Bailout Bill Slapped Aside; Record Stock Plunge

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WASHINGTON - In a vote that shook the government, Wall Street and markets around the world, the House on Monday defeated a $700 billion emergency rescue for the nation's financial system, leaving both parties' lawmakers and the Bush administration scrambling to pick up the pieces. Dismayed investors sent the Dow Jones industrials plunging nearly 800 points, the most ever for a single day.

The bill went down, 228-205.

The House Web site was overwhelmed as millions of people sought information about the measure throughout the day.

The legislation the administration promoted would have allowed the government to buy bad mortgages and other sour assets held by troubled banks and other financial institutions. Getting those debts off their books should bolster those companies' balance sheets, making them more inclined to lend and ease one of the biggest choke points in a national credit crisis. If the plan worked, the thinking went, it would help lift a major weight off the national economy, which is already sputtering.

In the face of thousands of phone calls and e-mails fiercely opposing the measure, many lawmakers were not willing to take the political risk of voting for it just five weeks before the elections.

All sides agreed the effort to bolster beleaguered financial markets, potentially the biggest government intervention since the Great Depression, could not be abandoned.

But in a remarkable display on Monday, a majority of House members slapped aside the best version their leaders and the administration had been able to come up with, bucking presidential speeches, pleading visits from Treasury Secretary Henry Paulson and Federal Reserve Chairman Ben Bernanke and urgent warnings that the economy could nosedive without the legislation.

In the meantime, Paulson said he would work with other regulators "to use all the tools available to protect our financial system and our economy."
More than a repudiation of Democrats, Frank said, Republicans refused to vote for the bailout was a repudiation of their own president.

But their feelings, they decided to punish the country?,

"Bill Murray," Frank D. Masse, chairman of the Financial Services Committee, said Rep. Rep. Richard A. Rojas, the whip, reminded that President Obama's speech changed the minds of a dozen Republicans who might otherwise have supported the plan.

"We could have gotten these today had we not been for the partisan speech that the speaker gave on the floor of the House," Obama said.

"We need to work with our colleagues against the president and his party.

The real tough words against the president and his party.

Whatever happened during our November, or all different from discipline, no regulation of financial markets — for the defeat. It is a failure of will.


The final stock carnage was 777 points, far surpassing the 684-point drop on the first trading day after the Sept. 11, 2001, terror attacks.

In the House, "no" votes came from both the Democratic and Republican sides of the aisle. More than two-thirds of Republicans and 40 percent of Democrats opposed the bill. Several Republicans voted "no" on the same floor where they had voted "yes." and in November.

The overriding question was what to do next.

"The legislation may have failed, the crisis is still with us," said House Speaker Nancy Pelosi, D-Calif., in a news conference after the defeat. "What happened today cannot stand."

Republican leader John Boehner, R-Ohio, said he and other Republicans were pained to vote for such a measure, but he agreed that in light of the potential consequences for the economy and all Americans, "I think that we need to renew our efforts to find a solution that

Rep. Pelosi's floor speech, which accused Bush of economic policy and a "right-wing ideology of anything goes, no supervision, no regulation" of financial markets, no discipline, no regulation of financial markets — for the defeat. It was a failure of will.

Sen. Chris Dodd, D-Conn., said there was scant time to reopen legislation that was the product of hard-fought bipartisan negotiations.

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The two men campaigning to replace Bush watched the situation closely — from afar — and demanded action.

In Iowa, Republican John McCain said his rival Barack Obama and congressional Democrats "infused unnecessary partisanship into the process. Now is not the time to fix the blame; it's time to fix the problem."

Obama said, "Democrats, Republicans, step up to the plate, get it done."

Lawmakers were under extraordinary pressure from powerful outside groups, which gave notice they considered the legislation a "key vote." — one they would consider when rating members of Congress.

The U.S. Chamber of Commerce said opponents of the bailout would pay for their stance. "Make no mistake: When the aftermath of congressional inaction becomes clear, Americans will not tolerate those who stood by and let the calamity happen," said R. Bruce Josten, the Chamber's top lobbyist, in a letter to members.

The conservative Club for Growth made a similar threat to supporters of the bailout.

"We're in this moment, and if we fail to do the right thing, Heaven help us," he said.

If Congress doesn't come around on a bailout, more pressure would fall on the Federal Reserve.

The Fed, which has been providing billions in short-term loans to squeezed banks to help improve credit, could keep expanding those loans to encourage lending. The Fed, which has been providing billions in short-term loans to squeezed banks to help improve credit, could keep expanding those loans to encourage lending.

And it could keep working with other central banks to inject billions into financial markets overseas.

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"We're all worried about losing our jobs," Rep. Paul Ryan, R-Wis., declared in an impassioned speech in support of the bill before the vote. "Most of us say, 'I want this thing to pass, but I want you to vote for it — not me.'"

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Credit tightens as rescue bill heads back to House AP, Thu Oct 2, 5:51 PM ET

Stocks decline on unemployment, factory reports AP, Thu Oct 2, 5:44 PM ET

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Stocks decline on unemployment, factory reports AP - Thu Oct 2, 2:42 PM ET

Is Credit Still Available? FOXBusiness - Thu Oct 2, 1:55 PM ET

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