**PRAMOD SAPKOTA**

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**NAOMI KLEIN**

**THE SHOCK DOCTRINE**

**LOST IN TRANSITION: WHILE WE WEPT, WHILE WE TREMBLED, WHILE WE DANCED**

**Naomi Klein the author of The Shock Doctrine book ties history, economics, globalization, natural disasters together in a one picture. The Shock Doctrine explains the practice of unpopular belief of free market economy and implementation of various strategic ideas that happen after a shock to national conscious such shocks can take in form of terrorist attacks and natural disasters. Klein also discusses that the population is so disoriented that they can’t defend themselves against sudden drops in wages, high inflation and the privatization of social services. An essential point of Klein’s shock doctrine is the failure of free market economies. The book seems to explain so much about what is going in the world right now. She explains how people in power benefit themselves by violating the rights of normal people when the people of nations are in shock. She has tried to pull all the evidence needed and drawn conclusions on the topics related to economic development, human rights abuse, the disasters and shocks. She also mentions economic shock treatment tends to benefit the super wealthy and multinational corporations at everyone else’s expense.**

**When a country goes under economic reform there are winners and losers the biggest losers in the process are citizens of the country the life of average person is drastically affected. Klein points out that communist had been mismanaging the economy of Poland for decades and it was about to collapse. An national election brought solidarity to power at that time Poland was in debt of 40$ dollar and 600% inflation. Then IMF and US treasury refused to help they wanted a sharper shock so they would have to sell or privatize their national assets in a forced move towards capitalism. This was the time of Jeffrey Sachs he advised solidarity to refuse to pay debts but solidarity had to implement the Sachs shock doctrine that involved selling mines, shipyards and factories to private owners. Solidarity leaders were so eager to fix the problem of hue communist debt they had inherited. Sachs negotiated an offer of 1$ billion dollar to stabilize their currency but it was conditional in accepting shock therapy. Coincidentally, after the berlin wall dismantled in 1989 and they had won the cold war dominating their economic and political belief. Poland suffered huge reduction in industrial production, unemployment spiked, huge portion of population fell into poverty line. The public were puzzled that how their own movement delivered a worse service than under communism. Sachs and his shock therapy both were rejected in democratic election where citizens could freely express their opinions.**

**China was in the rule of communists who rejected democracy but were actively promoting a free market revolution. The huge protest in Tiananmen square by workers and students demanding democracy because they were strongly opposed to unregulated capitalism. In 1980s the government of Deng Xiaoping was obsessed with corporate based economies. Even if the nation assets were auctioned off the relatives of party officials were always ready to earn handsome profits in the expense of others. The model of Chinese government was free market economy combined with political control. In 1983 Deng created armed police of 400,000 people to suppress the strikes and protest causing a riot. Party policies of removing of price controls and job security eliminated it backlashed against it. It was the victory or win time for foreign investors and both party officials as it was the preferred location for factories for almost every multinational company. In the study in 2006 it claimed that 90% of China’s yuan billionaires were children of communist officials and 3000 party officials and their relatives controlled 260$ billion dollar who were responsible for Chinese corporatism and political autocracy.**

**After Nelson Mandela defeated Apartheid in election in 1994 they were tricked out of their goal of reclaiming natural wealth of economy. Apartheid was a political system in which people were limited to voting and moving freely it was also an economic system influenced by racism. A small elite of white people who were able to gain enormous profits from mines, factories and farms as most of the black people were restricted to own any land and enslaved to provide low-cost labor. Mandela and Thabo Mbeki were obsessed with politics while the whites were aware economics is the key so, they finally decided to negotiate. The nationalists will give total parliament control to ANC under the political agreement and economic agreement which suppressed blacks and they could not do much. They agreed to pay lifetime pensions to retiring white workers which would cost huge amount of budget. The redistribution became impossible as private properties were protected by constitution 70% still owned by whites while banks, mines and industries could not be nationalized. The new central bank was still to run under the man who ran it under apartheid. Mbeki was convinced to take south Africa along with The Washington Consensus. As usual country was left with huge debts to the First world and the unemployment level in black adults increased by 48% while national debts continued to climb.**

**Mikhail Gorbachev took over soviet in 1985 it was sense of relieve as he was clear about policies regarding openness and restructuring. In 1991 he was replaced by Boris Yeltsin who emerged as the savior of Russian democracy by helping small old block military communist hardliners against the parliament. Yeltsin invited Jeffrey Sachs to Moscow to manage the international loan for the bankrupt country and Sachs promised to raise 15$ billion dollar as long as Moscow was willing to go with big bang approach to establishing a capitalist economy. Yeltsin got special powers from parliament for one year to solve the economic crisis and deliver a thriving system. Yeltsin lifted price controls even though it was opposed by 70% of the population. Within one year shock therapy had devastated the life of people as millions of Russian people lost their life savings and workers were not getting paid 1/3 of the population fell below poverty line. After agreed trial period expired Yeltsin declared state of emergency against parliament restoring his powers. After gaining support from Clinton and western medias Yeltsin announced that the constitution is abolished and parliament is dissolved. Yeltsin applied shock therapy in democracy then was shut down. The freedom economists pushed for the privatization of Russian state as usual few insiders or people in power bought up the major national assets in oil, manufacturing and communications at a very low price. The communists state was easily replaced with corporative corrupt leaders. The people who were benefiting often were the former Communist party officials who became millionaires and billionaires and were collectively called ‘Oligarchs. This was due to Freidman policies and Russian banning foreign multinationals buying Russian assets. They kept prizes for insiders and then opened up privatized companies to foreign buyers. The huge oil company Yukos sold for 300$ million while it earns 3000$ million a year, Norilsk nickel sold for 170$ million while it’s yearly profit was nearly 1.54 billion and huge weapons factory sold for 3$ million. The worse part is the assets were purchased by public money. Yeltsin’s own family grew very rich with his relatives being appointed to top positions in these new companies. This mining of an industrial state showed how these shocks could be so profitable.**

**Investment bankers from New York and London were setting their sights in Asia as looting of south America and eastern Europe was not enough. Before the economic crisis in 1997 several countries in Asia were viewed as perfect location for economic fitness and vitality the countries with purest and successful globalization stories that many western investors found attractive and the countries were called the Asian Tigers. The crisis of Thailand in July 1997 with the collapse of their currency as it has acquired too much of foreign debt. This helped to begin the international chain reaction because mutual fund brokers had already marketed the tigers as an investment opportunity. Instead of providing stabilization loan the IMF came up with the long list economic demands suspecting this was the opportunity to open up the Tigers domestic markets to build up their local economies. The IMF aimed to remove coverings from the trade and protectionism and active state interventionism which were the major keys of Asian miracle. They demanded to cut off the huge budget while unemployment suicide was being a major issue. IMF expected independent central banks, flexible workforces, low social sending and free trade. Thailand was losing 60,000 jobs a month with 20% increase in child prostitution in first year. Unlike Thailand Indonesia had low inflation, a trade surplus, huge foreign exchanges and as strong banking sector. Suddenly in August 1997 the rupiah severe attack with its value dropping hugely. Even an IMF rescue offer 23$ billion was insufficient to recover with huge drop in Jakarta stock exchange. Major riots broke 13% of GDP that year. In July 1997 the Kia Motors one of the biggest car maker was in need of emergency loans. The economy was shaken as interest rates were rising up driving away foreign investors. South Korea was losing 1$ billion every single day in foreign exchange and its unemployment rate tripled by 1999 and the country was forced to drop its law protecting workers against mass layoffs. The IMF withhold its emergency fund 58$ billion unless all parties promised to implement the new restrictions that wee in their favor. Malaysian ringgit was heavily traded in July 1997 with overnight rate jumping from 8% to 40%. Mahathir Mohamad the prime minister was only the Asian leader resisting IMF as it’s debt was tiny saying that he would not destroy the economy to make it better. He imposed capital controls and introduced 3.80 peg against the U.S dollar. This move stopped the overseas trade with ringgit currency making the use of ringgit invalid restricting the amount of currency and investments residents can take abroad. In 1998 the output of real economy declined. The construction sector contracted 23%, manufacturing shrunk by 9%, and the agriculture sector by 6%. GDP decreased by 6% while the ringgit decreased below 4.7. Stronger capital controls were imposed so the aid from IMF was refused. Task forcing agencies like Corporate Debt Restructuring Committee dealt with corporate loans. Growth was slower but sustainable banks were better capitalized. Compared to 1997 by 2005 Malaysia was expected to have 14$ billion dollar surplus. In 2005 ringgit was taken of fixed exchange system and it appeared to managed float than free float like a Singapore dollar.**

**Klein’s Shock Doctrine showed the side of capitalism we like to ignore like inflation, price hikes, wage hikes, kickbacks, corporatism and violence. She showed how politicians and authoritarians are willing to use violence to enforce policies to make them even more powerful and rich. Klein argues that they transfer wealth and power from people to global corporate elite by implementing various policies in times of shocks. The book shows the origin of ‘shock doctrine’ to be in University of Chicago under Milton Freidman and follows the ideas through history how neo liberal agenda were pushed in the countries in the time of shocks. She discusses how few number of people profit in the expense of poor and working people. Whenever the country face either natural or man-made shock there is always some big parties looking to profit. She provided a proof with perfect examples how these things worked. We can relate Klein’s shock doctrine with lot of activities going in the world right now and it will relate with lot of such activities that will occur in future. The book is a pure brief about the global political/economic history over the last 50 years with very clear pattern of economic changes with evidences.**