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DISASTER CAPITALISM

The New Economy of Catastrophe

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DISASTER CAPITALISM

The new economy of catastrophe

By Naomi Klein

Only a crisis—actual or perceived—produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around.

—Milton Friedman

Three years ago, when I was in Baghdad on assignment for this magazine, I paid an early-morning visit to Khadamiya, a mostly Shiite area. An Iraqi colleague had heard that part of the neighborhood had flooded the night before, as it did regularly. When we arrived, the streets were drenched in slick green-blue liquid that was bubbling up from sewage pipes beneath exhausted asphalt. A family invited us to see what the frequent floods had done to their once lovely home. The walls were moldy and cracked, and every item—books, photos, sofas—was caked in the algae-like scum. Out back, a walled garden was a fetid swamp, with a child's swing dangling forlornly from a dead palm tree. "It was a beautiful garden," Durdham Yassin, the owner, told us. "I grew tomatoes."

For the frequent flooding, Yassin spread the blame around. There was Saddam, who spent oil money on weapons instead of infrastructure during the Iran-Iraq War. There was the first Gulf War, when U.S. missiles struck a nearby electricity plant, knocking out power to the sewage-treatment facility. Next came the years of U.N. sanctions, when city workers could not replace crucial parts of the sewage system. Then there was the 2003 invasion, which further fried the power grid. And, more recently, there were companies like Bechtel and General Electric, which were hired to fix this mess, and which failed.

Around the corner, a truck was idling with a large hose down a manhole. "The most powerful vacuum loader in the world," it advertised, in English, on its side. Yassin explained that the neighbors had pooled their money to pay the company to suck away the latest batch of sludge, a costly and temporary solution. The mosque had helped, too. As we drove away, I noticed that there were similar private vacuum trucks on every other block.

Later that day I stopped by Baghdad's world-famous Green Zone. There, the challenges of living without functioning public infrastructure are also addressed by private actors. The difference is that in the Green Zone, the

Naomi Klein's most recent article for Harper's Magazine, *"Baghdad Year Zero," appeared in the September 2004 issue. Her new book,* The Shock Doctrine, *from which this essay was adapted, was just published by Metropolitan Books.*

LIKE MOST PEOPLE, I THOUGHT THE DIVIDE BETWEEN BAGHDAD'S GREEN AND RED ZONES WAS A SIMPLE BY-PRODUCT OF THE WAR

solutions actually work. The enclave has its own electrical grid, its own phone and sanitation systems, its own oil supply, and its own state-of-the-art hospital with pristine operating theaters—all protected by walls five meters thick. It felt, oddly, like a giant fortified Carnival Cruise ship parked in the middle of a sea of violence and despair, the boiling Red Zone that is Iraq. If you could get on board, there were poolside drinks, bad Hollywood movies, and Nautilus machines. If you were not among the chosen, you could get shot just for standing too close to the wall.

Everywhere in Iraq, the wildly divergent values assigned to different categories of people are on crude display. Westerners and their Iraqi colleagues have checkpoints at the entrances to their streets, blast walls in front of their houses, body armor, and private security guards on call at all hours. They travel the country in menacing armored convoys, with mercenaries pointing guns out the windows as they follow their prime directive to "protect the principal." With every move they broadcast the same unapologetic message: We are the chosen, our lives are infinitely more precious than yours. Middle-class Iraqis, meanwhile, cling to the next rung down the ladder: they can afford to buy protection from local militias, they are able to ransom a family member held by kidnappers, they may ultimately escape to a life of poverty in Jordan. But the vast majority of Iraqis have no protection at all. They walk the streets exposed to any possible ravaging, with nothing between them and the next car bomb but a thin layer of fabric. In Iraq, the lucky get Kevlar; the rest get prayer beads.

Like most people, I saw the divide between Baghdad's Green and Red zones as a simple by-product of the war: This is what happens when the richest country in the world sets up camp in one of the poorest. But now, after years spent visiting other disaster zones, from post-tsunami Sri Lanka to post-Katrina New Orleans, I've come to think of these Green Zone/Red Zone worlds as something else: fast-forward versions of what "free market" forces are doing to our societies even in the absence of war. In Iraq the phones, pipes, and roads had been destroyed by weapons and trade embargoes. In many other parts of the world, including the United States, they have been demolished by ideology, the war on "big government," the religion of tax cuts, the fetish for privatization. When that crumbling infrastructure is blasted with increasingly intense weather, the effects can be as devastating as war.

Last February, for instance, Jakarta suffered one of these predictable disasters. The rains had come, as they always do, but this time the water didn't drain out of Jakarta's famously putrid sewers, and half the city filled up like a swimming pool. There were mass evacuations, and at least fifty-seven people were killed. No bombs or trade sanctions were needed for Jakarta's infrastructure to fail—in fact, the steady erosion of the country's public sphere had taken place under the banner of "free trade." For decades, Washington-backed structural-adjustment programs had pampered investors and starved public services, leading to such clichés of lopsided development as glittering shopping malls with indoor skating rinks surrounded by moats of open sewers. Now those sewers had failed completely.

In wealthier countries, where public infrastructure was far more robust before the decline began, it has been possible to delay this kind of reckoning. Politicians have been free to cut taxes and rail against big government even as their constituents drove on, studied in, and drank from the huge public-works projects of the 1930s and 1940s. But after a few decades, that trick stops working. The American Society of Civil Engineers has warned that the United States has fallen so far behind in maintaining its public infrastructure—roads, bridges, schools, dams—that it would take more than a trillion and a half dollars over five years to bring it back up to standard. This past summer those statistics came to life: collapsing bridges, flooding subways, exploding steam pipes, and the still-unfolding tragedy that began when New Orleans's levees broke.

After each new disaster, it's tempting to imagine that the loss of life and productivity will finally serve as a wake-up call, provoking the political class to launch some kind of "new New Deal." In fact, the opposite is taking place: disasters have become the preferred moments for advancing a vision of a ruthlessly divided world, one in which the very idea of a public sphere has no place at all. Call it disaster capitalism. Every time a new crisis hits—even when the crisis itself is the direct by-product of free-market ideology—the fear and disorientation that follow are harnessed for radical social and economic re-engineering. Each new shock is midwife to a new course of economic shock therapy. The end result is the same kind of unapologetic partition between the included and the excluded, the protected and the damned, that is on display in Baghdad.

EVERY TIME A NEW CRISIS HITS, THE FEAR AND DISORIENTATION THAT FOLLOW LEAD TO RADICAL ECONOMIC RE-ENGINEERING

Consider the instant reactions to last summer's various infrastructure disasters. Four days after the Minneapolis bridge collapsed, a *Wall Street Journal* editorial had the solution: "tapping private investors to build and operate public roads and bridges," with the cost made up from ever-escalating tolls. After heavy rain caused the shutdown of New York City's subway lines, the *New York Sun* ran an editorial under the headline "Sell the Subways." It called for individual train lines to compete against one another, luring customers with the safest, driest service—and "charging higher fares when the competing lines, stingier on their investments, were shut down with tracks under water."[1] It's not hard to imagine what this free market in subways would look like: high-speed lines ferrying commuters from the Upper West Side to Wall Street, while the trains serving the South Bronx wouldn't just continue their long decay—they would simply drown.

The same week as the bridge collapse, hysteria erupted over canceled flights and delays at London's Heathrow airport, prompting *The Economist* to demand "radical reform" of the "grubby, cramped" facility. London's airports are already privatized, but now, according to the magazine, they should be deregulated, allowing terminals to compete against one another: "different firms could provide different forms of security checks, some faster and dearer than others." Meanwhile, in New Orleans, schools were getting ready to reopen for fall. More than half the city's students would be attending newly minted charter schools, where they would enjoy small classes, well-trained teachers, and refurbished libraries, thanks to special state and foundation funding pouring into what the *New York Times* has described as "the nation's preeminent laboratory for the widespread use of charter schools." But charters are only for the students who are admitted to the system—an educational Green Zone. The rest of New Orleans's public-school students—many of them with special emotional and physical needs, almost all of them African American—are dumped into the pre-Katrina system: no extra money, overcrowded classrooms, more guards than teachers. An educational Red Zone.

Other institutions that had attempted to bridge the gap between New Orleans's super-rich and ultra-poor were also under attack: thousands of units of subsidized housing were slotted for demolition, and Charity Hospital, the city's largest public-health facility, remained shuttered. The original disaster was created and deepened by public infrastructure that was on its last legs; in the years since, the disaster itself has been used as an excuse to finish the job.

There will be more Katrinas. The bones of our states—so frail and aging—will keep getting buffeted by storms both climatic and political. And as key pieces of the infrastructure are knocked out, there is no guarantee that they

[1] *If these solutions seemed to present themselves with uncanny speed, it is largely because Washington's think tanks have been on such an aggressive campaign to privatize the essential functions of the state. As a May 2007 cover story in* Business Week *explained, "In the past year, banks and private investment firms have fallen in love with public infrastructure. They're smitten by the rich cash flows that roads, bridges, airports, parking garages and shipping ports generate—and the monopolistic advantages that keep those cash flows as steady as a beating heart. . . . Investors can't get in fast enough."*

Illustrations by John Ritter

THE DISASTER-CAPITALISM COMPLEX AIMS, ULTIMATELY, TO REPLACE THE STATE WITH ITS OWN PROFITABLE ENTERPRISES

will be repaired or rebuilt, at least not as they were before. More likely, they will be left to rot, with the well-off withdrawing into gated communities, their needs met by private suppliers.

Not so long ago, disasters were periods of social leveling, rare moments when atomized communities put divisions aside and pulled together. Today they are moments when we are hurled further apart, when we lurch into a radically segregated future where some of us will fall off the map and others ascend to a parallel privatized state, one equipped with well-paved highways and skyways, safe bridges, boutique charter schools, fast-lane airport terminals, and deluxe subways.

As Iraq and New Orleans both reveal, the markets opened up by crises aren't only the roads, schools, and oil wells; the disasters themselves are major new markets. The military-industrial complex that Dwight D. Eisenhower warned against in 1961 has expanded and morphed into what is best understood as a disaster-capitalism complex, in which all conflict- and disaster-related functions (waging war, securing borders, spying on citizens, rebuilding cities, treating traumatized soldiers) can be performed by corporations at a profit. And this complex is not satisfied merely to feed off the state, the way traditional military contractors do; it aims, ultimately, to replace core functions of government with its own profitable enterprises, as it did in Baghdad's Green Zone.

It happened in New Orleans. Within weeks of Hurricane Katrina, the Gulf Coast became a domestic laboratory for the same kind of government run by contractors that was pioneered in Iraq. The companies that snatched up the biggest contracts were the familiar Baghdad gang: Halliburton's KBR unit received a $60 million contract to reconstruct military bases along the coast. Blackwater was hired to protect FEMA operations, with the company billing an average of $950 a day per guard. Parsons, infamous for its sloppy work in Iraq, was brought in for a major bridge-construction project in Mississippi. Fluor, Shaw, Bechtel, CH2M Hill—all top contractors in Iraq—were handed contracts on the Gulf Coast to provide mobile homes to evacuees just ten days after the levees broke. Their contracts ended up totaling $3.4 billion, no open bidding required. To spearhead its Katrina operation, Shaw hired the former head of the U.S. Army's Iraq reconstruction office. Fluor sent its senior project manager from Iraq to the flood zone. "Our rebuilding work in Iraq is slowing down, and this has made some people available to respond to our work in Louisiana," a company representative explained. Joe Allbaugh, whose company, New Bridge Strategies, had promised to bring Wal-Mart and 7-Eleven to Iraq, was the lobbyist in the middle of many of the deals. The feeling that the Iraq war had somehow just been franchised was so striking that some of the mercenary soldiers, fresh from Baghdad, were having trouble adjusting. When David Enders, a reporter, asked an armed guard outside a New Orleans hotel if there had been much action, he replied, "Nope. It's pretty Green Zone here."

Since then, privatized disaster response has become one of the hottest industries in the South. Just one year after Hurricane Katrina, a slew of new corporations had entered the market, promising safety and security should the

Source photograph by FEMA News Photo

next Big One hit. One of the more ambitious ventures was launched by a charter air service in West Palm Beach, Florida. Help Jet bills itself as "the world's first hurricane escape plan that turns a hurricane evacuation into a jet-setter vacation." When a storm is coming, the charter company books holidays for its members at five-star golf resorts, spas, or Disneyland. With the reservations made, the evacuees are then whisked out of the hurricane zone on a luxury jet. "No standing in lines, no hassle with crowds, just a first class experience that turns a problem into a vacation.... Enjoy the feeling of avoiding the usual hurricane evacuation nightmare." For the people left behind, there is a different kind of privatized solution. In 2006, the Red Cross signed a new disaster-response partnership with Wal-Mart. "It's all going to be private enterprise before it's over," said Billy Wagner, chief of emergency management for the Florida Keys. "They've got the expertise. They've got the resources." He was speaking at the National Hurricane Conference in Orlando, Florida, a fast-growing annual trade show for the companies selling everything that might come in handy during the next disaster. Dave Blandford, an exhibitor showing off his "self-heating meals" at the conference, observed: "Some folks here said, 'Man, this is huge business—this is my new business. I'm not in the landscaping business anymore; I'm going to be a hurricane-debris contractor.'"

Much of the parallel disaster economy has been built with taxpayers' money, thanks to the boom in privatized war-zone reconstruction. The giant contractors that have served as "the primes" in Iraq and Afghanistan have spent large portions of their income from government contracts on their own corporate overhead—between 20 and 55 percent, according to a 2006 audit of Iraq contractors. Much of those funds has, quite legally, gone into huge investments in corporate equipment, such as Bechtel's battalions of earth movers, Halliburton's fleets of planes and trucks, and the surveillance architecture built by L-3, CACI, and Booz Allen. Most dramatic has been Blackwater's investment in its paramilitary infrastructure. Founded in 1996, the company has used its steady stream of contracts to build up a private army of 20,000 on-call mercenary soldiers and a military base in North Carolina worth between $40 million and $50 million. It reportedly has the ability to field massive humanitarian operations faster than the Red Cross, and boasts a fleet of aircraft ranging from helicopter gunships to a Boeing 767.[2]

Blackwater has been called "al Qaeda for the good guys" by its right-wing admirers. It's a striking analogy. Wherever the disaster-capitalism complex has landed, it has produced a proliferation of armed groups that operate outside the state. That is hardly a surprise: when countries are rebuilt by people who don't believe in governments, the states they build are invariably weak, creating a market for alternative security forces, whether Hezbollah, Blackwater, the Mahdi Army, or the gang down the street in New Orleans.

The reach of the disaster industry extends far beyond policing. When the contractor infrastructure built up during the Bush years is looked at as a whole, what we see is a fully articulated state-within-a-state that is as muscular and capable as the actual state is frail and feeble. This corporate shadow-state has been built almost exclusively with public resources, including the training of its staff: 90 percent of Blackwater's revenues come from state contracts, and the majority of its employees are former politicians, soldiers, and civil servants. Yet the vast infrastructure is all privately owned and controlled. The citizens who funded it have absolutely no claim to this parallel economy or its resources.

THE VAST INFRASTRUCTURE OF THE DISASTER INDUSTRY, BUILT UP WITH TAXPAYERS' MONEY, IS ALL PRIVATELY CONTROLLED

[2] *One of the most alarming aspects of this industry is how unabashedly partisan it is. Blackwater, for instance, is closely aligned with the anti-abortion movement and other right-wing causes. It donates almost exclusively to the Republican Party, rather than hedging its bets like most big corporations. Halliburton sends 93 percent of its campaign contributions to Republicans; Fluor, 78 percent. Is it far-fetched to imagine a day when political parties will hire these companies to spy on their rivals during an election campaign—or to engage in covert operations too shady even for the CIA?*

THE COMPANIES AT THE HEART OF THE DISASTER COMPLEX INCREASINGLY SEE THE STATE AND NONPROFITS AS COMPETITORS

The actual state, meanwhile, has lost the ability to perform its core functions without the help of contractors. Its own equipment is out of date, and the best experts have fled to the private sector. When Katrina hit, FEMA had to hire a contractor to award contracts to contractors. Similarly, when it came time to update the Army manual on the rules for dealing with contractors, the Army outsourced the job to one of its major contractors, MPRI, because it no longer had the in-house expertise. The CIA has lost so many staffers to the privatized spy sector that it has had to bar contractors from recruiting in the agency dining room. "One recently retired case officer said he had been approached twice while in line for coffee," reported the *Los Angeles Times*. And when the Department of Homeland Security decided it needed to build "virtual fences" on the U.S. borders with Mexico and Canada, Michael P. Jackson, deputy secretary of the department, told contractors, "This is an unusual invitation.... We're asking you to come back and tell us how to do our business." The department's inspector general explained that Homeland Security "does not have the capacity needed to effectively plan, oversee, and execute the [Secure Border Initiative] program."

Under George W. Bush, the state still has all the trappings of a government—the impressive buildings, presidential press briefings, policy battles—but it no more does the actual work of governing than the employees at Nike's Beaverton, Oregon, campus stitch running shoes.

The implications of the decision by the current crop of politicians to systematically outsource their elected responsibilities will reach far beyond a single administration. Once a market has been created, it needs to be protected. The companies at the heart of the disaster-capitalism complex increasingly regard both the state and nonprofits as competitors; from the corporate perspective, whenever governments or charities fulfill their traditional roles, they are denying contractors work that could be performed at a profit.

"Neglected Defense: Mobilizing the Private Sector to Support Homeland Security," a 2006 report whose advisory committee included some of the largest corporations in the sector, warned that "the compassionate federal impulse to provide emergency assistance to the victims of disasters affects the market's approach to managing its exposure to risk." Published by the Council on Foreign Relations, the report argued that if people know the government will come to the rescue, they have no incentive to pay for protection. In a similar vein, a year after Katrina, CEOs from thirty of the largest corporations in the United States joined together under the umbrella of the Business Roundtable, which includes in its membership Fluor, Bechtel, and Chevron. The group, calling itself Partnership for Disaster Response, complained of "mission creep" by the nonprofit sector in the aftermath of disasters. The mercenary firms, meanwhile, have been loudly claiming that they are better equipped than the U.N. to engage in peacekeeping in Darfur.

Much of this new aggressiveness flows from suspicion that the golden era of bottomless federal contracts might not last much longer. The U.S. government is barreling toward an economic crisis, thanks in no small part to the deficit spending that has bankrolled the privatized disaster economy. Sooner rather than later, the contracts are likely to dip significantly. In late 2006 defense analysts began predicting that the Pentagon's acquisitions budget could shrink by as much as 25 percent in the coming decade.

When the disaster bubble bursts, firms such as Bechtel, Fluor, and Blackwater will lose much of their primary revenue streams. They will still have all the high-tech equipment bought at taxpayer expense, but they will need to find a new business model, a new way to cover their high costs. The next phase of the disaster-capitalism complex is all too clear: with emergencies on the rise, government no longer able to foot the bill, and citizens stranded by their hollow state, the parallel corporate state will rent back its disaster infrastructure to whoever can afford it, at whatever price the market

IMAGES OF PEOPLE STRANDED ON ROOFTOPS IN NEW ORLEANS FORESHADOW A COLLECTIVE FUTURE OF DISASTER APARTHEID

will bear. For sale will be everything from helicopter rides off rooftops to drinking water to beds in shelters.

Wealth already provides an escape hatch from most disasters—it buys early-warning systems for tsunami-prone regions and stockpiles of Tamiflu for the next outbreak. It buys bottled water, generators, satellite phones, and rent-a-cops. During the Israeli attack on Lebanon in 2006, the U.S. government initially tried to charge American citizens for the cost of their own evacuation, though it was eventually forced to back down. If we continue in this direction, the images of people stranded on New Orleans rooftops will not only have been a glimpse of America's unresolved past of racial inequality but will also have foreshadowed a collective future of disaster apartheid, in which survival is determined primarily by one's ability to pay.

Perhaps part of the reason so many of our elites, both political and corporate, are so sanguine about climate change is that they are confident they will be able to buy their way out of the worst of it. This may also partially explain why so many Bush supporters are Christian end-timers. It's not just that they need to believe there is an escape hatch from the world they are creating. It's that the Rapture is a parable for what they are building down here on Earth—a system that invites destruction and disaster, then swoops in with private helicopters and airlifts them and their friends to divine safety.

As contractors rush to develop alternative stable sources of revenue, one avenue of business is in disaster-proofing other corporations. This was Paul Bremer's line of work before he became Bush's proconsul in Iraq: turning multinationals into security bubbles able to function smoothly even if the states in which they are doing business crumble around them. The early results can be seen in the lobbies of many office buildings in New York or London—airport-style check-ins complete with photo-ID requirements and X-ray machines—but the industry has far greater ambitions, including privatized global communications networks, emergency health and electricity services, and the ability to locate and provide transportation for a global workforce in the midst of a major disaster. Another potential growth area identified by the disaster-capitalism complex is municipal government: the contracting out of police and fire departments to private security companies. "What they do for the military in downtown Fallujah, they can do for the police in downtown Reno," a spokesperson for Lockheed Martin said in November 2004.

The contracting industry predicts that these new markets will expand dramatically over the next decade. A frank vision of where these trends are leading is provided by John Robb, a former covert-action mission commander with Delta Force turned management consultant. In a widely circulated manifesto for *Fast Company* magazine, he describes the "end result" of the war on terror as "a new, more resilient approach to national security, one built not around the state but around private citizens and companies.... Security will become a function of where you live and whom you work for, much as health care is allocated already."

Robb writes, "Wealthy individuals and multinational corporations will be the first to bail out of our collective system, opting instead to hire private military companies, such as Blackwater and Triple Canopy, to protect their homes and facilities and establish a protective perimeter around daily life. Parallel transportation networks—evolving out of the time-share aircraft companies such as Warren Buffett's NetJets—will cater to this group, leapfrogging its members from one secure, well-appointed lily pad to the next." That elite world is already largely in place, but Robb predicts that the middle class will soon follow suit, "forming suburban collectives to share the costs of security." These "'armored suburbs' will deploy and maintain backup generators and communications links" and be patrolled by private militias "that have received corporate training and boast their own state-of-the-art emergency response systems."

In other words, a world of suburban Green Zones. As for those outside the secured perimeter, "they will have to make do with the remains of the national system. They will gravitate to America's cities, where they will be subject to ubiquitous surveillance and marginal or nonexistent services. For the poor, there will be no other refuge." The future Robb describes sounds very much like the present in New Orleans, where two very different kinds of gated communities emerged from the rubble. On the one hand were the so-called FEMA-villes: desolate, out-of-the-way trailer camps for low-income evacuees, built by Bechtel or Fluor subcontractors and administered by private security companies that patrolled the gravel lots, restricted visitors, kept journalists out, and treated survivors like criminals. On the other hand were the gated communities built in the wealthy areas of the city like Audubon and the Garden District, bubbles of functionality that seemed to have seceded from the state altogether. Within weeks of the storm, residents there had water and powerful emergency generators. Their sick were treated in private hospitals, and their children went to private or charter schools. And they had no need for public transit. In St. Bernard Parish, a New Orleans suburb, DynCorp had taken over much of the policing; other neighborhoods hired security companies directly. Between the two kinds of privatized city-states was the New Orleans version of the Red Zone, where the murder rate soared and neighborhoods like the storied Lower Ninth Ward descended into a postapocalyptic no-man's-land.

OUTSIDE THE WEALTHY SUBURBS, THE NEW ORLEANS VERSION OF THE RED ZONE RESEMBLED A POST-APOCALYPTIC NO-MAN'S-LAND

Another glimpse of a disaster-apartheid future can be found in a wealthy Republican suburb outside Atlanta. Its residents decided that they were tired of watching their property taxes subsidize schools and police in the county's low-income African-American neighborhoods. They voted to incorporate as their own city, Sandy Springs, which could spend most of its taxes on services for its 100,000 citizens and minimize the revenue that would be redistributed throughout Fulton County. The only difficulty was that Sandy Springs had no government structures and needed to build them from scratch—everything from tax collection to zoning to parks and recreation. In September 2005, the same month that New Orleans flooded, the residents of Sandy Springs were approached by the construction and consulting giant CH2M Hill with a unique pitch: Let us do it for you. For the starting price of $27 million a year, the contractor pledged to build a complete city from the ground up.

A few months later, Sandy Springs became the first "contract city." Only four people worked directly for the new municipality—everyone else was a contractor. Rick Hirsekorn, heading up the project for CH2M Hill, described Sandy Springs as "a clean sheet of paper with no governmental processes in place." The *Atlanta Journal-Constitution* reported that "when Sandy Springs hired corporate workers to run the new city, it was considered a bold experiment." Within a year, however, contract-city mania was tearing through Atlanta's wealthy suburbs, and it had become "standard procedure in north Fulton [County]." Neighboring communities took their cue from Sandy Springs and also voted to become stand-alone cities and contract out their government. One new city, Milton, immediately hired CH2M Hill for the job—after all, it had the experience. Soon, a campaign began for the new corporate cities to join together to form their own county. The plan has encountered fierce opposition outside the proposed enclave, where politicians say that without those tax dollars, they will no longer be able to afford their

IT WAS FORMERLY BELIEVED THAT GENERALIZED MAYHEM WAS A DRAIN ON THE GLOBAL ECONOMY. THAT TRUISM IS NO LONGER TRUE

large public hospital and public transit system; that partitioning the county would create a failed state on the one hand and a hyperserviced one on the other. What they were describing sounded a lot like New Orleans and a little like Baghdad.

In these wealthy Atlanta suburbs, the long crusade to strip-mine the state is nearing completion, and it is particularly fitting that the new ground was broken by CH2M Hill. The corporation was a multimillion-dollar contractor in Iraq, paid to perform the core government function of overseeing other contractors. In Sri Lanka after the tsunami, it not only had built ports and bridges but was, according to the U.S. State Department, "responsible for the overall management of the infrastructure program." In post-Katrina New Orleans, CH2M Hill was awarded $500 million to build FEMA-villes and was put on standby for the next disaster. A master of privatizing the core functions of the state during extraordinary circumstances, the company was now doing the same under ordinary ones. If disasters had served as laboratories of extreme privatization, the testing phase was clearly over.

For decades, the conventional wisdom was that generalized mayhem was a drain on the global economy. Individual shocks and crises could be harnessed as leverage to force open new markets, of course, but after the initial shock had done its work, relative peace and stability were required for sustained economic growth. That was the accepted explanation for why the Nineties had been such prosperous years: with the Cold War over, economies were liberated to concentrate on trade and investment, and as countries became more enmeshed and interdependent, they were far less likely to bomb one another.

At the 2007 World Economic Forum in Davos, Switzerland, however, political and corporate leaders were scratching their heads over a state of affairs that seemed to flout this conventional wisdom. It was being called the "Davos Dilemma," which *Financial Times* columnist Martin Wolf described as "the contrast between the world's favourable economics and troublesome politics." As Wolf put it, the economy had faced "a series of shocks: the stock market crash after 2000; the terrorist outrages of September 11, 2001; wars in Afghanistan and Iraq; friction over US policies; a jump in real oil prices to levels not seen since the 1970s; the cessation of negotiations in the Doha round [of WTO talks]; and the confrontation over Iran's nuclear ambitions"—and yet it found itself in "a golden period of broadly shared growth." Put bluntly, the world was going to hell, there was no stability in sight, and the global economy was roaring its approval.

This puzzling trend has also been observed through an economic indicator called "the guns-to-caviar index." The index tracks the sales of fighter jets (guns) and executive jets (caviar). For seventeen years, it generally found that when fighter jets were selling briskly, sales of luxury executive jets went down, and vice versa: when executive-jet sales were on the rise, fighter-jet sales dipped. Of course, a handful of war profiteers always managed to get rich from selling guns, but they were economically insignificant. It was a truism of the contemporary market that you couldn't have booming economic growth in the midst of violence and instability.

Except that the truism is no longer true. Since 2003, the year of the Iraq invasion, the index has found that spending has been going up on both fighter jets and executive jets rapidly and simultaneously, which means that the world is becoming less peaceful while accumulating significantly more profit. The galloping economic growth in China and India has played a part in the increased demand for luxury items, but so has the expansion of the narrow military-industrial complex into the sprawling disaster-capitalism complex. Today, global instability does not just benefit a small group of arms dealers; it generates huge profits for the high-tech-homeland-security sector, for heavy construction, for private health-care companies, for the oil and gas sectors—and, of course, for defense contractors.

The scale of the revenues at stake is certainly enough to fuel an economic boom. Lockheed Martin, whose former vice president chaired the Committee for the Liberation of Iraq, which loudly agitated for the invasion, received $25 billion in U.S. government contracts in 2005 alone. Democratic Congressman Henry Waxman noted that the sum "exceeded the gross domestic product of 103 countries, including Iceland, Jordan, and Costa Rica ... [and] was also larger than the combined budgets of the Department of Commerce, the Department of the Interior, the Small Business Administration, and the entire legislative branch of government." Lockheed itself deserved to be characterized as an emerging market. Companies like Lockheed (whose stock price tripled between 2000 and 2005) are a large part of the reason why the U.S. stock market was saved from a prolonged crash following September 11. While conventional stocks have underperformed, the Spade Defense Index, "a benchmark for defense, homeland security and aerospace stocks," went up 76 percent between 2001 and 2006—while Standard & Poor's 500 average dropped 5 percent in that same period.

The Davos Dilemma is being fueled further by the intensely profitable model of privatized reconstruction that was forged in Iraq. Share prices of heavy-construction companies, which include the big engineering firms that land juicy no-bid contracts after wars and natural disasters, went up 300 percent between 2001 and July 2007. Reconstruction is now such big business that investors greet each new disaster with the excitement of hot initial public stock offerings: $30 billion for Iraq reconstruction, $13 billion for tsunami reconstruction, $110 billion for New Orleans and the Gulf Coast, $7.6 billion for Lebanon.

Terrorist attacks, which used to send the stock market spiraling downward, now receive a similarly upbeat market reception. After September 11, 2001, the Dow Jones plummeted 685 points as soon as markets reopened. In sharp contrast, on July 7, 2005, the day four bombs ripped through London's public transportation system, killing dozens and injuring hundreds, the U.S. stock market closed higher than it had the day before, with the Nasdaq up 7 points. A year later, on the day British law-enforcement agencies arrested twenty-four suspects who had allegedly planned to blow up jetliners headed to the United States, the Nasdaq closed 11.5 points higher, largely thanks to soaring homeland-security stocks.

Then there are the outrageous fortunes of the oil sector—a $40 billion profit in 2006 for ExxonMobil alone, the largest profit ever recorded, and its colleagues at rival companies like Chevron were not far behind. Like the fortunes of corporations linked to defense, heavy construction, and homeland security, those of the oil sector improve with every war, terrorist attack, and Category 5 hurricane. In addition to reaping the short-term benefits of high prices linked to uncertainty in key oil-producing regions, the oil industry has consistently managed to turn disasters to its long-term advantage, whether by ensuring that a large portion of the reconstruction funds in Afghanistan went into the expensive road infrastructure for a new pipeline (while most other major reconstruction projects stalled), or by pushing for a new investor-friendly oil law in Iraq while the country burned, or by piggybacking on Hurricane Katrina to plan the first new refineries in the United States since the Seventies. The oil and gas industry is so intimately entwined with the economy of disaster—both as a root cause behind many disasters and as a beneficiary from them—that it deserves to be treated as an honorary adjunct of the disaster-capitalism complex.

The recent spate of disasters has translated into such spectacular profits that many people around the world have come to the same conclusion: the rich and powerful must be deliberately causing the catastrophes so that they can exploit them. In July 2006, a national poll of U.S. residents found that more than a third of respondents believed that the government had a hand in the 9/11 attacks or took no action to stop them "because they wanted the United States to go to war in the Middle East." Similar suspicions dog most

TERRORIST ATTACKS, WHICH USED TO SEND THE STOCK MARKET SPIRALING DOWNWARD, NOW ENJOY UPBEAT RECEPTIONS

THE CREEPING EXPANSION OF THE DISASTER INDUSTRY INTO THE MEDIA MAY PROVE TO BE A NEW KIND OF CORPORATE SYNERGY

of the catastrophes of recent years. In Louisiana in the aftermath of Katrina, the shelters were alive with rumors that the levees hadn't broken but had been covertly blown up in order to keep the rich areas dry while cleansing the city of poor people. In Sri Lanka, I often heard that the tsunami had been caused by underwater explosions detonated by the United States so that it could send troops into Southeast Asia and take full control over the region's economies.

The truth is at once less sinister and more dangerous. An economic system that requires constant growth while bucking almost all serious attempts at environmental regulation generates a steady stream of disasters all on its own, whether military, ecological, or financial. The appetite for easy, short-term profits offered by purely speculative investment has turned the stock, currency, and real estate markets into crisis-creation machines, as the Asian financial crisis, the Mexican peso crisis, the dot-com collapse, and the subprime-mortgage crisis demonstrate. Our common addiction to dirty, nonrenewable energy sources keeps other kinds of emergencies coming: natural disasters (up 560 percent since 1975) and wars waged for control over scarce resources (not just Iraq and Afghanistan but lower-intensity conflicts such as those in Colombia, Nigeria, and Sudan), which in turn spawn terrorist blowback (a 2007 study calculated that the number of terrorist attacks has increased sevenfold since the start of the Iraq war).

Given the boiling temperatures, both climatic and political, future disasters need not be cooked up in dark conspiracies. All indications are that if we simply stay the current course, they will keep coming with ever more ferocious intensity. Disaster generation can therefore be left to the market's invisible hand. This is one area in which it actually delivers.

The disaster-capitalism complex does not deliberately scheme to create the cataclysms on which it feeds (though Iraq may be a notable exception), but there is plenty of evidence that its component industries work very hard indeed to make sure that current disastrous trends continue unchallenged. Large oil companies have bankrolled the climate-change-denial movement for years; ExxonMobil alone has spent an estimated $19 million on the crusade over the past decade. Although the phenomenon is well known, the interplay between disaster contractors and elite opinion makers is far less understood. Several influential Washington think tanks—including the National Institute for Public Policy and the Center for Security Policy—are heavily funded by weapons and homeland-security contractors, which profit directly from these institutes' ceaseless portrayal of the world as a dark and menacing place, its troubles responsive only to force. The homeland-security sector is also becoming increasingly integrated with media corporations, a development that has Orwellian implications. In 2004 the digital-communications giant LexisNexis paid $775 million for Seisint, a data-mining company that works closely on surveillance with federal and state agencies. That same year, General Electric, which owns NBC, purchased InVision, the major producer of controversial high-tech bomb-detection devices used in airports and other public spaces. InVision received a staggering $15 billion in homeland-security contracts between 2001 and 2006, more of such contracts than any other company.

The creeping expansion of the disaster-capitalism complex into the media may prove to be a new kind of corporate synergy, one building on the vertical integration that became so popular in the Nineties. It certainly makes sound business sense. The more panicked our societies become, convinced that there are terrorists lurking in every mosque, the higher the news ratings soar, the more biometric IDs and liquid-explosive-detection devices the complex sells, and the more high-tech fences it builds. If the dream of the open, borderless "small planet" was the ticket to profits during the Clinton years, the nightmare of the menacing, fortressed Western continents, under siege from jihadists and illegal immigrants, plays the same role in the new millennium.

There is only one cloud that looms over the thriving disaster economy—from weapons to oil to engineering to surveillance to patented drugs. It is the threatening if unlikely scenario that this latest boom could somehow be interrupted by an outbreak of climatic stability and geopolitical peace. ■