

Naomi Klein on the Financial Crisis

These are excerpts from an October 17, 2008 interview with Naomi Klein on Corporations and Democracy, heard on KZYX, first and third Fridays at 1 PM. Streaming at www.kzyx.org.

My book, *The Shock Doctrine*, is a history of how we ended up with this savage brand of deregulated capitalism imploding on Wall Street. The elite use crisis to avoid democratic debate and push through unpopular policies. Paulson's quickly discarded two-and-a-half page plan that gave him total impunity to buy 700 billion dollars of toxic debt from Wall Street and have his decisions shielded from any court challenges, would have been an economic coup d'etat.

It also taught people to be shock resistant and to stay alert and vigilant in a crisis. There was a great edition of the Daily show where John Stewart's staff got together Bush's speech about WMDs leading up to Iraq and his "give me 700 billion dollars or the banks are going to start closing in your neighborhood." People took the time to read the plan and were stunned by its gall. They were convinced that Henry Paulson, former CEO of Goldman Sachs, was bailing out his friends from Wall Street at the expense of taxpayers.

Wall Street greed has been driving this market in speculative instruments. They have been enormously profitable for the elites. Lobbyists for the financial industry put enormous pressure on Congress to deregulate so the elites could have their profitable bubble. The elites were not concerned about the inevitable popping of the bubble because their enormous bonuses hedged against it.

The big banks getting bigger is part of the madness at the Treasury. Although Treasury recognizes that these banks are "too big to fail," they arrange all of these shotgun weddings between failing banks making them bigger. *The Financial Times* predicts that the US is heading toward having three banks. Left to their own devices, the Bush administration used the crisis to waive regulations right, left and center. They pumped money into banks without any strings attached. It has just been a gift to the banks.

It is wrong of the Treasury to save these failed banks. The banks have shown themselves to be unworthy of the enormous trust the public has placed in them. They should have been allowed to bankrupt themselves and then been taken over by the state. These huge companies should be broken up. Congress should reestablish the Glass Steagall Act [1933] to separate the investment banks from the consumer banks from the insurance industry.

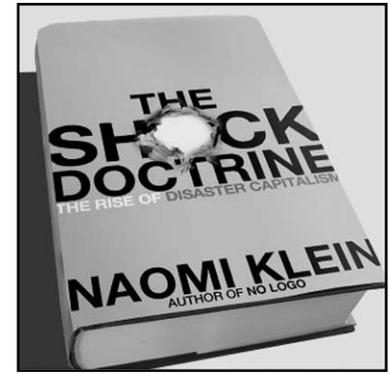
The high degree of cooperation between central banks and finance ministries in Europe, Asia and the United States is an opportunity to slow down the casino economy at the international level. Governments should implement the Tobin Tax to tax currency trading and close down tax havens.

There are all kinds of international measures that can be taken beyond just injecting more liquidity into the banks. People should be demanding that their governments build a better system.

This crisis in the private financial sector is causing a crisis in the public budget. It is Republican insurance against an Obama presidency. Obama is making promises that are exciting to younger voters about investing in alternative energy infrastructure and jobs. Where he is saying "yes we can," the Republicans are saying "no you can't. We have an economic crisis on our hands that we just created and dumped on your lap and we can not afford any of your big plans." Henry Paulson, in announcing the new deficit numbers, said we are going to have to reexamine entitlement programs, which means health care and social security. They are already talking about scaling back the meager protections that exist.

It is going to be tough to finance a green new deal. Progressives have to be willing and ready to argue for taxing the oil and gas industry to finance the green new deal and for cutting back on the defense industry. The deals that are being struck are going to limit our ability to deal with the climate crisis.

The most important thing that people can do now is to call their member of congress and try to get word to Obama that the Paulson plan needs to be abandoned completely. These are awful deals for the taxpayers. We need to start getting really good terms as we nationalize the banks, including regulation and control of this out of control sector. We need real returns for taxpayers because this is the money that



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Naomi Chooses Change

If I were to choose five changes in federal economic policy, they would be 1) single payer health care, 2) a tax on trading, and 3) a profound windfall profit tax on the oil and gas industry to finance a transition to alternative energy.

Every time I hear the profits reported by Exxon and Chevron, it is illegitimate money to me because they have left us with this climate catastrophe and a huge cleanup bill. We have to clean up after them, while the profits are going to their shareholders. We must find a way to get more of those profits into the hands of the public to be invested in the solutions to the problems they have created. This idea in market-based green solutions is a sham, particularly in an economic slowdown. The market is not going to solve global warming for us and carbon trading is another bubble.

4) We need to completely abandon this idea of buying up the toxic debts.

5) We have to nationalize the banks and restructure the bonuses so they are not based on how much people made in the previous quarter, but cover a span of five to ten years. The biggest change though, is campaign finance reform, the one that makes all of the other ones possible.