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Pro-Business Lobbying Blitz Takes on Obama's Plan for Wall Street Overhaul

By Eric Lichtblau and Edward Wyatt
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WASHINGTON — With the Obama administration looking to score another major legislative victory, an array of pro-business groups and fiscal conservatives are mounting a well-financed campaign to scale back or block altogether the Democrats' plan to overhaul regulation of the financial industry.

By the time the campaign is over, opponents of regulation plans will probably have spent tens of millions of dollars to lobby Washington lawmakers, run advertisements and start petition drives. It is an effort that many of the players, from the United States Chamber of Commerce down to smaller splinter groups, see as vital to their economic survival.

“This is a re-ordering of our financial institutions for generations to come,” Paul Schott Stevens, president of the Investment Company Institute, said last week at a meeting hosted by the chamber.

Wall Street executives say that although they support increased regulation, the changes sought by Democrats could exacerbate the problems that emerged in the 2008 economic crisis rather than fix them. Among the targets of their criticism are the creation of a consumer fiscal protection agency, the establishment of a multibillion-dollar fund to head off bailouts of companies deemed “too big to fail,” and the regulation of derivatives as well as other high-risk trading instruments.

On the opposing side, labor unions and other groups are pushing hard to enact tougher measures, including provisions to rein in executive compensation and allow shareholders more say on a company's board.

Many of the arguments the financial industry is making in opposition to the plan echo the themes heard in the health care debate: more government involvement is the problem, not the solution; tightened regulation risks stifling competition; and the plan is fiscally irresponsible.

But the common refrains mask the divisions among the legislation's opponents, who tend to agree that the overhaul is dangerous but point to very different elements of the House and Senate plans.

“I don't think there's a unified business community position yet, nor do I think there will be because there are so many different interests,” Steve Elmendorf, a lobbyist for Citigroup and other major firms, said in an interview.

“There are obviously a lot of stakeholders here — Wall Street, big banks, hedge funds, insurers, mortgage brokers — who all care about what happens here,” he said.

Indeed, the issue has attracted a dizzying array of lobbyists since last year, when the House began considering, and ultimately passed, a bill to impose a wide range of new restrictions. The debate has shifted to the Senate, where the banking committee approved a Democratic plan on a straight party-line vote.

By the end of last year, lobbyists from some 400 businesses and groups, including bankers, beer makers, cruise ship operators and grocery stores, had registered with Congress to weigh in on the regulatory reform, according to data analyzed by the Center for Public Integrity, a research and advocacy group in Washington. That number is expected to climb when new lobbying reports are filed next month.

In the last decade, the financial sector has spent more money than any other industry to influence Washington policy — more than \$3.9 billion, according to the Center for Responsive Politics. Wall Street’s resistance to some of the plan’s core elements has already drawn condemnation from the Obama administration.

One of the more public campaigns against the Democrats’ reforms does not come from Wall Street, however. It comes from an obscure, Republican-leaning group that is seeking to cast the plan as a boon to Wall Street.

The group, the Committee for Truth in Politics, has spent an estimated \$5 million on advertising against the proposals, according to the Campaign Media Analysis Group, which monitors political advertising. The ads portray the financial reforms — misleadingly, the administration says — as a \$4 trillion bailout for big banks.

The group’s membership and financing have been kept secret, and it has refused to divulge its donors; it is suing the Federal Election Commission, claiming the rules for disclosure in political advertising are an unconstitutional impediment to free speech.

James Bopp Jr., the lawyer and conservative advocate who represents the group in its lawsuit, said in an interview that the ads accurately reflected a section in the House bill that would allow the Federal Reserve to spend up to \$4 trillion to stabilize the financial system in a liquidity crisis. He said characterizing the bill as anything other than a bailout “is a typical Washington lie where politicians do one thing in Washington, which is to advance the Obama socialist agenda, and lie about it when they go home because they don’t want anyone to know about it.”

But Representative Barney Frank, the Massachusetts Democrat who guided the bill through the House, calls the ad campaign “a complete mischaracterization” of the legislation, which he said would limit the Fed’s ability to support otherwise healthy banks during a liquidity crisis and prevent the type of bailouts that have gone to A.I.G. and other giant firms.

The ads have run in about 10 states, including those of Democratic members of the Senate Banking Committee.

Senator Jon Tester, a Montana Democrat, said his office had received “hundreds” of calls citing the “bailout” language in an ad by the Committee for Truth in Politics, after it started being broadcast in his state in February. “This is not a bailout,” he said of the Senate bill. “I don’t support bailouts.”

The plan’s focus on tighter regulation of “too big to fail” institutions has also pitted bigger banks against smaller ones, with the smaller, community-based banks generally supportive of the proposed regulations and Wall Street opposed.

Camden R. Fine, president of the Independent Community Bankers of America, an association that spent about \$4.75 million last year on federal lobbying, said his organization was outmatched in finances and resources in the debate by Wall Street’s representatives in Washington.

“Literally, when our guys are walking into a key senator’s office” to plead their case on the legislation, “they can see four or five Wall Street lobbyists walking out, and that can be a little intimidating.”

The Chamber of Commerce, which spent a reported \$123 million on lobbying last year, has already spent \$3 million on ads criticizing the reform proposals, and it plans to spend at least that much more on future ads, David Hirschmann, senior vice president of the chamber, said in an interview. The group is reaching out to Democrats and Republicans, he said, on the Senate Banking Committee and elsewhere.

The intensity of the rhetoric was on display at last week’s Chamber of Commerce meeting. The deputy Treasury secretary, Neal S. Wolin, was invited as the keynote lunch speaker and surprised some audience members by offering a bruising indictment of the chamber’s position on regulatory reform, calling the opposition “shortsighted and misguided.”

“As the president has made clear, we will oppose efforts to weaken it,” Mr. Wolin said. “And my primary message to you today is this: so should you.”