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business

Plunge a "message to Main Street"

Colorado experts say that without a bailout, the credit crisis could evolve into job losses and missed payrolls.

By Steve Raabe
The Denver Post

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The House's rejection of a financial bailout plan produced surprise, fear and disappointment from Colorado financial observers.

What had seemed Sunday to be an attitude of grudging approval when Congress appeared ready to pass the package turned Monday into a grim assessment of problems that could afflict the economy in the wake of the measure's defeat.

Businesses and consumers now are apt to be hit even harder by tight credit markets that already have sharply cut the availability of loans, analysts said. Lack of accessible credit, in turn, could lead to further economic deterioration through job losses, weakened consumer spending and housing problems.

"This signals to businesses that it will be more difficult to get the capital they need to operate, as well as for consumers in the real-estate market," said Greg ory Anderson, a

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principal in Denver-based investment-advisory firm GRAn derson Wealth Management.

"The market is quick to react to news, whether it's good or bad. And we saw the reaction, with it violently moving downward," Anderson said of Monday's stock-market slide.

The Dow Jones industrial average dropped 778 points, a 7 percent decline. The Nasdaq and Standard & Poor's 500 indexes each fell by about 9 percent.

The failed House measure would have given Treasury Secretary Henry Paulson broad authority to buy troubled assets from financial companies to help ease a lending crunch triggered by the decline of the housing market.

Analysts said they are hopeful Congress will pass a revised bailout, although they fear that financial and economic damage already is taking hold.

"When businesses can't get credit because investors are worried, then suddenly they don't need as many employees or they quit making as much of their product," said Don Childears, president and chief executive of the Colorado Bankers Association. "That can mean lost wages and less income, but people still have the same financial obligations."

Paul Dickey, president of Denver investment firm INS Capital Management, said tight credit could lead to problems as severe as missed payrolls for businesses that rely on short-term borrowing to pay workers.

"People don't understand that this could mean your paycheck doesn't clear," Dickey said. "It's a message to Main Street that needs to be recognized."

Money manager David Prokupek of Consumer Capital Partners in Denver said the bailout measure that failed Monday was poorly conceived and didn't deserve support.

"I know today was bad, but the legislation, in my mind, was not good legislation," he said. "I'm hoping it will drive a solution that is more market-based."

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