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SENATE BAILOUT VOTE TONIGHT

OPINIONS: Economic leaders split on plan — some see Band-Aid, others a crucial fix

By Tom Abate
CHRONICLE STAFF WRITER

As an anxious world waits and wonders, Congress prepares to reconsider the \$700 billion question: Should taxpayers prop up the financial sector? And, if not, what's the alternative?

"This is the first time since the 1930s that the sanctity of our banking system has been threatened," said San Francisco money manager Carl Kaufman, who nevertheless opposes the plan defeated in the House on Monday. "It treats the symptoms and not the disease."

On the opposite side of the debate is Pacific Gas and Electric Co.

chief executive Peter Darbee, who once worked with Treasury Secretary Henry Paulson at Goldman Sachs. Darbee said his former colleague has devised a package to protect the economy rather than coddle financiers.

"Not to move ahead with a program of this nature will likely prolong and deepen the impact on the general economy, having very serious financial repercussions," said Darbee, adding: "This is not about a bailout of Wall Street. This is about doing something to ensure confidence in the American economy."

Inside, you can read a sampling of what economic opinion leaders had to say. **See Page A13**

THE ECONOMY IN TURMOIL

Hopeful stock market comes roaring back

The Dow Jones industrial average rises 485 points the day after the biggest point drop in its history amid growing expectations that Congress will salvage a \$700 billion rescue plan for the financial sector. **C1**

One-two punch for retailers

The credit crunch is creating a double whammy for retail stores, like Mervyns, that already are seeking bankruptcy protection. **C1**

Success secret

A small San Francisco real estate brokerage is surviving hard times. How? By diversifying. **C1**



STRATEGY: Approval of bill, plus added sweeteners, could bring House around

By Carolyn Lochhead
CHRONICLE WASHINGTON BUREAU

WASHINGTON — Senate leaders called a vote for tonight on a \$700 billion emergency bailout of the banking system, a move designed to give the House a political lift after the legislation's spectacular crash there on Monday.

Congressional leaders seldom call a vote unless they know the outcome beforehand. House leaders miscalculated Monday, resulting in an unexpected defeat for the bailout. Now sweeteners are under discussion to lure dissenters in both parties.

Alarmed senators warned that a credit meltdown is under way and

that the financial contagion is spreading to ordinary businesses nationwide.

House leaders hope to try to move on the bailout again this week. They will have to overcome a powerful public backlash and a fear among members facing difficult re-election bids that voting for the bailout could doom them.

The bill's failure in the House amounted to a colossal repudiation of the nation's leaders, including President Bush and his would be successors, Democrat Barack Obama and Republican John McCain, and House leaders. Each has chillingly described the emergency intervention as vital to **► CONGRESS: Page A13**

ROAD TO THE WHITE HOUSE THE FINAL LAP

Prescriptions for America

2 VIEWS: Obama, McCain far apart on how to reform health care system

By Victoria Colliver
CHRONICLE STAFF WRITER

John McCain and Barack Obama agree that our current health care system isn't working. They say the country needs to reduce the ranks of the 46 million uninsured and provide alternatives to job-based insurance.

But any similarities between the presidential hopefuls' health reform proposals pretty much stop there.

McCain's proposal relies on the private market to heal the ailing system. He proposes eliminating tax breaks employers enjoy for subsidizing health insurance, thereby treating the benefit as a taxable wage, and offering tax credits — up to \$2,500 for an individual and \$5,000 per family — to help people buy their own policies in the open market.

Obama's remedy would build on the current system, requiring employers to provide meaningful coverage or contribute to a new public plan. Unlike a pure single-payer or government-run program, the public plan would give people guaranteed access to a mix of government and private plans with benefits similar to those available to federal workers.

Both plans come at a cost, the details of which remain murky. And the promise of health care reform seems all the more questionable — at least for the foreseeable future — given the current economic meltdown. The credit crisis could make the money required for an overhaul much tougher to come by, especially if a bailout for the financial sector is enacted.

But supporters of reforming the system say the country can't afford to ignore health care, a \$2 trillion piece of the economy that plays an essential role in the daily life of Americans.

► HEALTH CARE: Page A11

THEIR CHOICES: Three voters explain how the candidates' health care proposals will influence their decisions on election day. **Page A11**



Photos by MICHAEL MACOR / The Chronicle

UNDECIDED: Diana Heppes (second from left) and her partner accompany Tyler Heppes (left) and Tara Heppes, 9, (right) who has cystic fibrosis, to the clinic for a checkup. The medical bills for Tara are daunting.



FOR OBAMA: Jennifer Wyatt is the mother of Gillian (left) and Emma, who survived a childhood cancer. Wyatt likes Obama's proposal to ensure all children have health care. She also believes his plan will be most beneficial for Emma.



FOR MCCAIN: Jason Scalse coaches the girls' varsity tennis team at Archbishop Mitty High School in San Jose. His own medical history led him to support a plan that calls for less government rather than more in health care.

Huge repair of Hetch Hetchy moves closer to beginning

Work on S.F.'s water system could start by end of year

By Kelly Zito
CHRONICLE STAFF WRITER

The colossal plan to repair the decrepit water system that serves 2.5 million residents of San Francisco, the Peninsula and parts of the East Bay reached a key milestone Tuesday with the release of an environmental study that, if approved, will kick-start 17 regional water projects worth more than \$2.5 billion.

At the same time, the study advocated an aggressive schedule for water conservation and recycling — an attempt to strike a balance between an increasing demand for water and concerns about the toll on watersheds and wildlife.

San Francisco Public Utilities Commission general manager Ed Harrington, who released the report, said the projects — which range from expanding recycled-water facilities to burying pipelines deep beneath the bay — are crucial to upgrade a system that carries water 167 miles from the Hetch Hetchy reservoir in the Sierra Nevada to customers in San Francisco and to 27 water agencies in San Mateo, Santa Clara and Alameda counties. Some of the projects could break ground by the end of the year, because many jurisdictions already have been working on required local environmental impact reports.

"The Hetch Hetchy system is a **► WATER: Page A12**

Next steps

The environmental report released Tuesday incorporates responses to 1,300 public comments registered after the release of the draft report in summer.

S.F. hearing: On Oct. 30, the San Francisco Planning Commission is expected to hold a special hearing on whether to formally accept the environmental report on fixing the aging Hetch Hetchy water system.

The PUC: The same day, the S.F. Public Utilities Commission will consider adopting measures to offset any of the plan's environmental impacts.

NATION/WORLD FRIEND DETAILS GIFTS TO SENATOR

A friend of Republican Sen. Ted Stevens crosses the Alaskan lawmaker, right, and testifies that he gave him expensive gifts. Stevens is on trial for failing to disclose approximately \$250,000 in gifts and favors. **A4**



MANUEL BALCE CENETA / Associated Press

► Nader the crusader: Ralph Nader, on a swing through the Bay Area, slams the news media for not covering his third-party presidential bid, in which San Francisco's Matt Gonzalez is his running mate. **A10**

► Secret account: Alaska Gov. Sarah Palin maintained a private e-mail account to communicate with a small circle of staff members outside the state government's secure official e-mail system. **A10**

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WEATHER
Partly cloudy.
Highs to 85.
Lows to 49. **D8**
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