

# **“NO ONE COULD HAVE PREDICTED THE HOUSING BUBBLE MIDDLE EAST STATUS QUO WOULD CRASH”**

The WSJ has a fascinating narrative of how both the US and Mubarak's government were utterly unprepared for a democratic revolution in Egypt. From a meeting two months ago at which Egypt again refused democratic reforms, after which Hillary declared Egypt to be the “cornerstone of stability and security in the Middle East and beyond,” to a meeting on Monday when when a Middle East expert asked Obama's National Security Council, “Please tell me you have contingencies in case Mubarak's regime collapses” (the NSC said they did not), our government's certainty that it could depend on the status quo generally and Egypt specifically has utterly collapsed.

And it was not just the government generally; predictably, the intelligence services paid to anticipate such events had no idea it would happen, either. Just one week ago, the new head of Israel's military intelligence, Major General Aviv Kochavi, echoed Clinton's earlier certitude that Egyptian would remain stable.

...on January 25, the day when massive protests first erupted across Egypt, Major General Aviv Kochavi, newly appointed head of Israel's Military Intelligence Directorate, told a Knesset committee that “there are no doubts about the stability of the regime in Egypt”...

And while he's predictably using the observation to demagogue, Crazy Pete Hoekstra ascribes the surprise to same kind of group think that has long plagued our intelligence analysis.

We were blind sided on Egypt. Problem is group think and risk aversion in state/intel community!

Part of the problem may be that US intelligence services rely more on the Egyptian government than on talking to opposition figures directly.

For years, the US Central Intelligence Agency has worked closely with the Egyptian security establishment in the contentious context of Washington's "war on terrorism". But it is unlikely that the CIA has been as meticulous in developing trustworthy contacts inside Egypt's fragmented but dynamic and energized Egyptian opposition. The latter, whether religious or secular, is naturally distrustful of American officials, whom it sees as longtime supporters of the dictatorial rule of President Mubarak, in the interests of what US Vice President Joe Biden has called "geopolitical interests in the region".

But that's definitely not the whole of the problem. As Wikileaks revealed, we know our government met with a youth activist in 2008, as well as other NGOs. Yet embassy officials deemed that activist's assessment that the opposition would have to replace Hosni Mubarak with a parliamentary government before the 2011 elections to be "highly unrealistic, and [] not supported by the mainstream opposition." (Dismissing the activist's claims so easily undoubtedly also made it easier to dismiss the suggestion that the US should pressure Mubarak "by threatening to reveal information about GOE officials' alleged 'illegal' off-shore bank accounts.")

It appears, then, that the US has met with some of these activists; it just apparently dismissed them as a bunch of naive youth.

But, as the WSJ makes clear, a lot of the surprise simply comes down to a misjudgment about what ordinary people might do.

In Cairo, a beleaguered collection of opposition groups plotted another in a series of demonstrations, this time to coincide with Police Day, a national holiday to thank Egypt's police forces. To activists, it was the perfect irony: Almost a year earlier, a young man from Alexandria with no history of political activism, Khaled Saied, had been beaten to death by police. Activists had managed to bring national attention to the case, and they intended to use Police Day to build on that.

Opposition activists rallied around a Facebook page called We Are All Khaled Saied. To call for a protest, Mr. Saied's death became the focal point for people who hadn't been involved in the rights movement before, says Ahmed Gharbia, an Egyptian activist associated with the page. "He was an everyman, and it was very difficult for people who wanted to paint him as an outlaw to do that." In the past week, supporters of the page swelled from 75,000 members to over 440,000.

[snip]

"More Egyptians were more angry than they've probably ever been, and not just activists, but ordinary people. And then came Tunisia, and suddenly people saw that maybe they could do something about that anger," said Ziad Al-Alimi, an organizer for Nobel Prize Laureate Mohamed ElBaradei.

[snip]

Broad swaths of Egyptian society were now in the streets. In Agouza, families with young children in tow marched into clouds of tear gas, toward the bridge

over the Nile that led to Tahrir Square.

"I was shocked to see people on that bridge who had always been apathetic apologists for the regime yelling, 'No'," said Mr. Qassem, who himself joined the protesters for the first time in his life. Infuriated, he said he even threw rocks at police after he was tear-gassed and police fired rubber bullets.

Now, I made the analogy here with the elite surprise at the very foreseeable crash of the housing bubble they had blown up. And to the extent that a bunch of "experts" repeatedly insisted they were smarter than the people experiencing this stuff first hand, the analogy makes sense.

The self-declared smart people so sure they've got control over the situation are increasingly proving, of late, not to have that control.

But I also think Egypt must be a broader warning. The status quo everywhere—based on the Washington consensus economically and US hegemony geopolitically—may be a lot more fragile than the experts paid to sustain that status quo will admit.

I suspect Egypt is just one in a series of increasingly bigger surprises for our governing elite.