


Money managers mixed over bailout

by: LAURIE WINSLOW World Staff Writer
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Reactions were mixed Monday among financial and investment professionals following news that House leaders rejected a financial bailout plan intended to buy troubled and mortgage-related assets from banks.

The stock market reacted strongly as the Dow Jones Industrial Average, the Standard & Poor's 500 and the Nasdaq stock indexes all plummeted to 52-week lows. The Dow Jones plunged 777.68 points to close at 10,365.45.

Roger Beverage, the president of the Oklahoma Bankers Association, said he doesn't like the bill or talk about using taxpayer dollars to take care of some mistakes that were made on Wall Street.

But at some point, the financial and economic system is going to be in jeopardy in the United States and around the globe, and that's what he said concerns him most.

"My prayer is that the folks we've elected to serve us will stop their finger-pointing and blaming and get down to the people's business and get something accomplished," he said.

Unfortunately, most people perceive this as a bailout for Wall Street rich guys, but it goes much deeper than that, touching anyone with a retirement plan or 401(k) savings plan, Beverage said.

"There is a lot of sand in the gears. My fear is that sand will become ever more present in the gears in Oklahoma, which so far have been turning pretty well. I think they will continue to turn well as long as we get some resolution in Washington. ... This isn't just a Wall Street problem; this is a Main Street problem that potentially affects everybody in Oklahoma and elsewhere," he said.

Beverage noted that lending has been slowing in some parts of the state, and lenders will become more conservative and stricter with their underwriting practices until this uncertainty is resolved.

"I don't think that is good for the economy, and I don't think that's particularly good for small businesses," Beverage added.

The State Chamber of Oklahoma came out with a statement Monday saying it supports a federal economic rescue package.

"Oklahoma's economy, albeit better than most in the nation, is vulnerable to the resulting

credit crunch that will ripple from Wall Street to every street in Oklahoma and will impact all sectors including manufacturing, banking and energy," said Steve Turnbo, chairman of the State Chamber in a written release.

Said Richard P. Rush, president and CEO of the State Chamber: "Let me emphasize that The State Chamber of Oklahoma believes in a free market economy. At this time of uncertainty, however, it is important that we begin immediately to secure the well being of our financial markets.

We are extremely disappointed by the initial failure of our Congress to pass this package and we urge a return to consultation."

Pete Adamson, a founding member of Adams Hall Asset Management, said he was against passage of the proposed bailout, noting that he believed some of the things being recommended in the bailout would just prolong the real problem.

"I think it's a crying shame our country has to go through this, but it has to go through something to clear it out," Adamson said.

The credit problem started several years ago when the government enacted legislation that required banks to make loans in areas and to institutions they would not have loaned to, Adamson explained. Government also has stretched the terms and bent the rules to encourage Fannie Mae and Freddie Mac to make loans available to people who couldn't repay.

The proposed bailout package wouldn't have helped bail out the woman living in Spavinaw who has three kids, or the gas station manager who has to work two jobs or middle class America, in general, Adamson said.

Fred Russell, principal of Fredric E. Russell Investment Management Co., called Monday's development "a big blow to the psyche of the American investor and the American public."

The failures of Wachovia Corp., Washington Mutual, Lehman Brothers and Bear Stearns Cos. all point to the fact that the financial sector is desperate for cash, he said.

The bailout plan would have provided a mechanism to buy mortgage-backed securities and other real estate-based liabilities that banks hold and give banks a significant amount of liquidity, which they desperately need, Russell said.

"It's going to be a very scary, hairy, nail-biting week, but at the end of the week there will be some agreement, and investors will be regretful they panicked into this chaos," Russell said.

Once an agreement is reached, the economy and investor confidence will experience a slow, but perceptible recovery, added Russell.

Laurie Winslow 581-8466

laurie.winslow@tulsaworld.com

Associate Images:

Bailout failure, big Dow drop

Monday was the largest one-day point drop in the Dow Jones industrial average.


Largest point drops, DJIA

POINTS	%	DATE
-777.68	-7	Sept. 29, 2008
-684.81	-7	Sept. 17, 2001
-617.78	-6	April 14, 2000
-554.26	-7	Oct. 27, 1997
-512.61	-6	Aug. 31, 1998

SOURCE: Dow Jones

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