



Obama May Compromise on Consumer Agency to Pass Financial Regulation

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The Obama administration is no longer insisting on the creation of a stand-alone consumer protection agency as a central element of the plan to remake regulation of the financial system, according to an article in the Washington Post. The article is lengthy, but interesting and important. Here are the opening paragraphs:

In hopes of quick congressional approval of a reform bill, White House officials are opening the door to compromise with lawmakers concerned about creating a new bureaucracy, according to congressional and some administration sources.

President Obama's economic team is now open to housing the consumer regulator inside another agency, such as the Treasury Department, though they still prefer a stand-alone agency. In either case, they are insisting on a regulator with political autonomy and real teeth so it can effectively enforce rules designed to protect consumers of mortgages, credit cards and other financial products.

The administration may also have to compromise on Obama's recent proposal for a rule to limit risky activities at banks by prohibiting them from engaging in many kinds of speculative investments.

Treasury officials are preparing to send Capitol Hill a toughly worded measure that would bar banks from making certain investments that benefit only the firms' bottom line rather than their customers. But there is little support among either Democratic or Republican lawmakers for this proposal, known as the "Volcker

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rule,” and Senate leaders are now closing ranks around legislation that would leave it to banking regulators, rather than the law, to decide which activities to ban.

From the start of the Obama presidency, administration officials have made far-reaching financial reform one of their highest priorities, along with overhauling the nation’s health-care system. Officials have vowed to put in place new rules and regulators to prevent a repeat of the abuses that precipitated the financial crisis.

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