

Search Business

News, Stocks, Funds, Companies

Financial Tools

Select a Financial Tool

More in Business »

World Business Markets Economy DealBook Media & Advertising Small Business Your Money

Talks Implode During Day of Chaos; Fate of Bailout Plan Remains Unresolved

By DAVID M. HERSZENHORN, CARL HULSE and SHERYL GAY STOLBERG
Published: September 25, 2008

This article was reported by David M. Herszenhorn, Carl Hulse and Sheryl Gay Stolberg and written by Ms. Stolberg.

[Enlarge This Image](#)



Mitch Dumke/Reuters

The Treasury secretary Henry M. Paulson Jr., center, as he left Capitol Hill on Thursday night.

WASHINGTON — The day began with an agreement that Washington hoped would end the financial crisis that has gripped the nation. It dissolved into a verbal brawl in the Cabinet Room of the White House, urgent warnings from the president and pleas from a Treasury secretary who knelt before the House speaker and appealed for her support.

“If money isn’t loosened up, this sucker could go down,” President Bush declared Thursday as he watched the \$700 billion bailout package fall apart before his eyes, according to one person in the room.

It was an implosion that spilled out from behind closed doors into public view in a way rarely seen in Washington.

By 10:30 p.m., after another round of talks, Congressional negotiators gave up for the night and said they would try again on Friday. Left uncertain was the fate of the bailout, which the White House says is urgently needed to fix broken financial and credit markets, as well as whether the first [presidential debate](#) would go forward as planned Friday night in Mississippi.

When Congressional leaders and Senators [John McCain](#) and [Barack Obama](#), the two major party presidential candidates, trooped to the White House on Thursday afternoon, most signs pointed toward a bipartisan agreement on a grand compromise that could be accepted by all sides and signed into law by the weekend. It was intended to pump billions of dollars into the financial system, restoring liquidity and keeping credit flowing to businesses and consumers.

“We’re in a serious economic crisis,” Mr. Bush told reporters as the meeting began shortly before 4 p.m. in the Cabinet Room, adding, “My hope is we can reach an agreement very shortly.”

But once the doors closed, the smooth-talking House Republican leader, [John A. Boehner](#)

COMMENTS (1012)

SIGN IN TO E-MAIL OR SAVE THIS

PRINT

SINGLE PAGE

REPRINTS

SHARE



More Articles in Business »

Customize your headlines.
The New York Times | **nytimes.com** | **LinkedIn**
The New York Times and LinkedIn have teamed up to give you customized industry news. Automatically.
[Click here to activate](#)

TOYOTA moving forward
THE ALL-NEW 2008 SEQUOIA
ANYTHING BUT ORDINARY.

[EXPERIENCE SEQUOIA](#)

Your Money E-Mail

Sign up for a preview of the week in finance, sent every Monday.

[See Sample](#) | [Privacy Policy](#)

MOST POPULAR - BUSINESS

of Ohio, surprised many in the room by declaring that his caucus could not support the plan to allow the government to buy distressed mortgage assets from ailing financial companies.

Mr. Boehner pressed an alternative that involved a smaller role for the government, and Mr. McCain, whose support of the deal is critical if fellow Republicans are to sign on, declined to take a stand.

The talks broke up in angry recriminations, according to accounts provided by a participant and others who were briefed on the session, and were followed by dueling news conferences and interviews rife with partisan finger-pointing.

In the Roosevelt Room after the session, the Treasury secretary, [Henry M. Paulson Jr.](#), literally bent down on one knee as he pleaded with [Nancy Pelosi](#), the House Speaker, not to “blow it up” by withdrawing her party’s support for the package over what Ms. Pelosi derided as a Republican betrayal.

“I didn’t know you were Catholic,” Ms. Pelosi said, a wry reference to Mr. Paulson’s kneeling, according to someone who observed the exchange. She went on: “It’s not me blowing this up, it’s the Republicans.”

Mr. Paulson sighed. “I know. I know.”

It was the very outcome the White House had said it intended to avoid, with partisan presidential politics appearing to trample what had been exceedingly delicate Congressional negotiations.

Senator [Christopher J. Dodd](#), Democrat of Connecticut and chairman of the Senate banking committee, denounced the session as “a rescue plan for John McCain,” and proclaimed it a waste of precious hours that could have been spent negotiating.

But a top aide to Mr. Boehner said it was Democrats who had done the political posturing. The aide, Kevin Smith, said Republicans revolted, in part, because they were chafing at what they saw as an attempt by Democrats to jam through an agreement on the bailout early Thursday and deny Mr. McCain an opportunity to participate in the agreement.

The day seemed to hold promise as it began. On Wednesday night, Mr. Bush had delivered a prime-time televised address to the nation, warning that “our country could experience a long and painful recession” if lawmakers did not act quickly to pass a huge Wall Street bailout plan.

After spending Thursday morning behind closed doors, senior lawmakers from both parties emerged shortly before 1 p.m. in the ornate painted corridors on the first floor of the Capitol to herald their agreement on the broad outlines of a deal.

They said the legislation, which would authorize unprecedented government intervention to buy distressed debt from private firms, would include limits on pay packages for executives of some firms that seek assistance and a mechanism for the government to take an equity stake in some of the firms, so taxpayers have a chance to profit if the bailout plan works.

“I now expect we will indeed have a plan that can pass the House, pass the Senate, be signed by the president, and bring a sense of certainty to this crisis that is still roiling in

1. [Stopping a Financial Crisis, the Swedish Way](#)
2. [Plan's Mystery: What's All This Stuff Worth?](#)
3. [Government Seizes WaMu and Sells Some Assets](#)
4. [Washington Mutual May Be on Block](#)
5. [Bailout Plan Stalls After Day of Talks; Paulson Heads Back to Capitol Hill](#)
6. [Bush and Candidates to Meet on Bailout](#)
7. [Constituents Make Their Bailout Views Known](#)
8. [Talks Implode During Day of Chaos; Fate of Bailout Plan Remains Unresolved](#)
9. [Electricity From What Cows Leave Behind](#)
10. [Managing the Bailout: He'd Do It for Nothing](#)

[Go to Complete List >](#)

The New York Times

REAL ESTATE

nytimes.com/realestate



For sale in ... Hong Kong

Also in Real Estate:

- [Roadblocks some buyers face](#)
- [Can you still get a mortgage?](#)
- [Are you on the seven-year plan?](#)

ADVERTISEMENTS

Need to know more?

Get 50% off home delivery of The Times.

**Get your small business
big-time attention.**

Self-Service Advertising on NYTimes.com

Get
Started »

Ads by Google

what's this?

Clean Coal Technology

Lower Costs and Emissions See What Coal Can Do for You!

www.BalancedEnergy.org

the markets," said [Robert F. Bennett](#), Republican of Utah, a member of the banking committee.

[NEXT PAGE »](#)

Elisabeth Bumiller contributed reporting.

A version of this article appeared in print on September 26, 2008, on page A1 of the New York edition.

[More Articles in Business »](#)

Enjoy the convenience of home delivery of The Times for less than \$1 a day

Browse Local Business Services

Find businesses near you on The New York Times Business Services Directory.

[Advertising & Marketing »](#)

[Business & Financial Services »](#)

[Business Cash Advance »](#)

[Home Remodeling »](#)

[Legal Services »](#)

[Limousines »](#)

[Miscellaneous »](#)

[Nightlife Entertainment »](#)

[Public Relations »](#)

In partnership with [DirectoryM](#)

Ads by Google

what's this?

[US Economy Crisis Over?](#)

When will the Economy crisis end? Free report for economy indicators
www.MoneyMorning.com/econ_crisis

[Myth of the Oil Crisis](#)

An industry insider debunks the crisis provides hope for the future
www.amazon.com/Myth-Oil-Crisis-Over

[Is Your Bank In Trouble?](#)

Free list Of Banks Doomed To Fail. The Banks and Brokers X List. Free!
www.MoneyAndMarkets.com

Past Coverage

- [Bush and Candidates to Meet on Bailout \(September 25, 2008\)](#)
- [Constituents Make Their Bailout Views Known \(September 25, 2008\)](#)
- [THE TV WATCH; In a Crisis, Senatorial Rhetoric Bursts Forth \(September 24, 2008\)](#)
- [Congress Objects to Lack of Help Aimed at Homeowners \(September 24, 2008\)](#)

Related Searches

- [United States Economy](#)
- [United States Politics and Government](#)
- [Subprime Mortgage Crisis](#)
- [Troubled Asset Relief Program \(2008\)](#)

- [+ Get E-Mail Alerts](#)
- [+ Get E-Mail Alerts](#)
- [+ Get E-Mail Alerts](#)
- [+ Get E-Mail Alerts](#)

INSIDE NYTIMES.COM

[TECHNOLOGY »](#)



[Really Feeling the Music](#)

[FASHION & STYLE »](#)



[How to Treat a 'Money Disorder'](#)

[OPINION »](#)

Timothy Egan: Crash

Before \$700 billion is handed over, it's worth remembering how Wall Street dragged down the country once before.

[ART & DESIGN »](#)



[Old School Bad Boy's Messy World](#)

[OPINION »](#)



[Letters: The Mood Among the Bulls and the Bears](#)

[HOME & GARDEN »](#)



[Susan Cheever, Alone at Last](#)