

# Az delegation wants changes before backing huge bailout

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Tucson Citizen

Now what?

That was the question nearly everyone was asking Monday afternoon after the U.S. House of Representatives rejected a \$700 billion Wall Street bailout plan 228-205.

That same question remained after President George Bush warned on Tuesday that the economic damage will be "painful and lasting" if Congress doesn't revive the package. He vowed, "This is not the end of the legislative process."

Twelve votes. That was the difference between a relieved financial world and the 778-point plunge the Dow Jones industrial average took in the aftermath of the vote, wiping out more value in the stock market, about \$1.1 trillion, according to Bloomberg news service, than the bill would have provided to prevent it.

The eight members of the Arizona congressional delegation, four Republicans and four Democrats, voted against the bill.

House leaders vowed to try again Thursday, adjourning for the Jewish new year Rosh Hashana. What will it take to get the eight Arizonans and at least four others to change their votes? No one's saying. Or, at least not saying much.

Southern Arizona's delegation, Reps. Raúl Grijalva and Gabrielle Giffords, released just written statements. They did not respond to requests for interviews. E-mailed statements were all that was available from the state's other representatives.

The e-mails were long on what the delegation didn't like about the bill and short on what needs to be changed to earn its support.

As for the Senate, leaders of both parties said they wanted to see what happens in the House before bringing its version of the plan to a vote.

This wasn't supposed to happen.

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.

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 only five weeks before the general election.

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 probably would bolster those companies' balance sheets, making them more inclined to lend and ease one of the biggest choke points in the national credit crisis. If the plan worked, the thinking went, it would help lift a major weight off the national economy, which is sputtering.

Knowing it had an economic gun pointed at its heads, the House of Representatives was supposed to put politics aside and vote for an unpopular plan.

Instead of biting the bullet, Congress defiantly shot one into the air and started a sellers' stampede on Wall Street.

Congress' failure to act caught economists and financial analysts flat-footed.

University of Arizona economist Gerald Swanson said Washington doesn't get it.

"I'm a market guy," he said. "I'm not pleased with the idea of government doing all these things. (But) the other option is a deep, long recession."

So long as banks don't give loans, the economy is going to be in trouble, he said.

That's what congressional leaders failed to explain to the American people, who opposed the bailout, he said.

"I think they've done a poor job of educating the public of the ramifications of not doing something," Swanson said.

Opposition to the bill stretched across the state's political spectrum.

On the Left, Democrats Grijalva and Rep. Ed Pastor rejected the plan that they said would not do enough for mortgage holders.

Last week, Grijalva told the Tucson Citizen that he would vote against the bill if it did not include middle-class protections. After the vote, he said the bill lacked such elements.

"Provisions have been left out that would assure us that the taxpayer comes first," he said in a statement. "The lack of inclusion and advocacy for families directly is why I cannot support today's bill."

In the middle, Giffords and fellow freshman Democrat Rep. Harry Mitchell argued the vote was rushed and pledged to go back to work to get something done soon.

"As the most expensive economic program in the history of the country, I believe Congress needs to take more time to fully consider the implications of such legislation," said Giffords, in her statement.

In another statement released Monday afternoon, Giffords said she wanted the House to stay in session and not adjourn for the Jewish holiday, but not because the U.S. economy is in trouble. In a letter released Monday to House Speaker Nancy Pelosi and Majority Leader Steny Hoyer, Giffords outlined her concern.

"I voted against the adjournment resolution because, despite your tremendous leadership, this Congress has not succeeded in having an extension of the Solar Investment Tax Credit signed into law," she wrote.

Republican Reps. Jeff Flake, John Shaddeh, Trent Franks and Rick Renzi voted along ideological lines, opposing a major taxpayer intervention to save banks from management bad decisions.

House Republicans had an alternative plan that would have provided federal insurance to be sold to companies that held bad mortgages and other market-based solutions.

Flake, in his released statement, said he still wants that to be the plan.

"Given the House's failure to pass this bailout, Congress needs to come back and pass legislation that will stabilize the markets," Flake said in a release. "House Republicans have a proposal to do that."

As Democrats and Republicans figured out Monday how not to do something, the week unfolds into a new territory that even top economists hadn't considered, said Paul Portney, dean of the Eller College of Management at the University of Arizona.

"I've met with (Federal Reserve Chairman) Ben Bernanke once," Portney said. "He's one of the smartest guys anywhere. I could tell you he's sitting there right now thinking, 'I don't know this, I don't know that.'"

Swanson did have some good news. Southern Arizona may not be a bad place to weather a long, cold economic winter.

"Tucson in particular weathers recessions rather well because we have a large government sector," he said.

We'll have to wait until Thursday to find out if Congress will come in from the cold.

*The Associated Press contributed to this article.*