

Too Big Banks Are Just Crony Capitalists

By [Washington's Blog](#)

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Big Banks Destroy Real American Style Capitalism

Reuters notes that the president of the Federal Reserve Bank of Dallas - Richard Fisher - [said](#) yesterday:

The largest U.S. banks are “practitioners of crony capitalism,” need to be broken up to ensure they are no longer considered too big to fail, and continue to threaten financial stability, a top Federal Reserve official said on Saturday.

Fisher said the existence of banks that are seen as likely to receive government bailouts if they fail gives them an unfair advantage, hurting economic competitiveness.

“These institutions operate under a privileged status that exacts an unfair tax upon the American people,” he said on the last day of the annual Conservative Political Action Conference (CPAC).

“They represent not only a threat to financial stability but to fair and open competition ... (and) are the practitioners of crony capitalism and not the agents of democratic capitalism that makes our country great”

He’s right. The [top economists, financial experts, and bankers](#) say the big banks [need to be broken up in order to save the economy](#). Why? Gee ... [I don’t know](#).

Modern American conservatives and liberals both [passionately hate crony capitalism](#) - the [malignant symbiotic relationship](#) between governmental leaders and their cronies.

The Boston Tea Party in 1773 was largely a [protest against crony capitalism](#).

And it’s not just Western governments which fall prey to crony capitalism. (For example, Egypt’s [Mubarak family raked in between U.S. \\$40 and \\$70 billion dollars](#) through cronyism.)

Indeed, [people all over the world](#) are starting to demand an end to crony corruption.

As Reuters global editor at large Chrystia Freeland [noted](#), the “Arab Spring” and other protests around the world are really protests against crony capitalism:

Across the globe, this was a year when people took to the streets, often overthrowing their leaders in the process. That was true in the Arab world, in Russia, in India, in Western Europe, in the United States and even in China.

The unifying complaint is crony capitalism. That's a broad term, to be sure, and its bloody Libyan manifestation bears little resemblance to complaints about the Troubled Asset Relief Program in the United States or allegations of corrupt auctions for telecommunications licenses in India. But the notion that the rules of the economic game are rigged to benefit the elites at the expense of the middle class has had remarkable resonance this year around the world and across the political spectrum. Could the failure of the experts to anticipate this anger be connected to the fact that the analysts are usually part of the 1 percent, or at least the 10 percent, at the top?

As for crony capitalism, this slogan of the street is both a challenge for the state and an opportunity. For some regimes, of course, crony capitalism, with a side order of repression, is the only dish on the menu. For them, the trends of 2011 do not bode well.

But most of today's troubled market democracies don't need a revolution to sweep away their cronies. What they do need is a new version of capitalism, designed for the 21st century. That is what the world's protesters, in their different ways, are all asking for. Here's hoping that 2012 provides some politicians with some answers.

Note: Don't get confused by the word "capitalism" in the phrase "crony capitalism". Crony capitalism is not at all free market capitalism.

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