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Financial Overhaul As Dodd's Final Act

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The political storm that helped bring an end to Christopher J. Dodd's long tenure in Congress largely resulted from his close ties to the nation's big financial institutions. As he begins his final year in office, it is the financial system that will give the Connecticut Democrat an opportunity to write the final chapter of his 30-year Senate career.

When Dodd returns to the chamber next week, he will have a central role in the negotiations on health care, which is but one critical piece of President Obama's domestic agenda. As chairman of the Banking Committee, Dodd will also return to his position as arguably the most important player in Obama's call for a top-to-bottom overhaul of financial regulation.

Dodd's attempt to balance sagging poll numbers with crafting a sweeping regulatory package could have been submitted for analysis to political science students. It was a position no politician would envy: trying to rewrite the rules governing the financial services industry, needing both the input of bankers and their financial contributions, all the while trying to avoid looking cozy with Wall Street.

His retirement at the end of this Congress represents a release from those bonds -- and is the reason some observers say Dodd's decision, with his legacy in mind and his time short, might reignite a legislative endeavor that has been unexpectedly lethargic in the aftermath of the worst financial crisis since the Great Depression.

"There will be time to celebrate victories, mourn setbacks, share laughs and memories, and to thank profusely the talented, tireless and numerous staffers, many of whom are here today, who have made my Senate work possible," Dodd told a crowd outside his Connecticut home when he announced his retirement last week. "But that time is not now. My service is not over. I still have one year left on my contract with the people of Connecticut."

Dodd has put the financial industry on its heels in recent months, pushing into law bills overhauling regulation of mortgage and credit card lenders and proposing changes that would strike at the heart of the way Wall Street runs its business.

Some of Dodd's detractors complain that he has engaged in a populist-driven effort to reclaim the confidence of his state's voters -- a charge bolstered by falling public support. More than 50 percent of the respondents in a November Quinnipiac University Poll said they disapproved of his performance in office.

Industry lobbyists and Republican lawmakers complained that Dodd's approach would have eventually resulted in a regulatory bill designed more to score political points than to institute sound policies that might help avoid a repeat of the industry's meltdown -- and unlikely to become law.

Dodd and his aides have dismissed those charges, saying he spent decades pushing consumer-friendly bills, specifically citing his dogged pursuit of stiffer credit card regulation. But the pressures of his now-abandoned re-election campaign had clearly affected more than just his legislative agenda.

In the past year, Dodd had to deal with the loss of his sister, Martha Dodd Buonanno, and his best friend, Sen. Edward M. Kennedy of Massachusetts, to cancer. Diagnosed with cancer himself last June and pursuing a rigorous campaign schedule, the usually jovial chairman has looked worn and particularly conscious of his public appearances.

With the weight of weekly trips home to campaign and the fear of political repercussions off his shoulders, he now has the freedom to pursue a deal with top committee Republican Richard C. Shelby of Alabama, with whom he has worked in the past and who had rejected Dodd's initial financial overhaul proposals. That may give Dodd the opportunity to add a final notch on his belt of legislative successes.

Butting Heads

Dodd and Shelby's relationship has been critical to the legislative output of the Banking panel. In their time as the top two members on the committee, they have found a way to compromise on several major measures, including a housing bill in 2008 and the credit card bill last year.

While the senators have remained personally cordial through the early negotiations on the broad financial industry overhaul, the Democratic and Republican staffs have made no secret of their disagreements, which at times have bordered on contempt. The rhetoric between the two camps became heated after Dodd released a draft overhaul proposal in November -- a sweeping bill that would have created a single banking regulator, a new consumer financial protection agency and imposed the first significant rules affecting derivatives trading.

Shelby eviscerated Dodd's proposal during a Nov. 19 committee meeting in his 2,609-word statement. "The Dodd bill contains a number of provisions that have nothing to do with the financial crisis, but everything to do with politics," Shelby said then.

Even so, in recent weeks Dodd has stepped up negotiations with GOP members of his panel. "Shelby can sit down with Dodd and very clearly and credibly say to Dodd, 'I can't live with A and B. If you don't drop this, we don't have a deal, and I'm not playing with you,' " said Mark A. Calabria, a former top Shelby aide. "From years of experience, Dodd knows he's not playing with him."

Still, reaching a deal is far from guaranteed. Several components on the wish lists compiled by Dodd and the Obama administration fly in the face of what Shelby would likely accept, most notably the Consumer Financial Protection Agency. And Calabria, now director of financial regulation studies at the **Cato Institute,** said Shelby could walk away because he " has always been willing to say that he prefers no bill over a bad bill."

And while Shelby has said he is committed to overhauling the financial industry's rules, he has also stressed the need to fully diagnose what went wrong. Moreover, Shelby may have an incentive to slow negotiations because South Dakota Democrat Tim Johnson is next in line in seniority to take the committee gavel. Johnson is seen by some as more bank-friendly than Dodd, because his home state is a center for the credit card industry.

Banking Ties Questioned

Dodd has lately been a hero to consumer groups in their battles against bankers. But the points he has scored with consumers won't get him the 60 votes he needs to get a bill through the Senate, and they might not help him get a bill out of committee.

The consensus among industry lobbyists and lawmakers is that Dodd will have to make his bill more moderate to advance it, something likely to frustrate his consumer advocate allies. "If you believe, like I do, he wants this done as part of his 30-year legacy in the Senate, it makes it easier to cut a bipartisan deal," one lobbyist said. That could mean that Dodd will abandon the consumer agency and diverge from administration and House-passed proposals.

"Whether he's going to feel liberated in one direction or the other is going to be very interesting to watch," said Howard L. Reiter, an emeritus political science professor at the University of Connecticut. "Rhetorically, he tends to sound liberal, but he certainly represented the business interests in Connecticut in the Senate and on the Banking Committee."

Some of Dodd's critics have accused him of being too close to the industry and ignoring signs of trouble on Wall Street. He was also a lead negotiator on the $700 billion bailout of the financial system, which drew public ire. And he became embroiled in a controversy over special "VIP" mortgages he got from Countrywide Financial, a lender at the center of the subprime disaster.

Dodd was cleared of wrongdoing in the mortgage matter by the Senate Ethics Committee in August, after a yearlong probe, but the incident damaged his credibility at home and across the country.

Dodd's legislative accomplishments are numerous, including the Family and Medical Leave Act, which guarantees employees time off to care for children and elderly family members. And the pending health care measure might count as a crowning achievement. But enactment of the regulatory overhaul may give him a shot at redemption. It's a fact probably not lost on a man who watched as his own father, Thomas J. Dodd, was censured by his Senate colleagues in 1967 for converting campaign contributions to his personal use and three years later lost his seat.

"One of the ironies about this is that both of them are ending their careers earlier than they wanted to," Reiter said. But the chance to add a major legislative win is particularly attractive as Dodd closes his career, he said.

"In the long sweep of American history, there are moments for each elected public servant to step aside and let someone else step up," Dodd said from the steps of his home. The question is whether his decision to step aside might be the spark that also leads to a deal on financial regulation.

FOR FURTHER READING: *Dodd retirement, p. 142; financial services overhaul, CQ Weekly, p. 31; ethical and legislative record, 2009 CQ Weekly, pp. 1913, 1424; Thomas Dodd censure, 1967 Almanac, p. 239.*

Source: **CQ Weekly**
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