White House ducks fight with Senate Republicans over consumer agency chief

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President Obama announced on Friday the appointment of Harvard law professor Elizabeth Warren to oversee the establishment of the new Bureau of Consumer Financial Protection (BCFP), but not to actually head the agency.

By naming Warren as a consumer "czar," serving as a White House aide and advisor to Treasury Secretary Timothy Geithner, Obama bypassed Senate confirmation hearings and a threatened filibuster by Senate Republicans, who were expected to denounce Warren as "anti-business."

The BCFP was established through the Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law in July. Its purpose was to add a "consumer-friendly" gloss to this reactionary pro-Wall Street legislation, which does nothing to rein in the excesses of the banks that triggered the economic crisis.

The BCFP is ostensibly tasked with overseeing banking practices in various forms of consumer credit, including credit cards, mortgage loans, payday loans, and student loans. But it exempts the great majority of financial institutions—those with less than $10 billion in assets, as well as auto financing. While the biggest banks, which account for the bulk of lending, are subject to BCFP review, there is nothing to stop them from offsetting losses in one form of predatory lending through fee hikes and other mechanisms.

Obama was under increasing pressure from liberal groups in the Democratic Party to name Warren to head the BCFP. She acquired a certain reputation as a consumer advocate with writings on the unfairness of bankruptcy laws and the growing financial stresses on middle-class and working-class families.

This reputation led to her selection to head the congressionally-appointed panel that oversees the Troubled Asset Relief Program (TARP), the main bank bailout effort, where she made occasional criticisms of the banks that provided a fig leaf of "fairness" and "oversight" to what was a trillion-dollar handout to Wall Street. The expectation was that she could play a similar role at the BCFP.

As the *Wall Street Journal* noted, "Liberal groups have spent months demanding Ms. Warren be appointed to run the new agency, even producing a rap video calling for her nomination. The White House has at times appeared torn, given that Ms. Warren is beloved by the left but considered politically toxic with some business groups."

Obama resolved this dilemma by scotching the hearings and appointing Warren to a position that has no formal power. The alternative—making the appointment official and fighting it out with Republicans—was favored by "labor unions and consumer advocacy groups," according to the *New York Times*. These groups argued that "Democrats should embrace such a battle as a means of drawing attention to the bureau's significance."

As is typical of this administration, the cosmetic sop goes to the liberals and the substance to the right-wing. Warren's appointment was a media event. Speaking from the Rose Garden on Friday, flanked by Geithner, Obama called Warren "one of the country's fiercest advocates for the middle class," and extolled the BCFP as a "watchdog." The new "czar" then gave interviews to all the evening television news programs.

At the same time, by giving her only a temporary appointment and ducking the confirmation fight, Obama reassured Wall Street that he intends no serious limitation on their rampant swindling of the American consumer. In her new position, Warren will report to Treasury Secretary Timothy Geithner, who played a critical role in orchestrating TARP and the entire Wall

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Street bailout.

The BCFP will nominally be part of the Federal Reserve Board after July 21, 2011, but legislation bars the Fed from influencing its functioning, and a new authority headed by Geithner called the Financial Stability Oversight Council, also created by the Dodd-Frank law, will have a veto over all the bureau's policies. Because she is not formally the director of the BCFP, Warren will not sit on the oversight council.

Warren's real task is not to defend consumers, but to lend a veneer of credibility to the BCFP and the broader "financial overhaul," a role that suits her well. In spite of her criticisms of TARP over the past two years, she has unflinchingly backed the Obama administration, which has been primarily responsible for carrying out the Wall Street bailout.

Warren's Congressional Oversight Panel has been critical of TARP entirely from the standpoint that it will discredit any future exigency in which another bailout is required.

Referring to the bailout's "stigma" the panel's recently-released September report noted "deep public frustration that whatever the TARP's successes, it has not rescued many Americans from suffering enormous economic pain." It asserted that the Obama administration's extension of TARP through the year did nothing to help homeowners and small banks.

"Popular anger against taxpayer dollars going to the largest banks, especially when the economy continues to struggle, remains high," it concluded. "The program's unpopularity may mean that unless it can be convincingly demonstrated that the TARP was effective, the government will not authorize similar policy responses in the future. Thus, the greatest consequence of the TARP may be that the government has lost some of its ability to respond to financial crises in the future."

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