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Dow Drops in Afternoon Trading as Policymakers Testify

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Stocks dipped into negative territory this afternoon after regaining some ground earlier in the day, as lawmakers continued to question the financial rescue package proposed by the Bush administration.

After falling more than 300 points yesterday, the [Dow Jones industrial average](#) dropped 71 points by 1:04 p.m. The Nasdaq and the Standard & Poor's 500-stock index were down slightly.

Investors and some lawmakers have been concerned that the financial rescue plan proposed by the Treasury Department will not have the needed impact and that it will saddle the U.S. economy with an unmanageable level of debt. The plan, expected to cost about \$700 billion, would allow the department to buy up the bad mortgage debt and other risky assets of financial firms.

Federal Reserve Chairman Ben S. Bernanke, Securities and Exchange Commission Chairman Christopher Cox and Treasury Secretary Henry M. Paulson Jr. are testifying before the Senate banking committee on the plan today. Postponing action on the bailout proposal would risk "a continuing series of financial institution failures and frozen credit markets that threaten American families' financial well-being, the viability of businesses both small and large, and the very health of our economy," Paulson told the committee in prepared testimony.

The Bush administration and some in Congress remain at odds on key provisions of the plan, including whether the government will be given the authority to cut the salaries of executives and restrict their severance packages if they take taxpayer money. Democratic leaders have also supported a provision, opposed by the banking industry and the administration, allowing bankruptcy judges to modify mortgages for homeowners facing foreclosure.

"The financial community is now in the unenviable position of having their future, in part, determined by the hearings on the Hill and the negotiations behind the scenes between the Congress and the administration," said Joseph Brusuelas, chief economist for Merk Investments. "This market action today has taken a back seat to not only the statements of Secretary Paulson and Fed Chair Bernanke, but the members of the committee."

After shooting up yesterday, oil prices retreated today. Yesterday, the price of oil to be delivered in October surged more than \$25 a barrel before falling back to about \$120 a barrel, up \$16. The October contract

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expired yesterday, and the price of oil for delivery in November was down \$2.88 to \$106 just before 1 p.m.

After taking its steepest one-day drop in years, plunging 2.2 percent against the euro yesterday, the dollar regained some ground today.

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