

THE CAPTURE CASCADE: How Democracy's Tools Were Turned Against It

Part 2: THE ACCELERANT *How Disaster Capitalism Weaponized Crisis for Instant Transformation*

When Crisis Becomes Opportunity

New Orleans, September 2005. While Hurricane Katrina victims were still sleeping in the Superdome and thousands remained missing, a different kind of storm was already transforming the city. Corporate contractors and policy makers had arrived with comprehensive plans to restructure New Orleans' public infrastructure. Public schools were being converted to charter schools. Public housing was being demolished for private development. Government services were being privatized at unprecedented speed.

This wasn't opportunistic profiteering—it was systematic exploitation of crisis to implement policies that would have been politically impossible under normal circumstances.

On December 5, 2005, as residents were still prohibited from returning to large sections of the city, 93-year-old economist Milton Friedman published an op-ed in the Wall Street Journal calling Katrina "an opportunity to radically reform the educational system" by replacing public schools with charter schools. Within 19 months, New Orleans had implemented the most radical education privatization in American history.

What journalist Naomi Klein witnessed in post-Katrina New Orleans crystallized years of research into a unified theory she called "disaster capitalism"—the systematic exploitation of crisis to accelerate the very institutional capture that Lewis Powell's memorandum had outlined three decades earlier.

Klein's investigation revealed that Powell's patient, 50-year strategy for corporate capture worked most effectively not during periods of stability, but during moments of crisis when democratic oversight was suspended and populations were too overwhelmed to resist. Disaster capitalism became the accelerant that transformed Powell's long-term blueprint into rapid, comprehensive transformation.

The Theory of Shock

Klein traced disaster capitalism's intellectual origins to the University of Chicago under economist Milton Friedman, whose theories provided academic legitimacy for crisis exploitation. Friedman's insight was that "only a crisis—actual or perceived—produces real change," and that when crisis struck, "the politically impossible becomes politically inevitable."

But Klein's investigation revealed disturbing connections between economic shock therapy and literal shock therapy. The CIA's MKULTRA program had funded psychological experiments by Dr. Ewen Cameron in the 1950s, studying how electric shock, sensory deprivation, and drug-induced disorientation could break down human resistance to reshape behavior and beliefs. These techniques were later codified in CIA torture manuals used at facilities like Guantanamo Bay.

The parallel wasn't metaphorical—it was methodological. Just as psychological shock therapy aimed to disorient individuals until they became compliant with new programming, economic shock therapy aimed to disorient entire societies until they accepted radical restructuring that benefited elite interests.

The University of Chicago Economics Department, which trained the implementers of global shock therapy programs, was heavily funded by the same corporate donors who had supported Powell's institutional capture blueprint. The Ford Foundation, which funded Chicago's economics program, was simultaneously funding the think tanks and academic programs that Powell had envisioned.

The Three-Stage Pattern

Klein documented a consistent three-stage pattern in disaster capitalism implementation that systematically exploited human psychological vulnerability:

Stage 1: The Shock

Whether natural disaster, economic crisis, terrorist attack, or war, the initial shock creates disorientation and suspends normal political processes. During this phase, democratic debate becomes "unpatriotic" or "unrealistic," and emergency measures concentrate power in executive hands.

Media coverage emphasizes chaos and danger while presenting rapid privatization as the only rational response. Opposition is dismissed as luxury during emergency situations. The psychological impact of crisis makes populations susceptible to radical changes they would normally resist.

Stage 2: Economic Shock Therapy

While populations are still reeling from initial trauma, rapid-fire economic restructuring is implemented: massive privatization, deregulation, elimination of social programs, and restructuring of labor laws. These policies are justified as necessary emergency measures but represent permanent transfer of public wealth to private hands.

The same think tanks and consulting firms created by Powell's blueprint provide the intellectual framework and technical expertise for implementation. Corporate-funded economists provide academic legitimacy while corporate-funded media platforms shape public opinion.

Stage 3: Enforcement and Entrenchment

When populations begin to resist, the third shock—physical violence through police, military, or private security forces—enforces the new order. The transformed economic structure becomes self-reinforcing, using its accumulated wealth to capture political institutions and prevent reversal.

The legal infrastructure developed through Powell's strategy provides constitutional protection for the new arrangements. Corporate-friendly courts rule that privatization programs cannot be reversed. Regulatory agencies become captured by the industries they supposedly oversee.

Laboratory of Shock: Chile 1973

Klein identified Chile under General Augusto Pinochet as the first comprehensive application of disaster capitalism. The September 11, 1973 military coup that overthrew democratically elected President Salvador Allende provided the shock that enabled radical restructuring previously impossible through democratic processes.

The economic program implemented in Chile was designed by "Chicago Boys"—Chilean economists trained by Milton Friedman at the University of Chicago under programs funded by the same corporate sources that supported Powell's think tanks. These economists couldn't implement their theories under democratic government. The coup provided their opportunity.

Within months of the coup, they had privatized state industries, eliminated trade barriers, cut social spending by 25%, and restructured labor laws to favor business interests. The results were devastating for ordinary Chileans—unemployment soared to 30%, wages fell by 40%, and social inequality increased dramatically—but enormously profitable for those positioned to benefit.

Crucially, many of the advisors who helped design Chile's shock therapy program later moved to think tanks and consulting firms created by Powell's institutional capture strategy. The personnel and institutions that implemented disaster capitalism were products of Powell's blueprint for corporate capture.

The Chilean experiment was declared a success by business interests and international financial institutions, creating a template for future applications. Milton Friedman himself visited Chile in 1975 and praised the economic program while ignoring the political repression necessary to maintain it.

Global Implementation Network

The Chilean model provided a template that was rapidly exported worldwide through the same institutional infrastructure that Powell had envisioned. Each application refined the techniques and expanded the global network of implementers:

Eastern Europe (1989-1999)

The collapse of communism provided the next major laboratory. Jeffrey Sachs, who had advised Bolivia's shock therapy program, became the leading advocate for rapid privatization across former Soviet states. Western consultants and financial institutions made fortunes facilitating the transfer of state assets to oligarchs while presenting it as democratic transformation.

The same think tanks that had promoted Chilean-style policies provided intellectual legitimacy for programs that created some of the world's most extreme inequality. The Heritage Foundation opened offices in Eastern Europe. The American Enterprise Institute established fellowship programs for Eastern European economists. The intellectual infrastructure of Powell's blueprint was systematically exported.

Asia (1997-1998)

The Asian Financial Crisis provided an opportunity to implement structural adjustment programs across Thailand, South Korea, and Indonesia. The International Monetary Fund made emergency loans conditional on privatization, deregulation, and elimination of capital controls—policies that benefited Western corporations and financial institutions while devastating local economies.

The same consulting firms that had implemented shock therapy in Latin America and Eastern Europe provided technical assistance. McKinsey & Company, which had played key roles in Powell-era corporate capture, became a primary implementer of Asian structural adjustment. The global infrastructure for crisis exploitation was now fully operational.

Post-9/11 America

The September 11 attacks enabled the most comprehensive application of disaster capitalism within the United States itself. The Bush administration used 9/11 to implement a massive privatization program, transferring government functions to private contractors while eliminating democratic oversight in the name of security.

The creation of the Department of Homeland Security represented what Klein called the "disaster capitalism complex"—a fully integrated system where the same companies that profit from insecurity also shape security policy. Halliburton, Blackwater, and other firms received no-bid contracts worth hundreds of billions while former government officials joined their boards and lobbying operations.

This created permanent incentives for crisis and conflict while generating enormous private profits from public fear. The same think tanks that Powell had envisioned now provided intellectual justification for the security state while the same media platforms shaped public opinion to support endless conflict.

The Iraq Laboratory

Klein identified the 2003 invasion of Iraq as "the most comprehensive and radical implementation of the shock doctrine ever attempted." The war provided multiple shocks—military invasion, economic restructuring, and social trauma—that enabled unprecedented privatization of an entire country.

Paul Bremer's Coalition Provisional Authority implemented what amounted to a corporate wish list: 100% foreign ownership of Iraqi businesses, elimination of trade barriers, privatization of state industries, and flat tax rates that benefited the wealthy. These policies were implemented by decree while Iraqi society was too traumatized and disorganized to resist.

The human cost was enormous—hundreds of thousands of deaths, millions of refugees, and the destruction of Iraqi society. But for disaster capitalism firms, Iraq was enormously profitable. Companies like Halliburton, Blackwater, and Bechtel received no-bid contracts worth hundreds of billions of dollars.

Crucially, many of the officials who designed Iraq's shock therapy program had direct connections to Powell Memorandum institutions. Dick Cheney moved from CEO of Halliburton to Vice President. Donald Rumsfeld had extensive corporate consulting experience. The intellectual justification came from think tanks like the American Enterprise Institute that traced their origins directly to Powell's blueprint.

The same legal theories that corporate-funded law schools had developed to justify corporate power were applied to justify military occupation. The same economic theories that corporate-funded economics departments had refined were implemented through military force. Powell's institutional capture infrastructure had become the foundation for global shock therapy implementation.

The Katrina Model

Hurricane Katrina provided Klein with a real-time case study of disaster capitalism applied within the United States. The response demonstrated how thoroughly Powell's institutional infrastructure had prepared for crisis exploitation.

Milton Friedman's call for radical education privatization wasn't an isolated opinion—it reflected coordinated planning by the same institutional network that Powell had envisioned. The Thomas B. Fordham Institute (founded 1996), the American Federation for Children (founded 2010), and other corporate-funded education reform organizations had prepared comprehensive privatization plans that could be implemented during crisis.

Within months, the New Orleans school system had been almost completely privatized—the most radical education privatization in American history. Public housing was demolished and replaced with mixed-income developments that displaced low-income residents permanently. Government services

were privatized or eliminated. Even basic disaster response was outsourced to private contractors like Blackwater, which deployed in New Orleans with the same equipment and personnel used in Iraq.

The transformation was so rapid and comprehensive that it could only have been implemented during the crisis. Under normal circumstances, such radical restructuring would have faced years of democratic debate and community resistance. Katrina provided the shock that made resistance impossible.

The legal framework for this transformation had been prepared by corporate-funded legal organizations. The Federalist Society provided judges who ruled that emergency privatization was constitutional. Corporate-funded think tanks provided academic research showing that privatization improved outcomes. Corporate-funded media platforms shaped public opinion to support rapid transformation.

The Digital Evolution

Contemporary disaster capitalism has evolved beyond physical crises to include manufactured digital and social shocks. The same institutional infrastructure created by Powell's blueprint now includes social media platforms, data analytics firms, and digital influence operations that can create artificial crises on demand.

The 2008 financial crisis, COVID-19 pandemic, and ongoing "culture wars" have all been exploited to advance privatization and institutional capture using techniques refined through decades of shock therapy implementation. Social media platforms have become tools for creating artificial crises that justify emergency responses.

Cambridge Analytica's manipulation of Brexit and the 2016 U.S. election demonstrated how digital shock therapy could create political disorientation enabling radical policy changes. The firm used psychological profiling techniques derived from the same research tradition that produced shock therapy, applied through social media platforms to entire populations.

The COVID-19 pandemic provided a global opportunity for disaster capitalism implementation. While populations were locked down and democratic processes suspended, massive transfers of wealth occurred from small businesses to large corporations, from public institutions to private entities, and from working people to financial elites.

Tech billionaires like Jeff Bezos and Elon Musk saw their wealth increase by hundreds of billions during the pandemic while small businesses were destroyed and workers faced unemployment. This wasn't an accident—it was disaster capitalism working exactly as designed, using the institutional infrastructure that Powell had outlined and that decades of shock therapy had perfected.

The Institutional Synthesis

Klein's research revealed deep connections between disaster capitalism and the institutional infrastructure created by Powell's memorandum. The think tanks that provided intellectual justification for shock therapy, the consulting firms that implemented privatization programs, and the financial institutions that profited from crisis were all products of Powell's strategy for corporate capture.

McKinsey & Company, which played crucial roles in both Powell-style institutional capture and disaster capitalism implementation, provided a revolving door between government agencies, academic institutions, and private corporations. These firms ensured that crisis response was designed to benefit their clients rather than affected populations.

The University of Chicago Economics Department, which trained the Chicago Boys and provided academic legitimacy for shock therapy, was heavily funded by corporate donors following Powell's blueprint. The same foundations and corporations that funded conservative think tanks also supported academic programs that trained future shock therapy implementers.

Corporate-funded legal organizations provided constitutional frameworks for crisis exploitation. The Federalist Society and Pacific Legal Foundation developed legal theories that protected privatization programs from democratic reversal. Corporate-funded media platforms shaped public opinion to support rapid transformation during crises.

The Psychological Dimension

Klein's most disturbing finding was how disaster capitalism deliberately exploited psychological trauma using techniques derived from the same research tradition that produced CIA torture methods. Crisis creates a window of psychological vulnerability where people become susceptible to radical changes they would normally resist.

The same techniques used in CIA psychological experiments—disorientation, isolation, overwhelming stimuli—were scaled up to entire populations during crises. Media coverage emphasized chaos and danger while presenting privatization as the only rational response. Democratic debate was dismissed as luxury during emergency situations.

This psychological dimension explains why disaster capitalism succeeded where normal political persuasion failed. It wasn't about convincing people that privatization was good policy—it was about implementing radical changes while people were too traumatized to resist effectively.

The institutional infrastructure created by Powell's blueprint included psychological research capabilities that were systematically applied during crisis moments. Corporate-funded universities conducted research on crisis psychology. Corporate-funded media platforms applied these insights to

shape public opinion during disasters. Corporate-funded political organizations used crisis psychology to implement privatization programs.

Resistance and Adaptation

Klein documented growing resistance to disaster capitalism as populations learned to recognize the pattern. The 2005 Indian Ocean tsunami response saw unprecedented coordination between affected communities to resist exploitation. Hurricane victims in New Orleans organized to fight privatization efforts. Economic crisis victims in Argentina and Greece rejected austerity programs.

This resistance forced disaster capitalism to adapt. Rather than relying solely on external shocks, practitioners began manufacturing crises through disinformation campaigns, artificial scarcity, and deliberate institutional sabotage. The goal shifted from responding to crises to creating them on demand.

Contemporary figures like Steve Bannon have explicitly advocated for "deconstructing the administrative state" by creating artificial crises that justify radical restructuring. This represents the evolution of disaster capitalism from opportunistic exploitation to systematic crisis creation using the institutional infrastructure that Powell had envisioned.

The Global Infrastructure

Klein's investigation revealed that disaster capitalism had created a global infrastructure for crisis exploitation that operated through the same institutional networks that Powell had outlined. The same firms, consultants, and institutions moved from crisis to crisis, implementing similar programs regardless of local conditions or democratic preferences.

This infrastructure connected Powell's institutional capture strategy with systematic wealth extraction on a global scale. Think tanks provided intellectual legitimacy, consulting firms provided technical expertise, financial institutions provided capital, and private security firms provided enforcement when resistance emerged.

The result was a transnational network that could rapidly exploit any crisis for private benefit while maintaining democratic facades. This infrastructure didn't serve any particular country or ideology—it served the interests of global capital accumulation regardless of consequences for affected populations.

Contemporary Implications

Understanding disaster capitalism is crucial for recognizing current threats to democratic institutions. Every crisis—whether pandemic, economic recession, terrorist attack, or environmental disaster—provides opportunities for systematic exploitation by those positioned to benefit.

The techniques Klein documented in far-off countries have now been applied within Western democracies themselves. Brexit was implemented through crisis exploitation, using the same shock therapy techniques that had been refined in developing countries. The Trump administration used manufactured crises to advance privatization using the same institutional infrastructure that Powell had outlined.

Most importantly, disaster capitalism reveals how crisis and institutional capture reinforce each other. The wealth extracted during crises is used to capture institutions that shape crisis response, creating a self-reinforcing cycle where each crisis enables greater extraction and institutional control.

The Acceleration Effect

Disaster capitalism provided the acceleration mechanism that transformed Powell's 50-year institutional capture strategy into rapid, comprehensive transformation. But Klein's research revealed something else: the techniques that work in developing countries or during obvious crises have now been perfected for use within stable democracies during manufactured emergencies.

The institutional infrastructure created to serve American corporate interests became the template for global crisis exploitation. Understanding this evolution is essential for recognizing how democracy's own tools have been turned against it.

In our next installment, we'll examine how Vladimir Putin's Russia studied and perfected these American techniques, then weaponized them back against the very democracies that created them. Putin's playbook represents the synthesis of Powell's institutional capture strategy with Klein's crisis exploitation tactics, applied systematically to undermine democratic societies worldwide.

The infrastructure created to serve American corporate interests became the template for global authoritarian influence operations. Understanding this transformation reveals how techniques designed for corporate capture evolved into weapons for democratic destruction.

Sources:

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Next: Part 3 examines how Putin's Russia studied these American techniques and weaponized them back against Western democracy.