



## **Outspoken Hensarling gains little ground in free-market push**

Friday, May. 23, 2014

By Cheyenne Hopkins

WASHINGTON — When Rep. Jeb Hensarling took over the congressional panel that spawned the Dodd-Frank financial reform act, he vowed to roll back the landmark Wall Street law and eliminate government programs that backstop private markets.

More than a year later, the Dallas Republican is boxed in. His initiatives to undo banking rules haven't won Democratic support. And his own party's leaders, backed by industry groups that disagree with Hensarling's purist free-market philosophy, have stymied his plans to abolish Fannie Mae and limit federal flood insurance.

Now Hensarling must choose again. His chances of making an impact as chairman of the House Financial Services Committee may turn on whether he loosens his opposition to two programs pushed by business lobbies and top House Republicans: government-backed terrorism insurance and loans for buyers of U.S. exports.

"He's isolated himself a little bit," said Brian Gardner, a former congressional staff member who is now senior vice president at Keefe, Bruyette & Woods in Washington. Hensarling, Gardner said, "has to make a strategic decision" about whether to bend on the next two big issues.

Since he was first elected in 2002, Hensarling, 56, has been one of the most outspoken proponents of a federal government with less heft and a shorter reach. He led House opposition to the \$700 billion bank bailout in 2008, calling it a "slippery slope to socialism," and voted against Dodd-Frank two years later.

"He was 'Tea Party' before there was a Tea Party," said Mark Calabria, a former aide on the Senate's banking panel who is now at the Cato Institute, a Washington-based research group that supports free markets.

In an interview, Hensarling said that while he hasn't backed off his principles, the committee has been productive under his leadership, approving more than 20 regulatory bills, some with Democratic votes.

“Many of them we've gotten across the House floor, and then they go where many good ideas go to fail — and that's the United States Senate,” he said.

Strong chairman

Hensarling's January 2013 appointment to head the committee after serving as chairman of the House Republican Conference, the No. 4 job in the party's leadership, gave him a chance to put into action an agenda he had long espoused.

He quickly put his stamp on the panel. He had a display installed in the hearing room to continuously tally the rising U.S. debt. He often cites the “debt clock” when spending issues are on the table. Hensarling also tries to script the committee's sessions by handing out “Win the Debate Kits” to his fellow Republicans, complete with talking points and suggested questions for witnesses.

As a result, regulators summoned to testify have found themselves excoriated for their budgets as well as their rule-making. Hensarling told Securities and Exchange Commission Chairman Mary Jo White last month that while the agency says it's underfunded, past increases were followed by “financial mismanagement, squandered resources and mission failure.”

The chairman has heaped his most intense criticism on the Consumer Financial Protection Bureau, the entity created by Dodd-Frank that he has called “the most powerful and least accountable government agency in the history of the Republic.”

At a January hearing, he dueled with the bureau's director, Richard Cordray, slamming its plan to assemble databases on consumer finance products and its \$100 million project to renovate its offices.

Hensarling told Cordray that the bureau was spending more per square foot than it cost to build New York's Trump World Tower or the Bellagio Hotel and Casino in Las Vegas. “What on God's green earth is going on here?” he asked.

Cordray responded that the renovation was initiated and managed by the General Services Administration, not the consumer agency.

Almost all 22 Hensarling-backed bills that would chip away at Dodd-Frank — including some that would diminish the consumer bureau's power — have cleared the committee and the full House with at best a few Democratic votes.

While Hensarling won bipartisan support for bills dealing with derivatives and community banks, none of the measures gained enough backing to be taken up by the Democratic-controlled Senate, much less gain the signature of President Barack Obama.

Hensarling has had a “learning curve” as chairman, Spencer Bachus of Alabama, his Republican predecessor as committee head, said in an interview. Although Hensarling has begun to compromise, Bachus said, “I think that’s been a problem with him because he has strong ideological positions.”

‘Win by losing’

Hensarling also defied House leaders over spending. He and fellow Texan Randy Neugebauer, R-Lubbock, tried to stand in the way of a bill that rolled back reforms in federal flood insurance, saying the program is flawed and puts taxpayers at risk for actions by private landowners.

Republican leaders who wanted to prevent steep increases in flood insurance premiums took extraordinary measures. House Majority Leader Eric Cantor, R-Va., bypassed Hensarling’s panel and moved a bill after negotiations with the committee’s top Democrat, Maxine Waters of California. The measure passed by a 306-91 vote that included 126 Republicans. Hensarling voted no.

“Jeb was championing a cause he believed in, very strongly,” said Tom Cole, R-Okla. Cantor “wanted to get something done and wanted to protect members in coastal areas and frankly wanted to help Senate candidates.”

Former Sen. Phil Gramm, R-Texas, who has known Hensarling since teaching him economics at Texas A&M University, said the outcome of the flood insurance battle wasn’t a setback.

“Sometimes you win by losing,” Gramm, 71, said in an interview. “I think Jeb’s willingness to stand on principle on that issue was the right thing to do, and I think it earned him a lot of respect.”