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OPINION

U.S. POLITICS

Empire strikes back

Jeb Bush or Hillary Clinton would constitute a supreme win for Wall Street.

ILLUSTRATION BY CHRIS MORRIS

JOEL KOTKIN
STAFF COLUMNIST

Seven years after setting the world into crisis, the people who brought us the Great Recession appear to have regained their suzerainty over the nation's political parties. Rather than being sent to the woodshed, or even to prison, the financial nabobs of high finance are now being wooed actively by most Republican candidates and by the singular serious Democratic contender, Hillary Clinton.

Before the Iowa caucuses and New Hampshire primary, we have the Wall Street race, in which candidates go to the financial elite to plead for support. Right now this matters most to the Republicans, whose field is varied and wide, and for many who consider obsequious pandering to the ultra-rich to be second nature. As things stand now, the likely winner of this primary will be Jeb Bush, who offers a continuation of mainstream, big business-oriented Republicanism identified mostly with his father, but also, to a lesser extent, his sometimes less predictable brother, George W. Bush.

In 2008, people knew something was radically wrong with how the hegemons were steering the economy, and nominated both a relative outsider, Barack Obama, and a sometimes unpredictable John McCain, never Wall Street's favorite. In that election, in fact, Obama out-raised McCain on Wall Street, leading one New York Times reporter to annoint him as primary beneficiary of "the hedge fund factor." The fact that Obama was likely to win the election, and was brilliantly vague about his plans, made him ever more attractive.

OBAMA AND THE POPULIST THREAT

In his first six years in office, President Obama has performed well for those who wrote those checks. He brought in Wall Street insiders such as Timothy Geithner and Larry Summers to concoct his economic policy, which brought a recovery to the financial plutocracy before virtually anyone else. Wall Street was back by 2009; the rest of us have had to wait for 2015.

Before the Iowa Caucuses and New Hampshire primary, we have the Wall Street race, in which candidates go to the financial elite to plead for support.

Obama and the Democrats in Congress also handed the big banks a nice gift in the form of the Dodd-Frank Bill which helped them achieve that "too big to fail" status and has accelerated the growing consolidation of the American financial system. Indeed, since Dodd-Frank was passed smaller banks' share of banking assets has dropped twice as quickly as before, notes a recent Harvard Kennedy School of Government study. Smaller and community banks – historically more likely to loan to small businesses – have seen a 50 percent drop in their share of lending while the the five largest banks now control over 40 percent of lending, twice their share 20 years ago.

The big banks were saved as well by Attorney General Eric Holder's decision not to engage in tough prosecutions of Wall

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EUROPEAN UNION

Greece gets another lifeline

TOM CAMPBELL
STAFF COLUMNIST

Last Tuesday, Greece and the European Central Bank agreed to a four-month extension of Greece's financial lifeline. At the end of that time, I forecast that Greece will be forced out of the eurozone. Greece probably should not have been allowed to enter the eurozone in the first place. Notoriously prone to deficits, inflationary printing of drachmas and currency devaluations, the promise Greece made to be fiscally responsible when it entered the eurozone should have had more collateral behind it.

THANASSIS STAVRAKIS, ASSOCIATED PRESS.

A busker plays in front of a wall of graffiti referring to Greece's Prime Minister Alexis Tsipras in Athens on Feb. 21.

By joining the eurozone, a country is allowed to give its bonds to the European Central Bank, and receive euros in return. If the country doesn't earn enough to pay back their bonds when they come due, the other eurozone countries have to make up the difference.

As Europe's largest economy, that burden falls disproportionately to Germany. That explains why Germany has been the toughest on insisting other eurozone nations practice austerity; if they don't, the party they throw is on Germa-

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TURKEY

An ally goes rogue

CARL M. CANNON
STAFF COLUMNIST

Several friends have recently visited Istanbul, which sounds like an interesting place full of culture, history, good food and hospitable people. I will not be visiting that bustling city of 14 million, however, and may never go, because of this column you're reading now.

I won't be traveling to Istanbul or Turkey's capital of Ankara because of the hypocrisy of Recep Tayyip Erdogan, the man elected president of that nation last year. To be more precise, it's not because he's a hypocrite, and likely a crook, not to mention obviously power-mad. Eliminating countries where the heads of state exhibit those qualities would restrict any world traveler. No, the reason is that attributing such traits to Erdogan is now treated as a criminal offense in Turkey – and the inside of a Turkish jail is not my idea of a holiday.

Turkish politics is not often foremost in Americans' minds, but that might need to change. The average American may know that almost all Turks are Muslims, and that the country is in NATO. They may or may not know that Turkey's frightful losses in World War I, its genocide against Armenians and its partial occupation after the war led to a nationalist movement led by a World War I hero named Mustafa Kemal in the early 1920s.

This movement swept away the remnants of the Ottoman Empire. Kemal, later officially re-named Kemal Ataturk – "father of the Turks" – shuttered the caliphate, dissolved religious courts, codified political rights for women, secularized the schools and switched his country from the Arabic to Latin alphabet.

Turkey remained neutral in World War II, but not in the Cold War. It was a dependable U.S. ally and a European buffer with the Soviet empire. The collapse of the Soviet Union and rise of pan-Islamic politics led to the rise of another Turkish political movement, one both populist and Islamic. German-educated Necmettin Erbakan emerged as its leader. He became Turkey's first Islamist prime minister in 1996, but the military dissolved his government after a year.

ASSOCIATED PRESS PHOTO

In this Sept. 12, 2014, photo, Turkish President Recep Tayyip Erdogan speaks with Secretary of State John Kerry in Ankara.

By that time, his protégé, Recep Tayyip Erdogan, had been elected mayor of Istanbul in a crowded field. Despite fears that he'd seek to impose religious rule, Erdogan governed pragmatically. It seems now that he was only biding his time, but the signs were always there: He pronounced himself Istanbul's "imam," and said revealingly, "Democracy is like a streetcar. When you come to your stop, you get off."

In December of 1997, Erdogan was arrested for taunting higher authorities by reciting a religious poem, which he followed with a fiery speech threatening anyone who tried to quell public displays of religion in Turkey with a "fiery volcano." He was arrested, as he half-expected, but when he was marched off to prison thousands of Turks – many of them secularists who supported free speech – marched with him.

After getting out of prison, he ran successfully for office again, this time in national elections. His party won in 2002, making him prime minister. Last year, he ran for president, heretofore a neutral and largely ceremonial position. Erdogan has different ideas: He's begun to talk openly of turning the job into something akin to a monarchy. He has the house for it: Last year, he un-

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KOTKIN: Crony capitalism triumphs with both political parties

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Street's biggest malefactors, in part, he explained, due to their enormous size.

Essentially, he has argued the giant banks, nurtured by the government, are too big to not only fail but see their executives placed in the docket.

To be sure, President Obama's occasional populist rhetoric did offend many on Wall Street, which in 2012 shifted much of its support to former Massachusetts Gov. Mitt Romney, who, after all, was one of their own. Obama still did fairly well on Wall Street. In his two campaigns he ended up raising almost twice as much from Wall Street as his predecessor, George W. Bush.

Now that there are no new campaigns to fund, Holder is beginning to discuss prosecutions of grandees again, no doubt unsettling some on Wall Street and its associated hangers-on. But, even so, Treasury remains under the thumb of yet another insider, former Citibank executive Jacob Lew.

In effect, Obama's embrace of a populist and left-leaning economic agenda, which pleases many party activists, is coming when there's little he can do to impose it. But the party as a whole is moving left. The grass-roots face of the Democratic Party is less that of corporate pragmatists in the mold of Chicago's Rahm Emanuel, who is detested by the Left and failed last week to gain a majority for his re-election bid, to progressives like Sen. Elizabeth Warren and New York Mayor Bill de Blasio.

From their bastions, from Seattle and Los Angeles to New York, big city Democrats have started imposing a classic left-wing program of higher minimum wages, more support for public employees, limits on police and Draconian "green" policies, notably favoring expensive renewable fuels and forced densification. This program may not help or appeal much to the middle or working class Democrats who historically supported the party but it fits in well with its current base of the dependent poor, government workers, socially liberal professionals and rent-seeking businessmen, for whom such things as "green" energy and high-density development often represent opportunities for plundering the public.

HILLARY TO THE RESCUE

This big city-led conflagration potentially could threaten corporate domination of the Democratic Party. But Hillary Clinton could save their day and preserve their bacon. Wall Street, and large corporations, seemed thrilled with the rise of the former secretary of state and senator as the de facto Democratic standard-bearer. Like Obama, Clinton may keep emotional links to the progressive left, but her long career – particularly as senator from New York – has also turned her into a reliable ally of Wall Street. She can count upon support from such figures as Goldman Sachs chief Lloyd Blankfein and Blackrock head Larry Fink, notes the New York Post.

This corporate influence is palpable in the workings of the Clinton Foundation, which has evolved into a parallel "government in waiting" preparing Hillary's ascension. The Foundation tackles many of the important issues, such as climate change,

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health and education, but none that represents a major threat to the financial community. But it has allowed Bill to keep his profile – no doubt a mixed blessing for Hillary – high and his global status intact.

Over the last decade or so, the foundation has raised most of its $2 billion from powerful financial interests who have emerged as the largest source of funds. They also have raised money from such powerful firms as General Electric, Exxon Mobil Corp., Microsoft Corp. and Boeing Co. Not satisfied with just domestic grandees, the Foundation, where Hillary is officially based, has also solicited one-third of its funds from major foreign interests, including foreign governments such as the United Arab Emirates, Saudi Arabia, Oman, Australia, Germany and a Canadian government agency promoting the Keystone XL pipeline.

THE TRIUMPH OF CRONY CAPITALISM

A majority of Americans now believe that government primarily serves the interests of the well-connected and the rich. This perception holds even more when asked about Republicans. Despite populist talk, largely from the Tea Party wing, Mitch McConnell and John Boehner raise money in much the same way as Harry Reid and Nancy Pelosi – from powerful, connected interests who want to steer government in directions favorable to them. They simply raise their funds from different industries – entertainment, tech and law firms for the Democrats; fossil fuel oil, insurance and home building for the Republicans.

The ascension of Jeb Bush as the GOP standard bearer would solidify the triumph of the crony capitalists. Bush himself has close ties to Wall Street, having worked as a Lehman Brothers special adviser and later with Barclays Capital. He won't rock the crony boat in a way that right-wing fire-eaters like Utah's Mike Lee or old-style Main Street Republicans like Iowa Sen. Charles Grassley would.

Instead, we are likely to see a race where, once again, Wall Street funds both sides, knowing full well that neither potential winner will push a thorough reform of the financial system that would promote competition or slow mega-banks' absorption of smaller firms.

That's why when high-level progressives talk higher taxes on the "rich," it usually turns out to be not directed at the financial aristocracy, but the upper-middle-class kulaks, who are poorly organized and not predisposed to populist solutions themselves.

As uninspiring as a choice between retreads might disappoint many Americans, it warms the backsides of the financial oligarchy. It's an extension of their "get out of jail free" card – even for the worst transgressions. Given the improving economy, the forces of the status quo in each party will get stronger, focusing on issues like gay rights, abortion and the environment that do not threaten the vital interests of the hegemons.

Bush-Clinton constitutes a supreme win-win for Wall Street. Unlike Obama, who occasionally would at least snarl at them, they can look forward, under either Bush or Clinton, to a continuation of policies that allow the financial elites to dominate the economy, albeit often to the detriment of the vast majority. The era of radical agitation on both the Left and the Tea Party Right may fade, while the empire, most triumphantly, strikes back.

Joel Kotkin is the R.C. Hobbs Fellow in Urban Studies at Chapman University in Orange and the executive director of the Houston-based Center for Opportunity Urbanism (www.opportunityurbanism.org). His most recent book is "The New Class Conflict" (Telos Publishing: 2014).

CANNON: Erdogan takes Ankara in the wrong direction

FROM PAGE 1

veiled an ornate new presidential palace on Ankara's outskirts that he made a point of noting is bigger than Buckingham Palace. Such moves have made Turks with democratic impulses uneasy. So has Erdogan's reputation for corruption. Police investigations into his business dealings resulted in the December 2013 leaking of a tape – uploaded to YouTube – in which Erdogan is heard instructing his son on how to hide tens of millions of dollars.

Additional recordings revealed that Erdogan interfered in judicial cases, ordered media outlets to run stories supportive of the administration while muzzling the opposition and approved leaking a sex video featuring a political opponent.

His administration's response was what you might expect: blaming the entire mess on a plot involving Israel and the United States, the mass firings of cops and shutting down the Internet. In a speech, Erdogan vowed to "rip out the roots of Twitter."

This kind of thuggery has continued unabated. In his 2014 presidential campaign, Erdogan repeatedly attacked Israel as having "surpassed Hitler in barbarism." After winning, his government orchestrated the mass arrests of 23 journalists and writers in a single day. Among those facing trial are the editor of Turkey's largest circulating newspaper, the chairman of a respected broadcasting company, several popular columnists and six screenwriters.

The revenge prosecutions continue. On Wednesday, the chief prosecutor's office in Ankara issued warrants for the arrest of 54 police officials on charges of wire-tapping the president. They've also issued an arrest warrant, on unspecified charges, for Fethullah Gulen, a Muslim cleric and former Erdogan ally who has been living in exile in Pennsylvania for a decade. Erdogan evidently blames Gulen for stirring up this corruption stuff. Like me, I guess he won't be traveling to Turkey anytime soon, either.

Perhaps the pinnacle of Erdogan's pettiness (I hope he doesn't also make

BURHAN OZBILICI, ASSOCIATED PRESS

Riot police use pepper gas to disperse students and teachers marching in Ankara on Feb. 13 as they boycotted school to protest the government's moves to increase Islamic teachings in education.

alliteration a crime) came last week when one of his lawyers lodged a complaint with prosecutors against Merve Buyuksarac, a model who was Miss Turkey in 2006. Her crime? She posted a poem on Instagram from a satiric magazine that may or may not have suggested Erdogan is a master thief. The prosecutor is seeking a term of four years in prison.

It turns out that Erdogan did not tear the roots out of Twitter. Instead, his henchmen patrol the country's social media for evidence that private citizens are criticizing them. Turkey has always been an uneasy democracy. Soon, they won't even have the pretense. Erdogan seems determined to lead his nation off the "streetcar."

A France-based human rights group, Reporters Without Borders, says that Turkey's Press Freedom Index has steadily declined during Erdogan's dozen years in power. It was 99th in 2002; it now ranks 154th, putting it behind such bulwarks of liberty as Russia and Iraq.

It has been a source of surprise in the U.S. why Turkey hasn't done more militarily to combat ISIS barbarism, which is taking place within easy striking distance of the Turkish military. Perhaps it shouldn't be. Perhaps, too, Americans should ask themselves if this is a government worthy of being called a U.S. ally.

Staff opinion columnist Carl M. Cannon also is Washington editor of the website RealClearPolitics.

CAMPBELL: Will Spain and Italy follow Greece's path?

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ny's tab.

Allegorically, over the last 15 years, Greece has stolen a lot of cash, and a credit card, from Germany's wallet. Germany didn't mind since the system that let Greece do so (the euro single currency) kept the price of German exports artificially low around the world.

That's because the euro is a reflection of the average strength of all the economies in the eurozone. Germany is the strongest eurozone country, so its exports denominated in deutschmarks would have been more expensive to purchasers than when denominated in euros. (It's a form of currency manipulation, a charge we often make against China.)

The credit card Greece stole, however, eventually became a problem. Greece just wouldn't stop using it; so Germany had it canceled.

Now, Greece is saying, unless the ECB reactivates the credit card, it won't pay back the cash. However, the ECB can simply print some euros to offset the defaulted Greek bonds. Normally, that would be inflationary, but the eurozone is teetering on deflation, so a little inflationary pressure is welcome.

Without Germany's credit card, Greece will have to lower its standard of living and go back to its national currency, the drachma.

With the drachma, Greek citizens will have to adjust to a more realistic lifestyle since the price of all their imports will rise. Greek companies with debts denominated in euros will go into bankruptcy reorganization: their creditors will have to settle for a percentage of what they are owed.

However, they will eventually emerge from bankruptcy, into a world where Greek exports will look more attractive to purchasers in other countries. Greece will become the bargain tourist destination of all Europe.

The Greek government will print drachmas at a generous rate, and interest rates on Greek sovereign debt will skyrocket to reflect the risk of more inflation or even default. In other words, Greece will look just like it did, and act just like it did, before 2001, when it entered the eurozone.

Why should any of this concern America? American banks that lent to Greece will take a loss; but they also received higher rates of interest for all the years they held Greek debt. Indeed, that's why the interest rates were higher, because of the risk of default. No sympathy is needed for a racetrack tout who bets the ten-to-one long-shot and complains when it finishes tenth.

Could Greece leaving the eurozone hurt America's export sector? America needs a vibrant Europe as a trading partner. Economics is largely psychology, and a Greek default might undermine confidence in the euro. If the euro collapses, Europeans will hoard foreign currencies, like the dollar, and not spend them on American imports.

A Greek default on its obligations to the ECB has been widely discussed, however. Investors have hedged against it. Indeed, panic would more likely ensue if Germa-

PETAR PISMESTROVIC / CAGLE CARTOONS

ny's insistence on Greek financial responsibility were exposed as all a bluff, which it would be if Greece were allowed to stay in the eurozone and not make the economic changes it agreed to make for the last infusion of help it received from the ECB.

Leniency to Greece could cause Italy or Spain to rethink their own adherence to the "austerity" terms to which each has agreed. Spain's economy is more than five times that of Greece, and Italy's is almost seven times that of Greece.

If Italy and Spain do not make good on the bonds they've given to the European Central Bank, the survival of the euro would truly be in doubt, undermining the confidence of every nation and corporation in the world to accept euros. It's more healthy for the eurozone to lose Greece, thereby preserving its credibility, and its currency.

Tom Campbell is dean of the Fowler School of Law at Chapman University, and a professor of economics at Chapman as well. He served on the Banking Committee of the U.S. Congress for five terms, and was a member of the Joint Economic Committee of the Congress. These views are his own.