time model. If you’re in a recession, people are not throwing money around for solar or for anything high risk like that. So we’re actually going to have to make these real investments, and it’s going to have to be public money, and we have to get that money somehow. So it’s going to be a fight. It’s going to be a real fight, and it’s going to be about getting some of those profits. To me, it’s a tragedy. When I hear $40 billion for one company, that’s money that isn’t going to make the transitions that we need to make to meet the most pressing crisis of our time.

And that’s also why it really matters that these deals with the banks are bad deals because this is the future that is being blown here by Paulson and Bush. If these are good deals that they’re negotiating with the banks, it actually can be an opportunity. They have detonated themselves; they have blown it; they’ve betrayed a sacred trust people have placed in them, and these banks are now being taken over. But the terms of those takeovers can actually be the revenue stream that we need to get us out of this mess if it’s negotiated in a really tough way. This is the debate that’s going on in Britain right now, where people are saying that Brown hasn’t gone far enough. And we’re just asleep at the wheel while they’re negotiating these deals of 5 percent returns.

I’m doing a piece that’s coming out about the contracts that they’re handing out to administer the bailout because they don’t have the expertise to do this themselves so they are outsourcing it like they outsourced the war in Iraq. Who are they outsourcing it to? Well, they’re outsourcing it to Bank of New York Mellon, which also just got $3 billion as part of the equity bailout. It’s a cesspool of conflicts of interest. The law firm that they hired to be their adviser represents seven of the nine banks that just got the bailout. And congress people are focused on the elections.

So there is a period now where people need to hear again from their constituents and say, first of all…. There are two messages that I think people need to hear right now. They have not abandoned this buying out of the toxic debts even though the idea has been discredited. They’re doing two things at the same time: they’re buying the equity, but they’re also still buying the toxic debts. That whole plan—the original Paulson plan—should just die. It should be abandoned completely. It’s just a slush fund. And tied to that are all these crony contracts that they’re handing out with no debate and with barely any bidding because, of course, they’re in a big rush so they can’t do open bidding, and they’re letting the companies write their own conflict-of-interest regulations. I’m not kidding. They say: You have to write your own mitigation plan, and then they incorporate that into the contract. The whole thing is just a write-off, and people need to hear from their constituents again that it really matters what kind of a deal they’re negotiating in this period because the terms of this, if it’s a good deal, then can actually be what pays for the program that Obama is promising on the campaign trail. So please spend a little bit of time focused on that.
**Question from the Audience:** My question has to do with an idea I’ve heard you speak about before, which is that large-scale crises like international globalization come along with international marketization, like protests. I’m just wondering: Do you need these crises that you speak of to have authentic, democratic processes like what happened in Argentina? It seems that during normal times, people just fall back into their amnesia, but during times of crisis, it actually is counteracted by a lot of democratic activity by the people.

**Klein:** That’s a great question. You know, it’s a troubling question because I don’t want the answer to be that we need crisis. But there is some evidence that it does take a crisis, particularly in a wealthy country, to get people focused and to get people active. But I think the danger of this is it takes you down a road where you kind of want things to get worse because that will wake people up. I really do think that things are bad enough and we don’t want them to get worse.

Coming back to the first question about the levels of debt that people have accumulated, debt is kind of anesthetizing. You can delay. You have an illusion of comfort, an illusion of security, but it’s very tenuous. Debt makes people very insecure. Debt is really disciplining. This is true for countries. As a whole, highly indebted countries are less independent, and highly indebted people are also less independent. One of the things that is volatile about this moment is the double standards that people are seeing. This is what is kind of exciting about the spectacle of the bailout. Just reading comments on blogs and people’s instant reactions, like “Why isn’t anyone bailing me out?” “Why won’t anyone bail me out of my student loans?” and “Why won’t anyone bail me out of my credit card debt or bail me out of my mortgage?”

Money is revealing itself to be something of a fiction at the moment, if you can just wipe it out. That’s really dangerous because this is a set of rules that everybody’s agreeing to abide by, but now the most powerful people in society are just breaking all the rules—they’re just wiping out each other’s debt. There was a protest on Wall Street a couple of weeks ago that didn’t get much media attention, but it was really interesting. It was started by one guy, a guy I know in New York, who sent out an e-mail to his e-mail list. It was in the middle of the bailout negotiations. He just said, “OK, look: This is crazy; this bailout is nuts. Everybody meet on Wall Street at 5:00. Bring junk from your house—whatever: old sneakers, rusty kitchen appliances—and we’ll just dump it their doorstep and say, “We don’t want your junk but you can have ours.”” [Laughter] It just went completely viral and a couple thousand people showed up. It was so interesting. The signs people were holding up said things like, “You broke it—You bought it,” and “Bail Me Out,” and “No Socialism for the Rich until the Rest of Us Get Some.” [Laughter]

A lot of the questions we’ve been asking tonight are about what’s going to happen, and the truth is, we don’t know. It’s a very, very volatile moment and I’ve certainly never lived anything like this. It’s a moment when even the experts are admitting that they’re in over their heads. It does take a moment like this for real change to happen. I don’t
think that things need to get god-awful. I don’t think we need the Great Depression. I think we need an opening, and we have an opening. Thank you. [Thank you.]

Gonnerman: Thanks to everyone. Good night.

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Naomi Klein, Journalist and Syndicated Columnist
Canadian journalist Naomi Klein is author of *The Shock Doctrine: The Rise of Disaster Capitalism*, an international bestseller that has been translated into 20 languages. Her previous book, *No Logo: Taking Aim at the Brand Bullies*, was also an international bestseller. She writes an internationally syndicated column for *The Nation* and *The Guardian*. In 2004, her reporting from Iraq for *Harper’s* won the James Aronson Award for Social Justice Journalism. In 2004, she released *The Take*, a feature documentary about Argentina’s occupied factories, co-produced with director Avi Lewis. She is a former Miliband Fellow at the London School of Economics and holds an honorary Doctor of Civil Laws from the University of King’s College, Nova Scotia.

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Terry Karl was the director of Stanford’s Center for Latin American Studies from 1990-2001. She has published widely on transitions to democracy; problems of inequality; human rights and civil wars; contemporary Latin American politics; and comparative politics and international relations, with special emphasis on the politics of oil exporting countries. She is the author of *The Paradox of Plenty: Oil Booms and Petrol States* and articles such as “Economic Inequality and Democratic Instability” and “Dilemmas of Democratization in Latin America.” She has a strong interest in U.S. foreign policy and has prepared expert testimony for the U.S. Congress, the Supreme Court, and the United Nations.

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