Elizabeth Warren - The Woman Who Knew Too Much

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On the afternoon of July 18, in remarks from the Rose Garden amid the bruising showdown with congressional Republicans over the debt ceiling, President Obama made what the White House billed as a simple "personnel announcement." In a brief speech, the president announced that he was nominating Richard Cordray, the former attorney general of Ohio, to head the Consumer Financial Protection Bureau, the new government agency set up to protect consumers from abusive lending practices. In his remarks he described the agency, part of the massive 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act, as creating "the strongest consumer protections in history," set up "so ordinary people were dealt with fairly." After which he turned to thank the woman standing to his right, Elizabeth Warren.

A Harvard law professor, one of the nation's leading bankruptcy experts and consumer advocates, the 62-year-old Warren had come up with the idea for the agency in 2007. She had advised the Obama administration on its creation in the aftermath of the 2008 financial collapse and helped to push it through Congress. Warren had also spent the last 10 months working tirelessly to build the agency from scratch—hiring its staff of 500, including Richard Cordray, organizing its management structure, and getting the C.F.P.B. up and running for its opening on July 21.

As she crisscrossed the country, spreading the word about the C.F.P.B., Warren became a familiar face to many, especially to those who had seen her on television—on CNBC, *Real Time with Bill Maher*, and *The Daily Show with Jon Stewart*. She had gained millions of supporters. With her passionate defense of America's beleaguered middle class, under assault today from seemingly every direction, she had become like a modern-day Mr. Smith, giving voice to regular citizens astonished at the failure of Washington to protect Main Street—and what increasingly appeared to be its abandonment of middle-class America. By July, the A.F.L.-C.I.O.—speaking for its 12 million members—had called on Obama to name Warren to head the agency. So had scores of consumer groups. Eighty-nine Democrats in the House of Representatives had signed a letter, publicly urging him to choose Warren. Newspapers around the country editorialized on her behalf, as did hundreds of bloggers. By July 18, when Obama announced that he was passing Warren over, he did so after receiving petitions signed by several hundred thousand people and organizations urging him to appoint Warren as the country's top consumer watchdog.

At the end of his remarks, Obama turned to Warren and kissed her on the cheek. She smiled gamely, though if there are kisses a woman can do without, this was one of them. A Judas kiss, some would say. But if so, the betrayal was not just of Elizabeth Warren. In his remarks, Obama would hint at what had happened to Warren, commenting that she had faced "very tough opposition" and had taken "a fair amount of heat." He also alluded to the powerful forces arrayed against her, and against the C.F.P.B.—"the army of lobbyists and lawyers right now working to water down the protections and reforms that we've passed," the corporations that pumped "tens of millions of dollars" into the fight, and "[their] allies in Congress." But he was mincing his words. The fight against Warren and the C.F.P.B. was one of the most brutal Washington battles this year, up there with the debt-ceiling showdown and now the looming battle over the jobs bill—but part of the same war. Arrayed against Warren, and today against the very existence of the C.F.P.B., was the full force of what many, most notably Simon Johnson, the M.I.T. professor and former International Monetary Fund chief economist, have called the American financial oligarchy: Wall Street firms and banks supported mainly by Republican members of Congress, but also politicians on the other side of the aisle, along with members of Obama's own inner circle.

At a time of record corporate profits, a time when 14 million Americans are out of work, when millions have lost their homes and, according to the Census Bureau, the ranks of those living in poverty has grown to one in six—that Elizabeth Warren could be publicly kneecapped and an agency devoted to protecting American consumers could come under such intense attack is, ultimately, the story about who holds power in America today.

When the C.F.P.B. was first proposed to Congress, in early 2009, the Chamber of Commerce, the leading business lobbying group in the country, announced that it would "spend whatever it takes" to defeat the agency. According to the Center for Public Integrity, from 2009 through the beginning of 2010, it would be one of the biggest spenders among the more than 850 businesses and trade groups that together paid lobbyists $1.3 billion to fight financial reform.

Although a Gallup poll in the fall of 2010 would show that 61 percent of Americans supported Dodd-Frank—which was designed to curb the risky bank activities that triggered the 2008 meltdown and the ensuing recession—the financial establishment would continue to attack it even after it became law on July 21, 2010.

According to the Center for Responsive Politics, in 2010 the financial industry flooded Congress with 2,565 lobbyists. They were financed by the likes of the Financial Services Roundtable, which, according to the Center, paid lobbyists $7.5 million, and is on its way to spending as much or more this year. The Chamber of Commerce spent $132 million on lobbying Washington in 2010. The American Bankers Association spent $7.8 million. As for individual banks: J. P. Morgan Chase, which received $25 billion in TARP funds from taxpayers, spent nearly $14 million on lobbying during the 2009–10 election cycle; Goldman Sachs, which received more than $10 billion from taxpayers, spent $7.4 million; Citigroup, which was teetering on the brink of insolvency and received a $45 billion infusion, has paid more than $14 million to lobbyists since 2009. And none of this money includes the direct campaign donations these organizations, and their surrogates, made to members of Congress.

The banks "do *not* like to lose," says Ed Mierzwinski, of the National Association of State Public Interest Research Groups, which was part of the grossly outmatched consumer coalition that managed to scrape together a paltry $2 million to lobby in favor of reform.

While Wall Street and the banks oppose virtually every aspect of Dodd-Frank—from the new rules on derivatives to higher capital requirements—the C.F.P.B. would become among the most controversial aspects of the reforms, the banking industry's particular bête noire. Its chief mission, on the face of it, would seem unremarkable: enforcing the rules protecting consumers already on the books, bringing laws that had been overseen by seven different federal agencies under a single authority. Most of the rules were overseen by the bank regulators. The catch was that none of them had paid much attention to consumer protection. Their primary focus had been ensuring the "safety and soundness" of the banks, which for decades had translated as ensuring bank profits. For the banks, the C.F.P.B. meant not only a new regulator rifling around in their books but also a regulator with a mission that did not focus on their bottom lines. And in a world where the banking industry makes billions of dollars off consumers from what's hidden in the fine print—including $22.5 billion in credit-card *penalty* fees last year, according to R. K. Hammer, a bank-card consultant—the banks perhaps had reason to be concerned.

Talk to most bank executives and they'll still place the blame for the 2008 financial crisis on "irresponsible consumers" who took out mortgages they couldn't afford; dishonest mortgage brokers; and—at the top of the list—the government, which used Fannie Mae and Freddie Mac to finance mortgage lending to "people who shouldn't own homes," as one senior New York bank executive put it to me recently. All of which is partly true but omits the enthusiasm with which Wall Street feasted on that market, and the fact, as Warren puts it, "that Wall Street made tens of billions of dollars" from it. In short, there is no remorse, let alone a sense of obligation, because bank executives generally do not believe they were the cause of the financial collapse. As Neil Barofsky, Treasury's former inspector general charged with oversight of TARP, the $700 billion government bailout of the banks, recalls from his interviews with bankers, the attitude instead was that "shit happens." The state of denial has been massive. On Wall Street today, says the vice-chairman of a private-equity firm, "there is this enormous persecution complex in the banking industry about Dodd-Frank, that everyone is going after the banks."

This Wall Street psychosis—"We did nothing wrong, but everyone is trying to hurt us"—was given a dramatic airing in June by Jamie Dimon, the chairman of J. P. Morgan Chase, at a conference in Atlanta. Clearly agitated during a Q&A with Federal Reserve chairman Ben Bernanke, Dimon launched into the reasons why the regulators were being too tough on banks. The causes of the financial crisis had been dealt with. "Most of the bad actors are gone," he said, rattling off a long list of the perpetrators, which included C.D.O.'s, Fannie Mae, Freddie Mac, "thrifts, all the mortgage brokers, and, uh, obviously some banks." He said that he worried that Dodd-Frank was "holding us back at this point"—suggesting that the regulation of banks was the reason why the economy was not recovering. In other words, what was bad for Wall Street was very bad for the country.

What Dimon did not say is that having been supported through the crisis by billions of dollars in TARP aid from American taxpayers, and another $1.2 trillion in emergency loans from the Fed, the largest banks are bigger today than they were before the crisis—way too big to fail—and that many of them are generating even fatter profits. At Dimon's $2 trillion J. P. Morgan Chase—which rewarded Dimon's performance last year with pay estimated at $20.8 million and $17 million in restricted stock and options—revenues hit $27.4 billion, with a profit of $5.4 billion, in the second quarter of 2011 alone. Nevertheless, Dimon's argument was essentially the one that bank executives, their lobbyists, and supporters in Congress would make against financial reform: that it would kill job creation, cut off lending to businesses and consumers, stifle financial innovation, and strangle free enterprise in America. Spencer Bachus, the Alabama Republican who chairs the powerful House Committee on Financial Services and who is one of the C.F.P.B.'s leading opponents, would—invoking Mao Zedong—even suggest at a Chamber of Commerce gathering in March that Dodd-Frank was, as he put it, a move toward "a government command-and-control" economy.

Warren followed Bachus to the podium at that conference. It was one of countless meetings she had been having with bankers and business leaders to win their support for the C.F.P.B. She spoke about her belief in free markets, and in government regulation as a mechanism that protected free enterprise by ensuring that the markets functioned fairly and honestly. Perhaps because she did not expect—or get—a rousing reception, she refrained from giving the passionate *cri de coeur* on the plight of the middle class that brought resounding applause and cheers from audiences around the country.

In those speeches, sometimes using slides filled with numbers and graphs, she would, as she did at a speech in Manhattan in early June, outline the impact on middle-class Americans of rising health-care costs, burgeoning debt, and the depletion of not only their savings but also, with the rise in joblessness, their confidence. She spoke of "the Wild West" conditions deregulation had created, where banks could sell virtually any product they wanted, on any terms: mortgages they knew consumers could not pay off, credit cards whose rates they could raise at whim, products that came with a mind-boggling array of penalty fees, many of them not fully disclosed. But it was her final remarks that brought down the standing-room-only house in June. "We cannot run our country without a strong middle class. We cannot run a democracy without a strong middle class," she said, her voice quavering slightly. "If we hollow out the middle class," she said, "then the country we know is gone."

But while audiences applauded her, Warren's opponents lacerated her. She was called incompetent, power-hungry, ignorant, a media whore, and, in a widely televised moment, a liar, by a Republican congressman during a hearing in May. "It was like she was the Antichrist," says Roger Beverage, the president of the Oklahoma Bankers Association and one of the few bankers who publicly supported her. She had become the lightning rod for the opposition to the C.F.P.B. Says Barney Frank, the Massachusetts congressman who is the “Frank” in “Dodd-Frank,” “It’s partly sore-losership. They are blaming her for something they all swore would never happen.” But it was also because she was eloquent and convincing, and relentlessly tough in her criticism of Wall Street and its enablers.

That bluntness was evident in an interview even in late May, when Warren, who learned only in July that she wouldn’t get the job, still believed that Obama might ask her to run the C.F.P.B. “It’s money and power, the only two things we are talking about here,” she said, speaking of the people who were trying to kill the C.F.P.B. “in the back alleys,” as she put it. “There are many who are rich and powerful who say the system works fine as it is,” she continued. “America had been a boom-and-bust economy going into the Great Depression—just over and over and over, fortunes were wiped out, ordinary families were crushed under it. Coming out of the Great Depression we said, We can build a structure that makes us all safer. And notice, it’s from the end of the Great Depression to the 1980s that we built America’s middle class. That’s when we got stronger as a country. That’s when that big, solid, boring, hardworking, play-by-the-rules group in the middle emerged and defined what America was. You still had the ability to become a billionaire, but the center stayed strong and, notice, provided opportunity for growth, opportunity for getting ahead, opportunity that your kids were going to do better than you did. That was what defined America. And then we started, inch by inch, pulling the threads out of that regulatory fabric, starting in the 1980s.”

Today, Warren says, one “vision of how America works is that it’s an even game, that anybody can get started—just roll those dice; that booms and busts will come and millions of people will lose their homes, millions more will lose their jobs, and trillions of dollars in savings retirement accounts will be wiped out. The question is, Do we have a different vision of what we can do? This agency is out here in a sense to try to hold accountable a financial-services industry that ran wild, that brought our economy to the edge of collapse,” she said. “There’s been such a sense that there’s one set of rules for trillion-dollar financial institutions and a different set for all the rest of us. It’s so pervasive that it’s not even hidden.”

Warren was not always a critic. Born and raised in Oklahoma, Elizabeth Herring spent most of her early life performing all the good-girl Stations of the Cross. She won the Betty Crocker competitions, married for the first time at 19, had two children before she was 30, and was once a registered Republican. She was the youngest of four children and the only daughter. Her father worked as a janitor, and her mother brought in extra money working in the catalogue-order department at Sears. Warren would recall her mother hesitating to take her to the doctor because money was so tight. A brilliant and competitive student, Warren was named Oklahoma's top high-school debater at 16, the same year she graduated with a full debating scholarship to George Washington University. She left G.W. after two years to marry her high-school boyfriend and moved to Houston, where she finished her degree in speech pathology. The first member of her immediate family to graduate from college, Warren then worked as a teacher, followed her husband to New Jersey, and had her first child in 1971. She got her law degree in 1976 from Rutgers University. In the next years, as she divorced and remarried—her current husband, Bruce Mann, is a Harvard law professor—she moved around the country, teaching at the University of Texas, the University of Michigan, and the University of Pennsylvania, before finally settling at Harvard in 1995.

It was in 1979 that Warren had her Damascene conversion—the experience that would lead her to become the nation's top authority on the economic pressures facing the American middle class, and trigger her passionate advocacy. In 1978, Congress had passed a law that made it easier for companies and individuals to declare bankruptcy. Warren decided to investigate the reasons why Americans were ending up in bankruptcy court. "I set out to prove they were all a bunch of cheaters," she said in a 2007 interview. "I was going to expose these people who were taking advantage of the rest of us." What she found, after conducting with two colleagues one of the most rigorous bankruptcy studies ever, shook her deeply. The vast majority of those in bankruptcy courts, she discovered, were from hardworking middle-class families, people who lost jobs or had "family breakups" or illnesses that wiped out their savings. "It changed my vision," she said.

From then on, Warren would focus her research on the economic forces bearing down on the American middle class. She would chart the disintegration of government policies that, since the New Deal, had helped create perhaps the strongest middle class in the world—in particular, the deregulation of the banks that began in the 1980s. It was a process that she says transformed the middle class into "the turkey at Thanksgiving dinner," carved, "pulled from," picked at, something from which everyone "could make a profit." Her research into how that profit was made would take her into the world of subprime and teaser-rate mortgages, huge credit-card and checking-account penalties, and everything that was buried deep in incomprehensibly worded fine print—the "tricks and traps," as she calls them, that banks used to lure people into increasingly risky credit products. It would be her immense knowledge of banking practices that would make her such a dangerous and natural foe to Wall Street.

Warren's first foray into politics was a bitter experience. It began in 1995, when she was asked to advise the new National Bankruptcy Review Commission. She helped draft the commission's report and then spent several years fighting congressional legislation that would severely restrict the right of consumers to file for bankruptcy. It was a brutal fight. "On the one side you had a huge business alliance, starting with the credit-card companies," says Travis Plunkett, legislative director of the Consumer Federation of America. "And on the other side you had a sort of ragtag public-interest coalition." The bill that finally passed in 2005 was a resounding victory for the business lobby and a defeat for consumers. The wheeling and dealing—the millions in political donations, the spectacle of even sympathetic allies in Congress swayed by wealthy special interests, particularly the banks and credit-card companies—left its mark on Warren. And what happened next would be the genesis of Wall Street's outrage at her.

In November 2008, Warren received a call from Senator Harry Reid. Lehman Brothers had collapsed two months before; A.I.G.'s bailout had just been upped to $150 billion, and Congress had passed TARP. Reid asked Warren to head the congressional panel overseeing the $700 billion bailout. The job was vague, with no clear goals, but Warren would turn it into a tough, prosecutorial committee. She did real investigations, grilled government officials, and issued blunt monthly reports demanding more accountability from banks and better returns for the taxpayer. She held public hearings that were televised, asking the questions that many taxpayers wanted asked—and questions that bankers and Treasury officials did not want to answer.

Perhaps the most widely watched hearing is the one that took place in September 2009. A video of part of that hearing can still be found on YouTube, under the title "Elizabeth Warren Makes Timmy Geithner Squirm." It opens with Warren asking the question that was on the minds of many taxpayers: "A.I.G. has received about $70 billion in TARP money, about $100 billion in loans from the Fed. Do you know where the money went?" What followed during the rest of the hearing was the spectacle of the Treasury secretary tripping over his words, his eyes darting around the room as Warren, calm and prosecutorial, kept hammering him with questions. At another hearing, in December

2009, Geithner appeared to be barely able to contain his annoyance, at one point almost shouting at her. Warren's questioning "was masterful," says Neil Barofsky, who ran the TARP oversight for Treasury. "She eviscerated him." But Warren would pay a price for those hearings.

"Geithner hated her," says a former administration official. Part of it was seen as personal because she had scorched him in public. But the whole thrust of her work on the oversight panel—getting the facts out to the public—was at odds with Geithner's perceived conviction, shared by the Wall Street establishment, that the details of the banks' TARP rescue should be hidden from public scrutiny whenever possible in order to give the banks time to recover, an assessment that a Treasury spokesperson disputes, insisting that "Secretary Geithner initiated unprecedented disclosure requirements for financial institutions."

According to Barofsky, however, "Treasury's descriptions of what was happening were very skewed towards the positive and often incomprehensible. There was this reluctance towards transparency," and Warren's work on the oversight panel "helped bring light in a lot of dark areas." As Treasury sought to cosset the banks, never requiring them, for example, as Barofsky points out, to explain what they were doing with their billions in TARP bailout money, Warren persisted. She went on television shows to criticize the government's secrecy, the huge bank bonuses, the fact that even after the bailout the banks had escaped disciplinary measures. Obama's top economic advisers, according to a former administration official, thought Warren was "a pain in the ass." On Wall Street, Warren was regarded, says one bank vice-chairman, as "the Devil incarnate," and, according to another executive, a "showboater," who didn't really know what she was talking about.

But her sin was actually quite the opposite: she knew what she was talking about. Wall Street's power in Washington, says a former congressional staffer who worked on the Dodd-Frank bill, has been built partly on the fact that few people outside Wall Street understand the esoterica of finance—the intricacies of C.D.O.'s and the labyrinthian structures of credit-default swaps. And that knowledge is used to control and confuse. But Warren did understand. Says Carolyn Maloney, a New York Democratic representative, "She understands the information as well as the top players in the business." She knew the secret handshake, the secret language—and she used it against "that tight little group," as Warren would refer to Wall Street C.E.O.'s and Washington officials who basically controlled the terms of the bailout.

In early spring, several weeks before Obama's April announcement that he was running for re-election, 24 Wall Street executives gathered in the Blue Room of the White House for a meeting with the president. According to the *New York Times* account of the meeting, Obama spent more than an hour listening to the financiers' thoughts on the economy, the deficit, and financial regulation. After the meeting, Obama would follow up with phone calls to the executives who had not been able to attend. The event, the Times wrote, was organized by the Democratic National Committee and "kicked off an aggressive push by Mr. Obama to win back the allegiance of one of his most vital sources of campaign cash." The financial industry contributed $43 million to Obama's 2008 presidential campaign, a record haul. But his relations with Wall Street had soured—remarkably many of them were enraged over his criticism of their bonuses in late 2009, which is also when he called them "fat cat bankers."

By April, however, Warren's standing in the White House was shaky. Three months earlier, in what was seen as an attempt to "repair" his relationship with his Wall Street donors, Obama had brought in William Daley as his new chief of staff. A former banker at J. P. Morgan Chase, Daley came into the administration just as senior Obama adviser David Axelrod left. But while Axelrod and another top adviser, Valerie Jarrett, were perceived as strong Warren supporters, Daley had reportedly opposed the creation of the C.F.P.B. A spokesperson for the White House said that, although Daley was "not recused from" discussions about the C.F.P.B., he chose "not to participate in the process of selecting a nominee for C.F.P.B. director." Which is possible. But with Daley and Geithner—one of Obama's closest advisers—sharing center stage, the balance of power in the debate over Warren shifted. Geithner would never criticize Warren publicly—and indeed, as a Treasury spokesperson says, he "has expressed his support and admiration for Professor Warren many times"—but few people in Washington doubted that he remained opposed to her candidacy. To at least one person who saw them in meetings together it appeared that "he looked down on her for no apparent or justifiable reason." As for Warren, if one mentions the video "Elizabeth Warren Makes Timmy Geithner Squirm," she says nothing, but an impish smile crosses her face.

By this spring, Spencer Bachus, along with his fellow Alabaman, Senator Richard Shelby, was one of the C.F.P.B.'s leading opponents.

But they would be joined by the vast majority of Republicans. Some of them had previously admitted to having no particular interest in or understanding of banking, but had developed strong feelings about the C.F.P.B. after receiving campaign donations from banking groups. Among them was former MTV *Real World* star Sean Duffy, a Wisconsin Republican elected to Congress in 2010, who has been showered with $178,000 in campaign donations from the financial sector for his next election. But the real battle was against Dodd-Frank. Attempts were popping up throughout Congress to slash the budgets of regulatory agencies, including the C.F.P.B. There was even one that denied funding for a consumer-complaint database at the Consumer Product Safety Commission, which businesses had opposed on the grounds that consumers might call in fake complaints. In a sense, says Barney Frank, the C.F.P.B. and Warren had become "a symbol" in a broader battle that was partly ideological. The anti-government, free-market, unregulated-business-as-the-savior-of-America sentiment of the Republican Party today, assisted by Wall Street's campaign donations, dovetailed perfectly with the interests of the country's banking Goliaths. To a degree, the attitude regarding Warren, Frank says, was "How *dare* this woman criticize the free-enterprise system?"

But it wasn't just Republicans. In May, Christopher Dodd, the former Democratic senator from Connecticut, who had chaired the powerful Senate Banking Committee, denied to Politico the rumors that he was trying to kill Warren's nomination. But his cryptic statement about people with "ego" problems standing in the way of the bureau was widely seen as a poison dart aimed at Warren. During the passage of Dodd-Frank, Dodd, who is now chairman of the Motion Picture Association of America, was seen as one of Warren's more influential opponents. Among Wall Street's staunchest allies—to the tune, in his last election, of almost $4 million in campaign donations for a race he did not even complete—he had sponsored the reform bill in the Senate but had several times appeared to yield to bank opposition, entertaining a number of proposals that would have either killed the C.F.P.B. outright or severely restricted its independence. Warren fought back, not only by calling in support from the White House, but also by speaking out in public. In March 2010 she lashed out in the Huffington Post: "My first choice is a strong consumer agency," she said. "My second choice is no agency at all and plenty of blood and teeth left on the floor."

If the friction between Warren and Dodd was an open secret, there would be other Democrats—apparent allies—who also appeared to be trying to pry her away from the C.F.P.B. Those most notable would be

Senators Harry Reid and Chuck Schumer, who led the effort, which began in the late spring, to encourage Warren to leave Washington to run against Scott Brown, the Massachusetts Republican, who is up for re-election next year. Some speculated that they were doing the president's dirty work, trying to rescue him from a tough decision. But others would note the gush of Wall Street donations these Democrats received for their 2010 elections: $6.2 million for Chuck Schumer, the most of any senator, and $4.7 million for Harry Reid, who would clock in as the third-highest beneficiary of Wall Street largesse in the Senate—after New York Democrat Kirsten Gillibrand—according to the Center for Responsive Politics.

In a letter dated May 2, 2011, 44 Republican senators issued an ultimatum to Obama. Citing "the lack of accountability in the structure" of the C.F.P.B., and "the unprecedented authority" of its director "over financial institutions and main street businesses," they announced that they would block the confirmation of anyone he chose to nominate as C.F.P.B. director unless the bureau's structure was overhauled. There were many in Washington who viewed this as the perfect opportunity for Obama to appoint Warren during a congressional recess. It would have triggered a bitter fight in Congress, but one that many of Warren's supporters believed was worth having. "It would have sharpened the issues," says Jonathan Alter, the author of *The Promise: President Obama, Year One.*

But for weeks Obama did nothing. As the attacks on Warren and the C.F.P.B. heated up during May and June, the silence from the White House was deafening. Even leading Democrats, like Barney Frank, were confused about the president's intentions—would he name Warren in a recess appointment or not? And they were stunned when Obama jettisoned her.

Today, David Axelrod, who is now Obama's chief campaign strategist, denies that placating Wall Street donors influenced Obama's thinking on the C.F.P.B. "If we were concerned about that, we never would have brought in Elizabeth in the first place," he says. Nominating Warren to head the C.F.P.B. would have been "a big bloody fight," he says, insisting that if it had been the right battle Obama would have gone for it. "Look, the president expended a lot of political currency on passing Dodd-Frank and on passing this consumer bureau because he believes in it. So we're not averse to battles," he says. "The question is: What are the battles that are in the best interests of the enterprise?" While the fight "would be a wonderful rallying tool in the campaign," a "symbolic battle that would thrill people," he says that trying to “score political points by martyring her” would ultimately have hurt the C.F.P.B. “With middle-class people and consumers having so much at stake here, we don’t have the luxury of self-immolation; we don’t have the luxury of symbolism.”

Axelrod’s argument that a fight over Warren’s nomination might damage the C.F.P.B.—although utterly pragmatic and a passionate argument against taking a stand on principle, a view which seems to have overtaken the president on many issues—makes sense. Except for one key point. The man Obama chose, Richard Cordray, is hardly more likely to win Senate confirmation, or Wall Street’s support, than Elizabeth Warren. *The Wall Street Journal* would write that his career “sounds like Mrs. Warren without the charm.” As Ohio’s attorney general, he had been one of the nation’s leading prosecutors of the financial industry. Before he was nominated, Cordray, who was then chief of enforcement at the C.F.P.B., announced that once the agency went into business he would continue his tough approach “on a 50-state basis … with a more robust and a more comprehensive authority.”

On September 6, Cordray went before the Senate Banking Committee for his confirmation hearing. He met with far more polite treatment from Republican members than Warren ever had, but Republican senators reiterated their pledge to block any nomination to the C.F.P.B. until their demands for changes to the agency were met. Whether they will back down from that promise is anyone’s guess. But the C.F.P.B. will be under fire either way, as will Dodd-Frank. Today, with the battle over regulating Wall Street already an issue in the 2012 presidential race, there are at least a dozen bills and amendments floating around Congress that would weaken the C.F.P.B. or kill it outright. How hard the Obama administration will fight the attacks is another question. The president’s concessions to Republicans on the debt-ceiling deal inspired little confidence among the agency’s supporters. But a new Obama appears to have suddenly emerged—one who, perhaps propelled by his sagging approval ratings and the coming campaign, has suddenly stopped compromising “with himself,” as *The New York Times* recently editorialized. An Obama who—with his jobs plan and his call for economic fairness in cutting the deficit, including raising taxes on corporations and the rich—seems, for the moment, to be taking a stand for Main Street.

As for Elizabeth Warren, on September 14, ending weeks of speculation, she officially announced that she was entering the Massachusetts Senate race. Today, Warren is considered the

Democratic front-runner in what is likely to be one of the most closely watched congressional elections next year. In early September, one poll put her within nine points of Scott Brown—even before she had announced her candidacy. A few weeks later, after her official entry into the field, another poll had her ahead of Brown by two points.

Speaking from a car on her way from one campaign event to another, Warren told me that the stakes are too high for her not to run, too high not to try to continue the fight "for the middle class." Too high not to try to bring it into the belly of the beast, to the floor of the U.S. Congress. Middle-class families "are getting *hammered* and you know Washington doesn't get it," she said. "G.E. doesn't pay any taxes and we are asking college kids to take on even more debt to get an education, and asking seniors to get by on less. These aren't just economic questions. These are *moral* questions."

Although heavily lobbied by leading Democrats to run, Warren was warned by many that the fight would be brutal. Even her brother David told her, "Don't do this, it's too nasty." Looking back on her time in Washington, though, and the months she spent setting up and fighting for the C.F.P.B., she says, "I've done brutal."

But the fight for Ted Kennedy's old Senate seat is expected to redefine brutal. A Republican golden boy and Wall Street favorite, Brown was rolling in campaign money—some $10 million—even before Warren's announcement, thanks in large part to the financial industry's largesse. With Warren in the race, the Republican party and the nation's corporatocracy is expected to flood Brown's coffers with even more cash.