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Dodd likely to continue reform push

By: Victoria McGrane
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People close to Senate Banking Chairman Chris Dodd say he will forge ahead on financial reform despite forgoing his reelection bid — even though some financial insiders believe that the negotiations on the major bill will change.

“Knowing him the way I know him, I think that he would fight as hard for this legislation whether he were running for reelection or looking upon it as a legacy item,” said a Senate Democratic aide who discussed the issue with Dodd Tuesday night.

“I don’t think he ever felt that this legislation really affected his electoral politics in Connecticut. People in Connecticut are not sitting there thinking about systemic risk or even a consumer protection agency. They’re thinking about jobs,” the aide said.

Added Dodd spokeswoman Kirstin Brost: “Dodd is committed to continue working in a bipartisan fashion to pass strong financial reform this year.”

The consensus in the financial industry is that Dodd's retirement announcement could smooth the way for a successful financial reform bill this year. Dodd said he will serve out the remainder of his term and is expected to keeping the Banking gavel for the duration.

Although Dodd has repeatedly dismissed the idea that his reelection entered into his policy calculations, that didn’t stop pundits and lobbyists alike from assuming his poor poll numbers and too-cozy-with-Wall-Street image problems were a factor in his legislating as he worked to win back skeptical voters in Connecticut with tough measures against the financial industry.

Now, financial insiders argue, the veteran lawmaker won’t have to worry what the voters think and can focus on making the best policy.

“Reg reform will continue,” albeit perhaps a bit more slowly at first, said Scott Talbott, senior vice president of governmental affairs at the Financial Services Roundtable. “But the most important factor is that the politics of Chris Dodd's reelection campaign are taken out of the equation.”

Just in terms of time, not running frees up Dodd to stay in Washington and focus exclusively on the bill — something critics of his handling of financial reform say he hasn’t done.

“Now Chris Dodd does not have to worry

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about being reelected and poll numbers. He can worry about crafting legislation that garners the necessary votes," said Richard Hunt, president of the Consumer Bankers Association.

In particular, insiders speculate, Dodd's decision not to run for reelection could break down remaining barriers to forging a compromise bill with his ranking Republican on the panel, Sen. Richard Shelby of Alabama — particularly on the contentious issue of creating a stand-alone consumer financial protection agency.

"It frees Dodd up to cut deals to move a bill. Before this, he was stuck," said one Senate Democratic aide.

"If you believe like I do that he wants this done as part of his 30-year legacy in the Senate, it makes it easier to cut a bipartisan deal," said a financial services executive.

Dodd himself seemed to lend credence to the view that he'll move toward compromise. "I believe in bipartisan solutions," he said in his statement Wednesday, then added: "But I also believe you only achieve those results with vibrant, robust and civil partisan debate."

Consumer groups, labor unions and other activists on the left working for financial reform probably don't see Dodd's retirement as the positive development for the legislation. He was perhaps their strongest Senate ally in fighting for the creation of an independent CFPA. But if Dodd does end up seeking compromise, that stand-alone agency would almost certainly be the No. 1 item on the chopping block, since Republicans loathe it.

Of course, Dodd was not the only Democrat making a hard case for the stand-alone consumer watchdog. The White House has put significant political capital behind the CFPA and is preparing to make another strong push for measure, as it did during House deliberations. Other Democrats are still supportive — and still have to care what the left thinks of them.

Heather Booth, executive director for a coalition of pro-CFPA groups known as Americans for Financial Reform, put the onus on activists and consumers alike to pressure Democrats, rather than on Dodd himself.

"We think that [Dodd] has always wanted to leave a legacy of significant reform. He initially proposed strong legislation. What we think is the critical factor is whether Main Street raises its voice to support the kind of direction that he's taken, and especially with a strong consumer protection agency and not just letting big banks and Wall Street that got us in to this

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mess to run off with our future," she said.

Financial reform could veer far away from bipartisanship, depending on the next moves of Dodd and other members of the Banking Committee.

Dodd's lame-duck status means he won't have the juice with his Democratic members to get them on board with a deal, now that he can't promise future favors and help, analysts note. Dodd also might be less willing, not more willing, to cut deals just to get a bill done before Election Day — especially if he concludes that Republicans are asking too steep a price.

Retirement transforms financial reform into a purely legacy issue for Dodd, and legacy calculations tend to be "much more volatile and unpredictable" than political ones, said Mark Calabria, director of financial regulation studies at the Cato institute and a former Republican Senate banking aide. Calabria argues that Dodd's retirement lessens the chance of financial reform passing this year.

Republicans could also decide to slow walk the legislation in hopes the more moderate Tim Johnson (D-S.D.), the next most-senior Democrat on the committee after Dodd, would get the gavel next year.

Brian Gardner, a former GOP staffer himself and now an analyst with Keefe, Bruyette & Woods thinks that's unlikely.

"People want to get this behind them," he said, referring to both parties on the committee. But that being said, Dodd's decision means no one can tell for sure what will happen.

"There's an element of unpredictability, because he's a free agent now," said Gardner. And with so many variables in play, "you just can't predict it."