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Staff Losses and Dissent May Hurt Crisis Panel

By SEWELL CHAN and ERIC DASH

Correction Appended

WASHINGTON — With less than four months left to complete its work, the group appointed by Congress to examine the causes of the financial crisis has been hampered by an exodus of senior employees and by internal disagreements that could hinder its ability to produce a report the entire commission could support.

The group, the Financial Crisis Inquiry Commission, is expected to report to the nation by Dec. 15 on the causes of the 2008 financial debacle. It is investigating 22 factors, including Asian savings, regulatory failings in the United States, executive pay and credit ratings.

Modeled in part on the 9/11 Commission and in part on the Pecora hearings, which the Senate convened to investigate the sources of the Great Depression, the commission hopes to produce a detailed report that will influence future policy making. It has held 12 days of hearings, interviewed more than 500 witnesses and pored over hundreds of thousands of pages of documents.

But as the commission prepares for its final round of public hearings on Capitol Hill this week — including appearances by Richard S. Fuld Jr., the former chief executive of Lehman Brothers, on Wednesday, and Ben S. Bernanke, the chairman of the Federal Reserve, on Thursday — it faces substantial obstacles.

In May, the commission's executive director was moved aside and succeeded by an economist from the Fed, a decision that drew criticism since the central bank is an object of the investigation because of its leading role in handling the crisis. In addition, five of the commission's 14 senior staff members have resigned, including Matt Cooper, a journalist who was drafting the report.

Moreover, the commission's chairman, Phil Angelides, and vice chairman, Bill Thomas, are finding it challenging to maintain support from all eight other commissioners. While squabbling within the panel has not broken into open dissent, several commissioners are divided over how much to blame specific individuals and banks, how and when to release the documents it has gathered and whether to make available testimony of government officials and bank executives it has interviewed privately.

In a joint interview by phone on Tuesday, Mr. Angelides, a Democrat, and Mr. Thomas, a Republican, said that the turnover's effects had been exaggerated and that they were optimistic about a consensus.

"We're doing our very best, and we will do our level best," said Mr. Angelides. He said he had spoken recently with Thomas H. Kean, the former New Jersey governor who led the 9/11 Commission, which produced an acclaimed report that was a surprise best seller. "Several weeks out, they doubted whether they would get any kind of agreement on anything," Mr. Angelides said.

Mr. Thomas said that the law establishing the commission did not mandate unanimity, but “it’s always desirable,” he said.

Created in May 2009, the commission got off to a slow start. Congressional leaders named the 10 members that July, and the commission met for the first time last September. Not until December did the commission name 14 senior staff members.

The departures also include: Martin T. Biegelman, a veteran corporate fraud investigator; Bradley J. Bondi, a lawyer who returned to the Securities and Exchange Commission; Bartly A. Dzivi, a banking lawyer; and Beneva C. Schulte, who had been in charge of communications.

Mr. Angelides, a former California state treasurer who unsuccessfully challenged Gov. Arnold Schwarzenegger’s re-election campaign in 2006, said the departures had not delayed the commission’s work. “It’s difficult in your first year of operation to assemble a new team,” he said. “You always have a lot of dynamism, people coming and going.”

On July 27, after Congress added $1.8 million to the panel’s initial budget of $8 million, Darrell Issa of California, the top Republican on the House Oversight and Government Reform Committee, asked for details of its staff and budget.

Mr. Issa noted the turnover and questioned the decision to appoint Wendy M. Edelberg, an economist on loan from the Fed, as executive director. She replaced J. Thomas Greene, who had worked in the California attorney general’s office.

Another top staff member, Gregory H. Feldberg, who replaced Ms. Edelberg as research director after she was promoted, is also on loan from the Fed. He is the son of Chester B. Feldberg, one of three trustees overseeing the government’s majority stake in the American International Group, the giant insurer that collapsed in 2008.

The father, known as Chet, is a former chairman of Barclays America and before that was in charge of bank supervision and regulation at the Federal Reserve Bank of New York, which critics say failed to regulate banks and then helped bail them out.

Mr. Issa said the appointments of Ms. Edelberg and Mr. Feldberg raised the appearance of conflicts of interest — a claim Mr. Angelides and Mr. Thomas denied.

“Wendy is in the position she’s in because she’s bright, talented, has an economics degree,” Mr. Thomas said, adding that she “knows how to work with bright, strong ego-driven people as well” because she worked with the Bush and Obama White Houses.

Mr. Angelides called Gregory Feldberg “a wonderful, talented guy” and added: “He signed an ethics agreement and a confidentiality agreement and has recused himself from any matters relating to A.I.G.”

Borrowing employees from other agencies, Mr. Thomas said, was the only way to get people who “had to be up to speed” on complex financial matters.

In a letter on Aug. 9 to Mr. Issa, Mr. Angelides said that the commission was “devoting all our time, energy and resources” to the report, and that the $1.8 million would be used for “engaging additional investigators, researchers and report writers, and expanding our computerized document analysis resources.” (In comparison, the 9/11 Commission had a $15 million budget.)

Mr. Angelides called the criticisms “silly, stupid Washington stuff,” adding: “I don’t know what Mr. Issa’s agenda is, but I can tell you what ours is.”

The commission will also have field hearings this month in Bakersfield, Calif., Las Vegas, Miami and Sacramento.

Sewell Chan reported from Washington, and Eric Dash from New York. Barclay Walsh contributed research.

Correction: September 2, 2010

An article on Wednesday about internal dissent and staff losses at the Financial Crisis Inquiry Commission gave an incorrect first initial for the commission’s first executive director in some editions. He is J. — not B. — Thomas Greene.