National Journal

Republicans Aren't Treating Dodd-Frank Like Obamacare, and It's Working

The GOP has set more modest goals on the financial-reform law, and it has had modest success.

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March 17, 2015

When it comes to Obamacare, Republicans want a "root and branch" repeal. But when it comes to the Obama-backed Dodd-Frank Wall Street Reform law, they have an ax in hand, but they seem content to leave large parts of the plant behind.

The House Republican budget proposal released Tuesday would (again) wipe the health care law from the books, but it takes aim at only a few provisions in Dodd-Frank. In the GOP budget, the Consumer Financial Protection Bureau would be made subject to congressional appropriation instead of receiving its funding from the Federal Reserve. The document also proposes repealing what is known as "Orderly Liquidation Authority," where the Federal Deposit Insurance Corporation helps resolve a failing financial institution.

That's not nothing: Making the CFPB dependent on Congress for its budget would allow lawmakers more control over the agency, giving them the ability to block funding for certain activities. And the Orderly Liquidation Authority, a procedure through which the FDIC would assume financial and operational control of an institution—taking responsibility for managing, selling, and merging all of the institution's assets and providing money to bring an orderly end to an institution—is one of the law's principal safeguards against the kind of near-collapse that cratered the economy in 2008.

But that's a far cry from what the GOP wants to do with Obamacare. In fact, if House leadership had proposed a budget that left an equivalent portion of the health care law intact, it would likely have prompted a caucus revolt. What explains the different approach to the two laws?

For one thing, on financial reform, the Republican Party lacks the lock-step unity it has on health care. Some party moderates are wary of being seen as too pro-megabank—a difficult perch to occupy following the financial collapse and ensuing mass layoffs, Mark Calabria, director of financial regulation studies at the libertarian Cato Institute, told *National Journal.* "Dodd-Frank is far more divisive in the GOP caucus than Obamacare is."

A call for full repeal of Dodd-Frank also comes with more difficult messaging: The GOP has had success in blaming Obamacare for canceled insurance policies and higher premiums, but within the arcane world of high finance, connecting policy changes to voters' everyday lives is more difficult. That's all the more true when compared with the standard line from backers of the law:

"These banks made risky bets, drove an economic meltdown, and then got billions in taxpayer subsidies—we can't let this happen again."

Furthermore, the financial industry has not been adamant about repeal. While there are plenty of provisions the banks dislike, they have preferred gradual changes that don't require them to reshuffle multibillion-dollar portfolios. "A lot of the banks say it's the evil I know that I can live with," Calabria said.

But while the GOP's thousand-cuts approach to Dodd-Frank doesn't fit as tidily in a candidate's stump speech, the tactic has significantly bit into the 2010 measure.

December's "CRomnibus" legislation included a provision that repealed part of the law that said bank holding companies were allowed to conduct only certain activities with derivatives in their nonbank subsidiaries. In January, when Congress passed the reauthorization of the Terrorism Risk Insurance Act, it included a provision exempting allowing nonfinancial end users of derivatives from restrictions that banks follow.

Now, in the latest budget, Republicans are hoping to make further cuts. The GOP argues that Orderly Liquidation Authority sets up taxpayers to again bail out banks, and the proposed House budget document proposes ending the process.

"Instead of rewarding corporate failure with taxpayer dollars, we ought to ensure responsibility for large, failing firms lies with the shareholders who own them, the managers who run them, and the creditors who finance them," the document said.

Former Democratic Rep. Barney Frank of Massachusetts, one of the architects of the law, told *National Journal* that the Orderly Liquidation Authority was an idea that came directly from then-President Bush's Treasury secretary and Federal Reserve chairman. "The OLA they are trying to repeal, the outline came out from Hank Paulson and Ben Bernanke," Frank said.

The budget's push to give Congress authority over the Consumer Financial Protection Bureau's funding reinvigorates a debate that has been going since the law was passed. The GOP says that by leaving the agency's funding in the hands of the Federal Reserve, the law created an agency that lacks accountability and oversight from elected officials. Defenders of the agency say the mechanism is needed to crack down on predatory lending and other consumer abuses, including those that were the faulty foundation of the mid-2000s housing bubble, and they have pushed to keep the funding source in place.

Republicans have several times introduced bills or amendments to put CFPB funding under Congress's purview—they blocked confirmation of the bureau's director for months in the hopes of forcing the change—but this is their first attempt while controlling both the House and Senate.

By attaching their latest attempts to the budget, Republicans are continuing a broader strategy of going after the law by attaching amendments to larger bills, hoping that Democrats won't block—or President Obama won't veto—the entire legislative package over smaller provisions.

Democrats are also internally divided over Dodd-Frank, with some seeing the bill as having gone too soft on the biggest firms, while others worry about the regulatory burden it has placed on banks small and large. But while Republicans have gotten centrist Democrats to support their provisions in the past, the party's more progressive wing is hoping to now draw a line in the sand.

Sen. Elizabeth Warren—an architect of the CFPB who was once on tap to be its first director—has cautioned her caucus colleagues against caving on small Dodd-Frank changes in order to move bigger bills. "While some might find this particular Dodd-Frank change desirable or unobjectionable," Warren said in opposition to the provision in January's reauthorization bill, "that may not be the case with other changes that Republicans decide to strap on to important, must-pass bills."