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## A Study in Contrasts In Financial Overhaul

By [STEPHEN LABATON](#)

WASHINGTON — Moments after the Senate cast its final vote on a health care bill before recessing on a recent Saturday evening, Senator [Christopher J. Dodd](#) convened an unpublicized meeting of the members of the Senate banking committee.

His goal was to try to resurrect legislation overhauling the [financial regulatory system](#), which had suffered a setback only a few days earlier when a handful of Democrats joined all of the Republicans in raising sharp questions about it. At the Saturday evening meeting, Mr. Dodd announced a new plan, assigning one Democrat and one Republican to each of the main chapters of the legislation in the hopes of forging compromises and reviving the measure.

Mr. Dodd, Democrat of Connecticut and the committee's chairman, and Senator [Richard C. Shelby](#) of Alabama, its ranking Republican, would negotiate over the new consumer protection agency and which banking agencies should be consolidated. Senator [Jack Reed](#), a Rhode Island Democrat, and Senator [Judd Gregg](#), Republican of New Hampshire, would handle the sections on derivatives and credit rating agencies.

Senator [Charles E. Schumer](#), Democrat of New York, and Senator Michael D. Crapo, an Idaho Republican, would handle proposals on corporate governance and on strengthening the [Securities and Exchange Commission](#). Senator [Mark R. Warner](#), a Virginia Democrat, and Senator Bob Corker, Republican of Tennessee, would handle the chapter on how the government should handle companies that could pose risks to the financial system and were otherwise considered too big to fail.

Little has happened since, over the Thanksgiving holiday week, but Mr. Dodd said he hoped the new arrangement would be a turning point in debate over how Congress and the administration respond to the most severe market crisis in more than 60 years.

"I wish I can tell you with some certainty it will work," he said last Saturday in an interview. "I'm not sure it will. But I can tell you of the sincerity with which we are reaching out to colleagues to try to make this work."

The overhaul of the financial regulatory system in Congress is a study of contrasts between Mr. Dodd and his counterpart in the House, Representative [Barney Frank](#), who heads the House Financial Services Committee. The two lawmakers are both liberal Democrats from New England. For institutional and other reasons, each has embarked on a different course.

Mr. Frank has spent months skillfully maneuvering each chapter of complex and contentious legislation through a divided committee whose members have alliances with powerful and conflicting industries. In a recent interview, Mr. Frank said he expected the committee to complete its final vote on the final chapter of

the legislation on Wednesday and take the entire package to the floor later in December.

In an interview last week, Mr. Frank said he had “no doubt” that the House would approve the legislation in December after three days of debate and consideration of about a dozen amendments. He said he hoped the House would substantially narrow or eliminate a provision approved by the committee over his objection that provided an exemption for many companies from the auditing procedures of the Sarbanes-Oxley Act. And he said his biggest regret so far has been that the committee could not find a more effective way to regulate conflicts of interest at the credit rating agencies.

He expressed high praise for the work of the committee and said the legislation, if enacted into law, would represent “the most fundamental changes to the regulatory system in more than 60 years.”

“On the whole, we have put in place a plan that would make the last set of problems very unlikely to happen again,” Mr. Frank said. “We have addressed many of the most important problems that have been identified during the crisis.”

In the Senate, Mr. Dodd recently abandoned his strategy of trying to jam his legislation through the banking committee on a straight party-line vote after hearing doubts from members of both parties. Institutionally, it is more difficult for a senator to exert control than a representative because the rules and culture of the Senate make it much easier for just one member to derail or delay legislation.

“Because of the Senate rules, it is a lot harder to get this accomplished in the Senate than the House,” said Mr. Schumer, who spent 18 years in the House before moving across Capitol Hill.

Despite efforts to engage with the Republicans, Mr. Dodd was unable to earn any support from them. He also faced defections from some Democrats with ties to industry groups that have opposed the measure’s central provisions.

With Congress returning this week, the differing House and Senate approaches to legislation threaten to doom one of [President Obama](#)’s highest priorities unless compromises can be found quickly.

Mr. Dodd has had other problems. Facing a tough re-election battle in Connecticut and the distraction of also helping to lead the effort on health care, he proposed ambitious legislation that even many of his allies, including some within the administration, had said privately stood virtually no chance of adoption.

Senate officials say Mr. Dodd’s election difficulties — and the criticism of him by his opponents that he was too close to the industry — makes it difficult to strike compromises.

Mr. Frank said the politics of the situation had “to have an effect” on how Mr. Dodd approaches the legislation. Other lawmakers and Congressional aides said the situation gave him little room to reach compromises and weakened his hold on the Senate committee.

But Mr. Dodd, who has served in the Senate since 1981 after serving three terms in the House, said that the political battle in Connecticut had had no bearing on how he has approached the financial overhaul legislation.

“This is an historic moment,” Mr. Dodd said. “It is a huge undertaking. The idea that after many years, and

nine elections later, that I would let the race up here tailor how I approach this election, is just wrong. We have a chance to get something truly meaningful accomplished. I appreciate everyone going through the usual rounds of political speculation. But it really has no real bearing.”

“Just look at the state I come from,” he added. “We have a large insurance industry. We have many people who live in the state who work on Wall Street and the financial services industry. We are home to many hedge funds. If I tried to cater to all these differing industries, I’d twist myself up like a pretzel.”

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