connections to help U.S. multinationals land a piece of the action in Iraq. "Getting the rights to distribute Procter & Gamble products would be a gold mine," one of the company's partners enthused. "One well-stocked 7-Eleven could knock out 30 Iraqi stores; a Wal-Mart could take over the country."[36]

Like the prisoners in Guantánamo's love shack, all of Iraq was going to be bought off with Pringles and pop culture—that, at least, was the Bush administration's idea of a postwar plan.

CHAPTER 17

IDEOLOGICAL BLOWBACK

A VERY CAPITALIST DISASTER

The world is a messy place, and someone has to clean it up.
—Condoleezza Rice, September 2002, on the need to invade Iraq[1]

Bush's capacity to imagine a different Middle East may actually be related to his relative ignorance of the region. Had he traveled to the Middle East and seen its many dysfunctions, he might have been disheartened. Freed from looking at the day-to-day realities, Bush maintained a vision of what the region could look like.
—Fareed Zakaria, *Newsweek* columnist[2]

And the one who was seated on the throne said, "See, I am making all things new." Also he said, "Write this, for these words are trustworthy and true."
—Revelation 21:5 (NRSV)

The war in Iraq has been in damage control mode for so long that it's easy to forget the original vision for the way it was supposed to work out. But there was a vision, one neatly encapsulated at a conference held by the U.S. State Department in Baghdad in the early months of the occupation. The gathering featured fourteen high-level politicians and bureaucrats from Russia and Eastern Europe—an assortment of finance ministers, central bank chiefs and former deputy prime ministers. They were flown to the Baghdad International Airport in September 2003, kitted out in combat helmets and body armor, then raced to the Green Zone, the walled city within a city that

housed the U.S.-run government of Iraq, the Coalition Provisional Authority (CPA), and now houses the U.S. embassy. Inside Saddam's former conference center, the VIP guests gave a small group of influential Iraqis lessons in capitalist transformation.

One of the main speakers was Marek Belka, Poland's former right-wing finance minister who worked under Bremer in Iraq for several months. According to an official State Department report on the gathering, Belka pounded the Iraqis with the message that they had to seize this moment of chaos to be "forceful" in pushing through policies that "would throw many people out of work." The first lesson from Poland, Belka said, was that "unproductive state-owned enterprises should be sold off immediately without efforts to salvage them with public funds." (He failed to mention that popular pressure had forced Solidarity to abandon its plans for rapid privatization, saving Poland from a Russian-style meltdown.) His second lesson was even bolder. It was five months after the fall of Baghdad, and Iraq was in the midst of a humanitarian emergency. Unemployment was at 67 percent, malnutrition was rampant and the only thing holding off mass starvation was the fact that Iraqi households still received government-subsidized food and other essentials, just as they had under the UN-administered oil-for-food program during the sanctions period. They were also able to fill their gas tanks for pennies, when gas was available. Belka told the Iraqis that these market-distorting giveaways had to be scrapped immediately. "Develop the private sector, starting with the elimination of subsidies." He stressed that these measures were "much more important and divisive than privatization."[3]

Next up was none other than Yegor Gaidar, Yeltsin's former deputy prime minister, regarded as the architect of Russia's shock therapy program. In inviting Gaidar to come to Baghdad, the State Department seems to have assumed that the Iraqis would not know that he was regarded as a pariah back in Moscow, tainted by his close association with the oligarchs and by policies that had impoverished tens of millions of Russians.* While it was true that under Saddam the Iraqis had only limited access to outside news, the people at the Green Zone conference were mostly recently returned exiles; in the nineties, while Russia was imploding, they were reading *The International Herald Tribune*.

* Many of the key players in Iraq's invasion and occupation were veterans of the original team in Washington that had demanded shock therapy in Russia: Dick Cheney was defense secretary when George Bush Sr. crafted his post-Soviet Russia policy, and Paul Wolfowitz was Cheney's deputy, while Condoleezza Rice served as Bush Sr.'s chief adviser on Russia's transition. For all these top players, and dozens of lesser ones, Russia's experience in the nineties, despite its abysmal results for ordinary people, was often invoked, without irony, as the model for Iraq to emulate in its transition.

It was Mohamad Tofiq, Iraq's interim industry minister, who told me about this strange conference, which wasn't covered in the press at the time. Months later, when we met in his temporary office in Baghdad (the old ministry was a charred shell), Tofiq was still laughing about it. He said the Iraqis had blasted the flak-jacket-wearing visitors, informing them that Paul Bremer's decision to fling open the borders to unrestricted imports had already dramatically worsened the lives of a war-ravaged people—if it was pushed further by cutting gas subsidies and eliminating food aid, the occupation would have a revolution on its hands. As for the star speaker, Tofiq said, "I told some of the people who organized the conference that if I was to encourage privatization in Iraq, I'd bring Gaidar to tell them, 'Do exactly the opposite of what we did.'"

When Bremer started issuing legal decrees in Baghdad, Joseph Stiglitz, the former World Bank chief economist, warned that Iraq was getting "an even more radical form of shock therapy than pursued in the former Soviet world." That was quite true. In the original Washington plan, Iraq was going to become a frontier just as Russia had been in the early nineties, but this time it would be U.S. firms—not local ones or European, Russian or Chinese competitors—that would be first in line for the easy billions. And nothing would deter even the most painful economic changes because, in contrast to the former Soviet Union, or Latin America and Africa, the transformation would not involve a mannered dance between IMF officials and quixotic local politicians while the U.S. Treasury called the shots from the suite down the hall. In Iraq, Washington cut out the middlemen: the IMF and the World Bank were relegated to supporting roles, and the U.S. was front and center. Paul Bremer was the government; as a top U.S. military official told the Associated Press, there was no point in negotiating with the local government because "at this point, we'd be negotiating with ourselves."[4]

This dynamic was what set the economic transformation of Iraq apart from earlier laboratories. All the careful efforts during the nineties to present "free trade" as something other than an imperial project were abandoned. Elsewhere, there would still be free trade lite, with its hothouse negotiations, but now there would also be free trade heavy, without proxies or puppets, seizing new markets directly for Western multinationals on the battlefields of preemptive wars.

The proponents of the "model theory" now claim that this was where their

war went horribly wrong—as Richard Perle said in late 2006, "the seminal mistake" was "bringing Bremer in." David Frum concurred, saying they should have had "any kind of an Iraqi face" on the remaking of Iraq right away.[5] Instead they had Paul Bremer, ensconced in Saddam's turquoise-domed Republican Palace, receiving trade and investment laws by e-mail from the Department of Defense, printing them out, signing them and imposing them by fiat on the Iraqi people. Bremer was no quiet American, maneuvering and manipulating behind the scenes. With his movie-of-the-week looks and his fondness for news crews, he seemed intent on flaunting his absolute power over Iraqis, crisscrossing the country in a flashy Blackhawk helicopter flanked by GI Joe private security guards from Blackwater and always in his trademark uniform: immaculately pressed Brooks Brothers suits and beige Timberland boots. The boots were a going-to-Baghdad present from his son; "Go kick some butt, Dad," the card had said.[6]

By his own admission, Bremer knew little of Iraq ("I had lived in Afghanistan," he told one interviewer). That ignorance hardly mattered, however, because if there was one thing Bremer knew a great deal about, it was the central mission in Iraq: disaster capitalism.[7]

On September 11, 2001, he had been working as managing director and "senior political adviser" at the insurance giant Marsh & McLennan. The company had its offices in the North Tower of the World Trade Center and was devastated by the attacks. In the first few days, 700 of its workers were unaccounted for; in the end, 295 were confirmed dead. Exactly one month later, on October 11, 2001, Paul Bremer launched Crisis Consulting Practice, a new division of Marsh specializing in helping multinational corporations prepare for possible terrorist attacks and other crises. Advertising his experience as ambassador-at-large for counterterrorism under the Reagan administration, Bremer and his company offered clients comprehensive counterterrorism services, from political risk insurance to public relations and even advice on what to stockpile.[8]

Bremer's vanguard participation in the homeland security industry was ideal preparation for Iraq. That's because the Bush administration used the same formula to rebuild Iraq that it had pioneered to respond to 9/11: it treated postwar Iraq as if it was an exciting IPO, brimming with free-wheeling, quick-profit potential. So while Bremer may have stepped on plenty of toes, his mission never was to win Iraqi hearts and minds. Rather, it was to get the country ready for the launch of Iraq Inc. Seen in that light, his early, much-maligned decisions have an unmistakable logical coherence.

After replacing the cautious general Jay Garner as the top U.S. envoy, Bremer spent his first four months in Iraq almost exclusively focused on economic transformation, passing a series of laws that together make up a classic Chicago School shock therapy program. Before the invasion, Iraq's economy had been anchored by its national oil company and by two hundred state-owned companies, which produced the staples of the Iraqi diet and the raw materials of its industry, everything from cement to paper and cooking oil. The month after he arrived in his new job, Bremer announced that the two hundred firms were going to be privatized immediately. "Getting inefficient state enterprises into private hands," Bremer said, "is essential for Iraq's economic recovery."[9]

Next came the new economic laws. To entice foreign investors to take part in the privatization auction and to build new factories and retail outlets in Iraq, Bremer enacted a radical set of laws described by *The Economist* in glowing terms as the "wish-list that foreign investors and donor agencies dream of for developing markets."[10] One law lowered Iraq's corporate tax rate from roughly 45 percent to a flat 15 percent (straight out of the Milton Friedman playbook). Another allowed foreign companies to own 100 percent of Iraqi assets—preventing a repeat of Russia, where the prizes went to the local oligarchs. Even better, investors could take 100 percent of the profits they made in Iraq out of the country; they would not be required to reinvest, and they would not be taxed. The decree also stipulated that investors could sign leases and contracts that would last for forty years and then be eligible for renewal, which meant that future elected governments would be saddled with deals signed by their occupiers. The one area on which Washington held back was oil: its Iraqi advisers warned that any move to privatize the state oil company or to lay claim to untapped reserves before an Iraqi government was in place would be seen as an act of war. But the occupation authority did take possession of $20 billion worth of revenues from Iraq's national oil company, to spend as it wished.*[11]

The White House was so focused on unveiling a shiny new Iraqi economy that it decided, in the early days of the occupation, to launch a brand-new

* Some $8.8 billion of this money is often referred to as "Iraq's missing billions" because it disappeared into U.S.-controlled Iraqi ministries in 2004, virtually without a trace. Bremer defended this lax oversight to a U.S. congressional committee in February 2007, saying: "Our top priority was to get the economy moving again. The first step was to get money into the hands of the Iraqi people as quickly as possible." When Bremer's financial adviser, the retired admiral David Oliver, was asked by the committee about the missing billions, he replied, "Yeah, I understand. I'm saying what difference does it make?"

currency, a massive logistical undertaking. The U.K. firm De La Rue did the printing, and bills were delivered in fleets of planes and distributed in armored vehicles and trucks that ran at least a thousand missions throughout the country—at a time when 50 percent of the people still lacked drinking water, the traffic lights weren't working and crime was rampant.[12]

Although it was Bremer who implemented these plans, the priorities were coming straight from the top. Testifying before a Senate committee, Rumsfeld described Bremer's "sweeping reforms" as creating "some of the most enlightened—and inviting—tax and investment laws in the free world." At first, investors seemed to appreciate the effort. Within a few months, there was talk of a McDonald's opening in downtown Baghdad—the ultimate symbol of Iraq joining the global economy—funding was almost in place for a Starwood luxury hotel, and General Motors was planning to build an auto plant. On the financial side, HSBC, the international bank headquartered in London, was awarded a contract to open branches all over Iraq, while Citigroup announced plans to offer substantial loans guaranteed against future sales of Iraqi oil. The oil majors—Shell, BP, ExxonMobil, Chevron and Russia's Lukoil—made tentative approaches, signing agreements to train Iraqi civil servants in the latest extraction technologies and management models, confident that their time would soon arrive.[13]

Bremer's laws, designed to create the conditions for an investor frenzy, were not exactly original—they were merely an accelerated version of what had been implemented in previous shock therapy experiments. But Bush's disaster capitalism cabinet was not content to wait for the laws to take effect. Where the Iraq experiment entered bold new terrain was that it transformed the invasion, occupation and reconstruction into an exciting, fully privatized new market. This market was created, just as the homeland security complex was, with a huge pot of public money. For reconstruction alone, the boom was kicked off with $38 billion from the U.S. Congress, $15 billion from other countries and $20 billion of Iraq's own oil money.[14]

When the initial billions were announced, there were, inevitably, laudatory comparisons with the Marshall Plan. Bush invited the parallels, declaring the reconstruction "the greatest financial commitment of its kind since the Marshall Plan," and stating in a televised address in the early months of the occupation that "America has done this kind of work before. Following World War II, we lifted up the defeated nations of Japan and Germany, and stood with them as they built representative governments."[15]

What happened to the billions earmarked for Iraq's reconstruction, however, bore no relationship to the history Bush invoked. Under the original Marshall Plan, American firms benefited by sending equipment and food to Europe, but the explicit goal was to help war-torn economies recover as self-sufficient markets, creating local jobs and developing tax bases capable of funding domestic social services—the results of which are in evidence in Germany's and Japan's mixed economies today.

The Bush cabinet had in fact launched an anti-Marshall Plan, its mirror opposite in nearly every conceivable way. It was a plan guaranteed from the start to further undermine Iraq's badly weakened industrial sector and to send Iraqi unemployment soaring. Where the post-Second World War plan had barred foreign firms from investing, to avoid the perception that they were taking advantage of countries in a weakened state, this scheme did everything possible to entice corporate America (with a few bones tossed to corporations based in countries that joined the "Coalition of the Willing"). It was this theft of Iraq's reconstruction funds from Iraqis, justified by unquestioned, racist assumptions about U.S. superiority and Iraqi inferiority—and not merely the generic demons of "corruption" and "inefficiency"—that doomed the project from the start.

None of the money went to Iraqi factories so they could reopen and form the foundation of a sustainable economy, create local jobs and fund a social safety net. Iraqis had virtually no role in this plan at all. Instead, the U.S. federal government contracts, most of them issued by USAID, commissioned a kind of country-in-a-box, designed in Virginia and Texas, to be assembled in Iraq. It was, as the occupation authorities repeatedly said, "a gift from the people of the United States to the people of Iraq"—all Iraqis needed to do was unwrap it.[16] Even Iraqis' low-wage labor wasn't required for the assembly process because the major U.S. contractors such as Halliburton, Bechtel and the California-based engineering giant Parsons preferred to import foreign workers whom they felt confident they could control. Once again Iraqis were cast in the role of awed spectators—first awed by U.S. military technology and then by its engineering and management prowess.

As in the homeland security industry, the role for government employees—even U.S. government employees—was cut to the bone. Bremer's staff was a mere fifteen hundred people to govern a sprawling country of 25 million. By contrast, Halliburton had fifty thousand workers in the region, many of them lifelong public servants lured into the private sector by offers of better salaries.[17]

The weak public presence and the robust corporate one reflected the fact that the Bush cabinet was using Iraq's reconstruction (over which it had

complete control, in contrast to the federal bureaucracy back home) to implement its vision of a fully outsourced, hollow government. In Iraq, there was not a single governmental function that was considered so "core" that it could not be handed to a contractor, preferably one who provided the Republican Party with financial contributions or Christian foot soldiers during election campaigns. The usual Bush motto governed all aspects of the foreign forces' involvement in Iraq: if a task could be performed by a private entity, it must be.

So while Bremer may have signed the laws, it was private accountants who designed and managed the economy. (BearingPoint, an offshoot of the major international accounting and consulting firm KPMG, was paid $240 million to build a "market-driven system" in Iraq—the 107-page contract mentions the word "privatization" fifty-one times; much of the original contract was written by BearingPoint.) Think tanks were paid to think (Britain's Adam Smith Institute was contracted to help privatize Iraq's companies). Private security firms and defense contractors trained Iraq's new army and police (DynCorp, Vinnell and the Carlyle Group's USIS, among others). And education companies drafted the post-Saddam curriculum and printed the new textbooks. (Creative Associates, a management-and-education-consulting firm based in Washington, D.C., was given contracts worth more than $100 million for these tasks.)*[18]

Meanwhile, the model pioneered by Cheney for Halliburton in the Balkans, where bases were transformed into mini Halliburton towns, was adopted on a vastly larger scale. In addition to Halliburton's construction and management of military bases across the country, the Green Zone was, from the start, a Halliburton-run city-state, with the company in charge of everything from road maintenance to pest control to movie and disco nights.

The CPA was far too understaffed to monitor all the contractors, and besides, the Bush administration saw oversight as a noncore function to be outsourced. The Colorado-based engineering and construction company CH2M Hill was paid $28.5 million in a joint venture with Parsons to oversee four other major contractors. Even the job of building "local democracy" was privatized, given to the North Carolina–based Research Triangle Institute in a contract worth up to $466 million, though it's not at all clear what qualified

* Ahmed al-Rahim, an Iraqi American who worked with Creative Associates, explained, "The initial idea was that we would write a curriculum and bring it into Iraq." As it turned out, Iraqis complained that "something packaged in America was not acceptable, and it was scrapped."

RTI to bring democracy to a Muslim country. The leadership of the company's Iraq operation was dominated by high-level Mormons—people like James Mayfield, who told his mission back in Houston that he thought Muslims could be persuaded to embrace the Book of Mormon as compatible with the teachings of the prophet Muhammad. In an e-mail home, he imagined that Iraqis would erect a statue to him as their "founder of democracy."*[19]

As these foreign corporations descended on the country, the machinery in Iraq's two hundred state firms stood still, frozen by chronic power blackouts. Iraq once had one of the most sophisticated industrial economies in the region; now its largest firms couldn't even get a subsubsubcontract in their own country's reconstruction. To participate in the gold rush at all, Iraqi firms would have needed emergency generators and some basic repairs—which should not have been insurmountable, given Halliburton's speed in building military bases that look like Midwestern suburbs.

Mohamad Tofiq at the Industry Ministry told me he had made repeated requests for generators, pointing out that Iraq's seventeen state-owned cement factories were perfectly positioned both to supply the reconstruction effort with building materials and to put tens of thousands of Iraqis to work. The factories received nothing—no contracts, no generators, no help. American companies preferred to import their cement, like their workforce, from abroad, at up to ten times the price. One of Bremer's economic edicts specifically prohibited Iraq's central bank from offering financing to state-owned enterprises (a fact not reported until years later).[20] The reason for this effective boycott of Iraqi industry was not practical, Tofiq told me, but ideological. Among those making the decisions, he said, "no one believes in the public sector."

While private Iraqi firms closed in droves, unable to compete with imports streaming across the open borders, Bremer's staff had few comforting words to offer. Addressing a gathering of Iraqi businessmen, Michael Fleischer, one of Bremer's deputies, confirmed that many of their businesses would indeed fail in the face of foreign competition, but that was the beauty of the free market. "Will you be overwhelmed by foreign businesses?" he asked rhetorically. "The answer depends on you. Only the best of you will survive." He sounded like Yegor Gaidar, who reportedly said of small Russian businesses going under as a result of shock therapy, "So what? One who is dying deserves to die."[21]

* In fact, RTI was driven out of the country after it helped block local Islamic parties from democratically taking power in several cities and towns.

As is now well known, nothing about Bush's anti–Marshall Plan went as intended. Iraqis did not see the corporate reconstruction as "a gift"; most saw it as a modernized form of pillage, and U.S. corporations didn't wow anyone with their speed and efficiency; instead they have managed to turn the word "reconstruction" into, as one Iraqi engineer put it, "a joke that nobody laughs at."[22] Each miscalculation provoked escalating levels of resistance, answered with counterrepression by foreign troops, ultimately sending the country spiraling into an inferno of violence. As of July 2006, according to the most credible study, the war in Iraq had taken the lives of 655,000 Iraqis who would not have died had there been no invasion or occupation.[23]

In November 2006, Ralph Peters, a retired U.S. Army officer, wrote in *USA Today* that "we did give the Iraqis a unique chance to build a rule-of-law democracy," but Iraqis "preferred to indulge in old hatreds, confessional violence, ethnic bigotry and a culture of corruption. It appears that the cynics were right: Arab societies can't support democracy as we know it. And people get the government they deserve. . . . The violence staining Baghdad's streets with gore isn't only a symptom of the Iraqi government's incompetence, but of the comprehensive inability of the Arab world to progress in any sphere of organized human endeavor. We are witnessing the collapse of a civilization."[24] Though Peters was particularly blunt, many Western observers have arrived at the same verdict: blame the Iraqis.

But the sectarian divisions and religious extremism engulfing Iraq cannot be neatly detached from the invasion and the occupation. Although these forces were certainly present in advance of the war, they were far weaker before Iraq was turned into a U.S. shock lab. It's worth remembering that in February 2004, eleven months after the invasion, an Oxford Research International poll found that a majority of Iraqis wanted a secular government: only 21 percent of respondents said their favored political system was "an Islamic state," and only 14 percent ranked "religious politicians" as their preferred political actors. Six months later, with the occupation in a new and more violent phase, another poll found that 70 percent of Iraqis wanted Islamic law as the basis of the state.[25] As for sectarian violence, it was virtually unknown for the first year of the occupation. The first major incident, the bombing of Shia mosques during the holiday of Ashoura, was in March 2004, a full year after the invasion. There can be no doubt that the occupation deepened and ignited these hatreds.

In fact, all the forces tearing Iraq apart today—rampant corruption, ferocious sectarianism, the surge in religious fundamentalism and the tyranny of death squads—escalated in lockstep with the implementation of Bush's anti–Marshall Plan. After the toppling of Saddam Hussein, Iraq badly needed and deserved to be repaired and reunited, a process that could only have been led by Iraqis. Instead, at precisely that precarious moment, the country was transformed into a cutthroat capitalist laboratory—a system that pitted individuals and communities against each other, that eliminated hundreds of thousands of jobs and livelihoods and that replaced the quest for justice with rampant impunity for foreign occupiers.

Iraq's current state of disaster cannot be reduced either to the incompetence and cronyism of the Bush White House or to the sectarianism or tribalism of Iraqis. It is a very capitalist disaster, a nightmare of unfettered greed unleashed in the wake of war. The "fiasco" of Iraq is one created by a careful and faithful application of unrestrained Chicago School ideology. What follows is an initial (and not exhaustive) account of the links between the "civil war" and the corporatist project at the heart of the invasion. It is a process of ideology boomeranging on the people who unleashed it—ideological blowback.

The most widely recognized case of blowback was provoked by Bremer's first major act, the firing of approximately 500,000 state workers, most of them soldiers, but also doctors, nurses, teachers and engineers. "De-Baathification," as it was called, was supposedly driven by a desire to clean out the government of Saddam loyalists. No doubt that was part of the motivation, but it does not explain the scale of the layoffs or how deeply they savaged the public sector as a whole, punishing workers who were not high-level officials.

The purge resembled similar attacks on the public sector that have accompanied shock therapy programs ever since Milton Friedman advised Pinochet to slash government spending by 25 percent. Bremer made no secret of his antipathy for Iraq's "Stalinist economy," as he described the country's state-run companies and large ministries, and he had no appreciation for the specialized skills and the years of accumulated knowledge possessed by Iraq's engineers, doctors, electricians and road builders.[26] Bremer knew people would be upset about losing their jobs, but as his memoir makes clear, he did not consider how the sudden amputation of Iraq's professional class would make it impossible for the Iraqi state to function and therefore hinder his own work. That blindness had little to do with anti-Saddamism

and everything to do with free-market fervor. Only someone deeply inclined to see government purely as a burden and public sector workers as dead wood could have made the choices Bremer did.

That ideological blindness had three concrete effects: it damaged the possibility of reconstruction by removing skilled people from their posts, it weakened the voice of secular Iraqis, and it fed the resistance with angry people. Dozens of senior U.S. military and intelligence officers have acknowledged that many of the 400,000 soldiers Bremer laid off went straight to the emerging resistance. As Marine Colonel Thomas Hammes put it, "Now you have a couple hundred thousand people who are armed—because they took their weapons home with them—who know how to use the weapons, who have no future, who have a reason to be angry at you."[27]

At the same time, Bremer's classic Chicago School decision to fling open the borders to unrestricted imports while allowing foreign companies to own 100 percent of Iraqi assets infuriated Iraq's business class. Many responded by funding the resistance with what little revenue they had left. After covering the first year of the Iraqi resistance in the Sunni Triangle, the investigative reporter Patrick Graham wrote in *Harper's* that Iraqi businessmen "are outraged by the new foreign-investment laws, which allow foreign companies to buy up factories for very little. Their revenues have collapsed, because the country has been flooded with foreign goods. . . . The violence, these businessmen realize, is their only competitive edge. It is simple business logic: the more problems there are in Iraq, the harder it is for outsiders to get involved."[28]

More ideological blowback came from the White House's determination to prevent future Iraqi governments from changing Bremer's economic laws—the same drive to "lock in" changes made in the wake of a crisis has been in effect since the first IMF-issued "structural adjustment" program. From Washington's perspective, there was no point in having the most enlightened investment rules in the world if a sovereign Iraqi government could take power in a few months and rewrite them. Because most of Bremer's decrees were in a legal gray zone, the Bush administration solution was to draft a new constitution for Iraq, a goal it pursued with bloody-minded determination—first with an interim constitution that locked in Bremer's laws, and then with a permanent constitution that attempted (but failed) to do the same.

Many legal experts were baffled by Washington's constitutional obsession. On the surface, there was no pressing need to write a new document from scratch—Iraq's 1970 constitution, ignored by Saddam, was perfectly

serviceable, and the country had far more urgent needs. More important, the process of writing a constitution is among the most wrenching any nation can go through, even a nation at peace. It brings every tension, rivalry, prejudice and latent grievance to the surface. To foist that process—twice—on a country as divided and shattered as Iraq after Saddam greatly exacerbated the possibility of civil strife. The social cleavages cracked open by the negotiations have in no way healed, and may yet result in the partition of the country.

Like the lifting of all trade restrictions, Bremer's plan to privatize Iraq's two hundred state companies was regarded by many Iraqis as yet another U.S. act of war. Workers learned that in order to make the companies attractive to foreign investors, as many as two-thirds of them would have to lose their jobs. At one of Iraq's large state firms—a compound of seven factories that produced cooking oil, soap, dishwashing liquid and other basics—I heard a story that brought into sharp relief how many new enemies had been created by the privatization announcement.

On a tour of the factory complex in a Baghdad suburb, I met Mahmud, a confident twenty-five-year-old with a neat beard. He said that when he and his fellow workers heard about the plans to sell their workplace, six months into the U.S. occupation, they "were shocked. If the private sector buys our company, the first thing they would do is reduce the staff to make more money. And we will be forced into a very hard destiny, because the factory is our only way of living." Frightened by this prospect, a group of seventeen workers, including Mahmud, went to confront one of the managers in his office. A fight broke out: one worker struck a manager and the manager's bodyguard fired at the workers, who then turned on him. He spent a month in the hospital. A couple of months later, there was even more violence. The manager and his son were shot and badly injured on their way to work. At the end of our meeting, I asked Mahmud what would happen if the plant was sold despite their objections. "There are two choices," he said, smiling kindly. "Either we will set the factory on fire and let the flames devour it to the ground, or we will blow ourselves up inside it. But it will not be privatized." It was an early warning—one of many—that the Bush team had definitely overestimated its ability to shock Iraqis into submission.

There was another obstacle to Washington's privatization dreams: the free-market fundamentalism that shaped the structure of the occupation itself. Thanks to their rejections of all things "statist," the occupation authority running out of the Green Zone was far too understaffed and underresourced to

pull off its own ambitious plans—especially in the face of the kind of hard-core resistance expressed by workers like Mahmud. As *The Washington Post*'s Rajiv Chandrasekaran revealed, the CPA was such a skeletal organization that it had just three people assigned to the enormous task of privatizing Iraq's state-owned factories. "Don't bother starting," the three lonely staffers were counseled by a delegation from East Germany—which, when it sold off its state assets, had assigned eight thousand people to the project.[29] In short, the CPA was itself too privatized to privatize Iraq.

The problem wasn't just that the CPA was understaffed, it was also that it was staffed by people who lacked the baseline belief in the public sphere that is required for the complex task of reconstructing a state from the ground up. As the political scientist Michael Wolfe puts it, "Conservatives cannot govern well for the same reason that vegetarians cannot prepare a world-class boeuf bourguignon: If you believe that what you are called upon to do is wrong, you are unlikely to do it very well." He adds, "As a way of governing, conservatism is another name for disaster."[30]

It certainly was in Iraq. Much has been made of the youth and inexperience of the U.S. political appointees in the CPA—the fact that a handful of twentysomething Republicans were given key roles overseeing Iraq's $13 billion budget.[31] While there is no question that the members of the so-called brat pack were alarmingly young, that was not their greatest liability. These were not just any political cronies; they were frontline warriors from America's counterrevolution against all relics of Keynesianism, many of them linked to the Heritage Foundation, ground zero of Friedmanism since it was launched in 1973. So whether they were twenty-two-year-old Dick Cheney interns or sixtysomething university presidents, they shared a cultural antipathy to government and governing that, while invaluable for the dismantling of social security and the public education system back home, had little use when the job was actually to build up public institutions that had been destroyed.

In fact, many seemed to believe that the process was unnecessary. James Haveman, in charge of rebuilding Iraq's health care system, was so ideologically opposed to free, public health care that, in a country where 70 percent of child deaths are caused by treatable illnesses such as diarrhea, and incubators are held together with duct tape, he decided that an overarching priority was to privatize the drug distribution system.[32]

The paucity of experienced civil servants in the Green Zone was not an oversight—it was an expression of the fact that the occupation of Iraq was, from the start, a radical experiment in hollow governance. By the time the think-tank lifers arrived in Baghdad, the crucial roles in the reconstruction had already all been outsourced to Halliburton and KPMG. Their job as the public servants was simply to administer the petty cash, which in Iraq took the form of handing shrink-wrapped bricks of hundred-dollar bills to contractors. It was a graphic glimpse into the acceptable role of government in a corporatist state—to act as conveyor belt for getting public money into private hands, a job for which ideological commitment is far more relevant than elaborate field experience.

That nonstop conveyor belt was part of what was so enraging to Iraqis about the U.S. insistence that they adapt to a strict free market, without state subsidies or trade protections. In one of his many lectures to Iraqi businesspeople, Michael Fleischer explained that "protected businesses never, never become competitive."[33] He appeared to be impervious to the irony that Halliburton, Bechtel, Parsons, KPMG, RTI, Blackwater and all the other U.S. corporations that were in Iraq to take advantage of the reconstruction were part of a vast protectionist racket whereby the U.S. government had created their markets with war, barred their competitors from even entering the race, then paid them to do the work, while guaranteeing them a profit to boot—all at taxpayer expense. The Chicago School crusade, which emerged with the core purpose of dismantling the welfare statism of the New Deal, had finally reached its zenith in this corporate New Deal. It was a simpler, more stripped-down form of privatization—the transfer of bulky assets wasn't even necessary: just straight-up corporate gorging on state coffers. No investment, no accountability, astronomical profits.

The double standards were explosive, as was the systematic exclusion of Iraqis from the plan. Having suffered through the sanctions and the invasion, most Iraqis naturally assumed that they had the right to benefit from the reconstruction of their country—not just from the final product but from the jobs created along the way. When tens of thousands of foreign workers poured across Iraq's borders to take up jobs with foreign contractors, it was seen as an extension of the invasion. Rather than reconstruction, this was destruction in a different guise—the wholesale wiping out of the country's industry, which had been a powerful source of national pride, one that cut across sectarian lines. Only fifteen thousand Iraqis were hired to work for the U.S.-funded reconstruction during Bremer's tenure, a staggeringly low figure.[34] "When the Iraqi people see all these contracts going to foreigners and these people bring in their own security guards and all their own engineers, and we're just supposed to watch them, what do you expect?" Nouri Sitto, an

Iraqi American, told me when we met in the Green Zone. Sitto had moved back to Baghdad to assist the CPA with the reconstruction, but he was tired of being diplomatic. "The economy is the number-one reason for the terrorism and the lack of security."

Much of the violence took direct aim at the foreign-run occupation, its projects and its workers. Some of the attacks clearly came from elements in Iraq, like al Qaeda, that are guided by a strategy of spreading chaos. However, if the reconstruction had been seen as part of a national project from the start, the general Iraqi population might have defended it as an extension of their communities, making the work of provocateurs far more difficult.

The Bush administration could easily have stipulated that any company receiving U.S. tax dollars had to staff its projects with Iraqis. It could also have contracted for many jobs directly with Iraqi firms. Such simple, common-sense measures did not happen for years because they conflicted with the underlying strategy of turning Iraq into an emerging market economic bubble—and everyone knows that bubbles are not inflated with rules and regulations but by their absence. So, in the name of speed and efficiency, contractors could hire whomever they wished, import from wherever they liked and subcontract to whatever company they wanted.

If within six months of the invasion, Iraqis had found themselves drinking clean water from Bechtel pipes, their homes illuminated by GE lights, their infirm treated in sanitary Parsons-built hospitals, their streets patrolled by competent DynCorp-trained police, many citizens (though not all) would probably have overcome their anger at being excluded from the reconstruction process. But none of this happened, and well before Iraqi resistance forces began systematically targeting reconstruction sites it was clear that applying laissez-faire principles to such a huge government task had been a disaster.

Freed of all regulations, largely protected from criminal prosecution and on contracts that guaranteed their costs would be covered, plus a profit, many foreign corporations did something entirely predictable: they scammed wildly. Known in Iraq as "the primes," the big contractors engaged in elaborate subcontracting schemes. They set up offices in the Green Zone, or even Kuwait City and Amman, then subcontracted to Kuwaiti companies, who subcontracted to Saudis, who, when the security situation got too rough, finally subcontracted to Iraqi firms, often from Kurdistan, for a fraction of what the contracts were worth. The Democratic senator Byron Dorgan described this web, using an air-conditioning contract in Baghdad as an example: "The contract goes to a subcontractor, which goes to another subcontractor, and a fourth-level subcontractor. And the payment for air-conditioning turns out to be payments to four contractors, the fourth of which puts a fan in a room. Yes, the American taxpayer paid for an air-conditioner and, after the money goes through four hands like ice cubes travel around the room, there is a fan put in a room in Iraq."[35] More to the point, all this time Iraqis watched their aid money stolen as their country boiled.

When Bechtel packed up and left Iraq in November 2006, it blamed "the overlay of violence" for its inability to fulfill its projects. But the contractor failure began well before the armed resistance in Iraq built up steam. The first schools that Bechtel reconstructed drew complaints immediately.[36] In early April 2004, before Iraq had spiraled into violence, I visited the Baghdad Central Children's Hospital. It had supposedly been rebuilt by a different U.S. contractor, but there was raw sewage in the hallways, none of the toilets worked and the men trying to fix the mess were so poor that they didn't have shoes—they were subsubsubcontractors, like the women who sew piecework at their kitchen tables for a Wal-Mart contractor's contractor's contractor.

The mismanagement continued for three and a half years until all the major U.S. reconstruction contractors pulled out of Iraq, their billions spent, the bulk of the work still undone. Parsons was handed $186 million to build 142 health clinics. Only 6 were ever completed. Even the projects held up as reconstruction success stories have been called into question. In April 2007, U.S. inspectors in Iraq looked into eight projects completed by U.S. contractors—including a maternity hospital and a water purification system—and found that "seven were no longer operating as designed," according to *The New York Times*. The paper also reported that Iraq's power grid was producing significantly less electricity in 2007 than it did in 2006.[37] As of December 2006, when all the main reconstruction contracts were ending, the Inspector General's Office was investigating eighty-seven cases of possible fraud relating to U.S. contractors in Iraq.[38] Corruption during the occupation was not the result of poor management but of a policy decision: if Iraq was to be the next frontier for Wild West capitalism, it needed to be liberated from laws."

Bremer's CPA would not try to stop the various scams, side deals and shell games because the CPA was itself a shell game. Though it was billed as the U.S. occupation authority, it's unclear that it held that distinction in anything other than name. This point was forcefully made by a judge in the infamous Custer Battles corruption case.

Two former employees of the security firm launched a whistle-blower lawsuit against the company, accusing it of cheating on reconstruction-related

contracts with the CPA and defrauding the U.S. government of millions of dollars, mostly for work done at the Baghdad International Airport. The case was based on documents produced by the company that clearly showed it was keeping two sets of numbers—one for itself, one for invoicing the CPA. Retired Brigadier General Hugh Tant testified that the company's performance was "probably the worst I've ever seen in my 30 years in the army." (Among Custer Battles' many alleged violations, it is said to have appropriated Iraqi-owned forklifts from the airport, repainted them and billed the CPA for the cost of leasing the machines.)[39]

In March 2006, a federal jury in Virginia ruled against the company, finding it guilty of fraud, and forced it to pay $10 million in damages. The company then asked the judge to overturn the verdict, with a revealing defense. It claimed that the CPA was not part of the U.S. government, and therefore not subject to its laws, including the False Claims Act. The implications of this defense were enormous: the Bush administration had indemnified U.S. corporations working in Iraq from any liability under Iraqi laws; if the CPA wasn't subject to U.S. law either, it meant that the contractors weren't subject to any law at all—U.S. or Iraqi. This time, the judge ruled in the company's favor: he said there was plenty of evidence that Custer Battles had submitted to the CPA "false and fraudulently inflated invoices," but he ruled that the plaintiffs had "failed to prove that the claims were presented to the United States."[40] In other words, the U.S. government presence in Iraq during the first year of its economic experiment had been a mirage—there had been no government, just a funnel to get U.S. taxpayer and Iraqi oil dollars to foreign corporations, completely outside the law. In this way, Iraq represented the most extreme expression of the anti-state counterrevolution—a hollow state, where, as the courts finally established, there was no there, there.

After handing out its billions to contractors, the CPA melted away. Its former staffers returned to the private sector and, when the scandals hit, there was no one left to defend the Green Zone's dismal record. But in Iraq, the missing billions were keenly felt. "The situation now is much worse and it seems not to be improving despite the huge contracts signed with American companies," remarked an engineer with the Ministry of Electricity the week after Bechtel announced its departure from Iraq. "It is strange how billions of dollars spent on electricity brought no improvement whatsoever, but in fact worsened the situation." A taxi driver in Mosul asked, "What reconstruction? Today we are drinking untreated water from a plant built decades ago that was never maintained. The electricity only visits us two hours a day. And now we are going backward. We cook on the firewood we gather from the forests because of the gas shortage."[41]

The catastrophic failure to reconstruct also shared direct responsibility for the most lethal form of blowback—the dangerous rise of religious fundamentalism and sectarian conflict. When the occupation proved unable to provide the most basic services, including security, the mosques and local militias filled the vacuum. The young Shia cleric Moqtada al-Sadr proved particularly adept at exposing the failures of Bremer's privatized reconstruction by running his own shadow reconstruction in Shia slums from Baghdad to Basra, earning himself a devoted following. Funded through donations to mosques, and perhaps later with help from Iran, the centers dispatched electricians to fix power and phone lines, organized local garbage collection, set up emergency generators, ran blood drives and directed traffic. "I found a vacuum, and no one filled the vacuum," al-Sadr said in the early days of the occupation, adding, "What I can do, I do."[42] He also took the young men who saw no jobs and no hope in Bremer's Iraq, dressed them in black and armed them with rusty Kalashnikovs. The result was the Mahdi Army, now one of the most brutal forces in Iraqi's sectarian battles. These militias are corporatism's legacy too: if the reconstruction had provided jobs, security and services to Iraqis, al-Sadr would have been deprived of both his mission and many of his newfound followers. As it was, corporate America's failures laid the groundwork for al-Sadr's successes.

Iraq under Bremer was the logical conclusion of Chicago School theory: a public sector reduced to a minimal number of employees, mostly contract workers, living in a Halliburton city state, tasked with signing corporate-friendly laws drafted by KPMG and handing out duffle bags of cash to Western contractors protected by mercenary soldiers, themselves shielded by full legal immunity. All around them were furious people, increasingly turning to religious fundamentalism because it's the only source of power in a hollowed-out state. Like Russia's gangsterism and Bush's cronyism, contemporary Iraq is a creation of the fifty-year crusade to privatize the world. Rather than being disowned by its creators, it deserves to be seen as the purest incarnation yet of the ideology that gave it birth.