Reversal of fortune: House approves $700-billion bailout bill

Four days after rejecting a similar plan, the House of Representatives approves the measure by a 263-171 vote. Bush quickly signs the bill into law.

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WASHINGTON — The House of Representatives approved the $700-billion Wall Street bailout Friday, setting in motion the biggest government intervention in the financial system since the Great Depression.

President Bush quickly signed the bill, and Treasury Department officials vowed to move swiftly to use sweeping new powers to try to stabilize financial markets and ease deepening fears about the economy.

The vote took place amid anxiety that the turmoil was paralyzing sources of credit vital to businesses, consumers and government. Underscoring that concern, California Gov. Arnold Schwarzenegger warned this week that the state might need an emergency federal loan because of the crisis.

The House's 263-171 vote was a sharp reversal from Monday, when the chamber rejected a similar bill and the Dow Jones industrial average plunged 777 points in reaction. Lawmakers from both parties described Friday's vote, coming a month before they face reelection, as among the most gut-wrenching of their careers.

"I may lose this race over this," said Rep. Sue Myrick (R-N.C.), who voted for the bill Friday after opposing it earlier in the week. "But that's OK because I believe in my heart I'm doing the right thing."

Proponents sought to portray the measure as important to ordinary Americans even as some made clear their contempt for Wall Street's recklessness.

"Those greedy pigs on Wall Street don't deserve help from hardworking Americans," said Rep. Lee Terry (R-Neb.), another vote convert. "But allowing them to fail will cause so many other businesses . . . to lose access to credit, lose business."

Before Monday's vote, Congress had been deluged with calls and e-mails from constituents opposed to the bailout plan, but Monday's brutal market drop was met with public outrage and led to four days of heavy lobbying for the proposal. Senate leaders added tax breaks and other sweeteners to the measure and it passed there Wednesday. On Friday, the bill won 58 new "yes" votes in the House, clinching approval.

"We have acted boldly to help prevent the crisis on Wall Street from becoming a crisis in communities across our country," Bush said.

Nonetheless, markets declined Friday, reflecting broader economic uncertainty and
worries about a government report showing that unemployment rose sharply in September.

The 451-page Emergency Economic Stabilization Act grants the Treasury secretary unprecedented authority to buy up to $700 billion of troubled assets from ailing financial institutions in an effort to stave off more bankruptcies and provide cash for new loans to ease the credit market freeze-up.

New and improved

Lawmakers demanded numerous changes to the Treasury Department's original, three-page proposal, including limits on how much executives may be paid if their firms sell assets to the government. Congress also added an oversight board to supervise the program, raised the cap on Federal Deposit Insurance Corp. account coverage from $100,000 to $250,000, and required steps to help homeowners avoid foreclosure.

Sweeteners added an estimated $150 billion in costs, including a provision that shields 24 million taxpayers from the alternative minimum tax. The new law also has tax relief provisions for disaster victims; research and development tax credits; a hybrid car tax credit; and tax breaks for teachers who spend their own money on school supplies.

Many House members said they were reluctant to help an unpopular industry and approve new federal spending but felt they had no choice.

"Nobody in east Tennessee hates the fact more than me that I'm going to vote 'yes,'" said Rep. Zach Wamp, a Republican who came to favor the bill after helping defeat it in Monday's 228-205 vote. "Things are really bad, and we don't have any choice."

"I am just as angry and frustrated as many of those who have called my office," said Rep. Jerry McNerney (D-Pleasanton), who voted "yes" both times. "But I voted for it because my constituents' 401(k)s, their life savings, and the ability to take out car, home and student loans hang in the balance."

Preparing for the political fallout, Rep. Jim Marshall (D-Ga.) has already begun airing a TV ad in his district in which he declares: "I don't like this rescue plan any more than you do. . . . But I'm not going to stand by and let this crisis undermine our economy and damage the financial future of everyone in America."

Within the California delegation, Democrats voted 26-8 in favor of the bill, while Republicans voted 10-9 in favor. Seven Californians, all Democrats, supported the measure after opposing the earlier version.

Overall, Democrats in the House favored the bill 172-63 in Friday's vote; Republicans voted 108-91 against it.

In Monday's vote, Democrats voted 140-95 in favor while Republicans voted 133-65
against. Between the two votes, 33 Democrats switched their votes to "yes," while one Democrat changed his vote from "yes" to "no."

Twenty-five Republicans switched to "yes," and one other Republican voted "yes" Friday after missing Monday's vote.

For many California lawmakers, the state's credit crisis amounted to a tipping point. "California now faces a budgetary situation so perilous that our public services are now threatened," said Rep. Lynn Woolsey (D-Petaluma), who opposed the bill Monday but supported it Friday.

**Lobbying lawmakers**

The presidential candidates -- Democratic Sen. Barack Obama and Republican Sen. John McCain -- took part in a broad-based effort to lobby lawmakers, joined by outside groups and Schwarzenegger, who phoned California members of the House.

"I never talked to so many bank presidents in my life," said Rep. Joe Knollenberg (R-Mich.), a convert to the "yes" camp Friday. He also received a call from General Motors Corp. Chairman Rick Wagoner

The mood on the floor of the chamber was markedly more relaxed Friday than it had been Monday, reflecting expectations of passage.

House Speaker Nancy Pelosi (D-San Francisco), who on Monday riled Republicans by criticizing Bush's economic policies in a floor speech before the vote, softened her rhetoric Friday. Minority Leader John Boehner (R-Ohio), who denigrated the earlier version of the measure, urged Republicans to help pass its successor Friday.

"Let's not kid ourselves. We're in the midst of a recession," Boehner said. "It's going to be a rough ride. But it will be a whole lot rougher ride if we don't pass this bill."

To demonstrate concern for Main Street, the House approved a separate measure to extend unemployment benefits. That bill needs Senate approval.

The bailout vote divided members of the same party, and, in one case, a husband and wife.

Rep. Connie Mack (R-Fla.) said the vote would go down in history as "the day Congress killed the free market." His wife, Rep. Mary Bono Mack (R-Palm Springs), voted for the bill.

Despite the political shift in support, some opponents remained steadfast, encompassing an odd-fellows coalition of liberals and conservatives.

"This is not a time for panic," said Rep. Devin Nunes (R-Tulare). "Why do we need to
give $700 billion to one man to play hedge-fund god from the gilded offices of the United States Treasury?"

Rep. Paul W. Hodes (D-N.H.) said that despite improvements, the bill focused "too much on Wall Street."

**Things'll be different**

With lawmakers now heading home for the fall campaign, Congress will wait until next year to consider tougher regulations on financial institutions. Rep. Barney Frank (D-Mass.), chairman of the House Financial Services Committee, said lawmakers will "do some serious surgery on the financial structure."

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