LEADER-TELEGRAM

OPINIONS

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The Leader-Telegram is a division of the Eau Claire Press Co.

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EDITORIAL

The issue: *A recent report shows impressive gains by Hmong residents in Wisconsin and nationally.*

Our view: *This encouraging news bodes well for the future of not just Hmong residents, but of Eau Claire and America.*

Progress of Hmong residents is what America is all about

America has long been called the land of opportunity.

Some may write that off as a cliché, but a recent study of census data shows the U.S. Hmong population made great strides between 1990 and 2010 and are poised to continue increasing their upward mobility.

And the news is even better for Hmong residents in Wisconsin, who have higher rates of college attendance and high school graduation, and lower poverty and dropout rates than the national average.

These trends are obviously important for Eau Claire, home to 2,749 residents of Hmong descent in 2010, the 20th highest Hmong population among U.S. cities and a growth of 43 percent since the 2000 census.

The national figures dissected for a report by the St. Paul-based Hmong Studies Journal paint an encouraging picture. Consider that 64 percent of U.S. Hmong residents were in poverty in 1990, statistics show, compared with 25 percent 20 years later. And the 19 percent Hmong poverty rate in Wisconsin is only slightly higher than the overall national poverty rate of 16 percent for the entire U.S. population.

Another impressive trend shows the percentage of Hmong residents nationally with bachelor's degrees nearly tripled from 4.5 percent in 1990 to 14.5 percent in 2010.

We can expect the positive trends to continue because the median age of U.S. Hmong residents is 20.2 years, far below the overall national median of 38.2.

This doesn't mean the U.S. Hmong population doesn't face challenges. Caitlin Lee, an equal opportunity specialist in the Affirmative Action Office at UW-Eau Claire, notes less-educated Hmong residents may be under-representented in the data because they might have erred in filling out census forms. She also noted Hmong family size, while going down, is still about twice the size of average U.S. households.

But overall, the trends are encouraging. The Hmong in America, Wisconsin and Eau Claire have come a long way, and now more than 50 percent of the U.S. Hmong population was born in this country.

Their story is not unlike that of previous immigrant groups coming to America, although their circumstances prior to arriving here aren't typical. But like many who crossed the seas before them, they did so seeking the same things: The ability to earn a living, security for their families, opportunities for their children and the pursuit of freedom and happiness.

Through our history, immigration has not been without its challenges and friction. But studying the census trends shows U.S. Hmong residents' fortunes are on an upward trend, the keys to which are educational opportunity, a desire to succeed and a determination to overcome obstacles. Americans of Hmong descent are succeeding on all fronts in growing numbers, and increasingly their future and America's future are tied together.

— Don Huebscher, editor

Question of the Week

Which is more difficult: Being a school board member or a city council member? Why?

Go to LeaderTelegram.com/opinions/ and click on "Question of the Week." Responses to the previous week's question will be published each Wednesday.

From Our Files

5 years ago — 2008

Hundreds of fellow law enforcement officers and others attend funeral services for **Jason Zunker**, 31, a Chippewa County sheriff's deputy, who died after being struck by a vehicle while assisting at a semi-trailer truck fire on U.S. 53 just south of Bloomer.

15 years ago — 1998

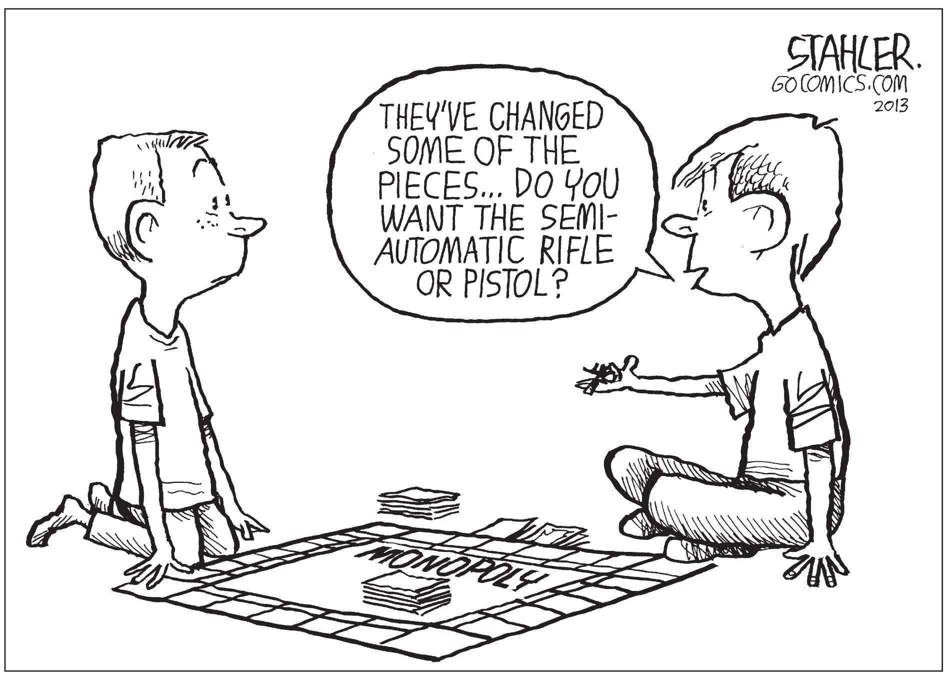
Police seek two men who, at gunpoint, robbed the London Square Cinema of several thousand dollars.

30 years ago — 1983

Barron residents will get a free month of electricity, because of the utility's "excess profit."

55 years ago — 1958

President Eisenhower's new $73.9 billion budget is the largest ever in peacetime.



The issue: *Did the Community Reinvestment Act contribute to the collapse of the housing market?*

E. Thomas McClanahan's view: *A new study says that it did, and the evidence is overwhelming.*

How anti-redlining law fed the housing bubble

E. Thomas McClanahan

One of the major points of contentions in the aftermath of the housing debacle was whether the Community Reinvestment Act — an anti-redlining law — contributed to the disaster.

Defenders of the law insisted it did not, but it's harder for backers to support that conclusion now, after the release of a working paper by the National Bureau of Economic Research. Its authors get straight to the point.

"Did the Community Reinvestment Act (CRA) Lead to Risky Lending?" they ask. "Yes, it did. ... We find that adherence to the act led to riskier lending by banks."

The act required banks to serve depositors from all neighborhoods in their operating areas, including those of low and moderate income. The report's economists found that lending to borrowers in census tracts of modest means increased around the time of a bank's regulatory exam — and more of those loans went bad.

Quoting from the study: "There is a clear pattern of increased defaults for loans made by these banks in quarters around the (CRA) exam. Moreover, the effects are larger for loans made within CRA tracts."

Boiled down, the process was as follows. Banks were required to make affordable-housing loans under the act. Congress then forced Fannie Mae and Freddie Mac to buy up an increasing proportion of those loans, effectively imposing quotas on the two government-sponsored mortgage giants.

Many of the loans were subprime or otherwise dubious. Fan and Fred were required to "affirmatively" support bank CRA lending, and to do this, they had to lower their credit standards.

Given the market heft of Fan and Fred, they greatly contributed to the debasement of credit quality in the mortgage market generally.

Wall Street got into the game in a big way, but Fannie and Freddie provided much of the fuel for lousy loans, encouraging subprime factories like Countrywide to crank out even more dubious paper.

Countrywide made the loans and sold them to the government-sponsored mortgage giants — transactions that provided capital for more loans. And of course when Fannie and Freddie bought those mortgages, they attached a taxpayer guarantee against default.

By the end of 2007, as the looming crash was taking shape, the bubble had become enormous. Wall Street had leveraged itself to the hilt, financing much of its effort with short-term money.

When the lousy mortgages started defaulting and the complex bond packages backed by the now-souring loans failed to perform as expected, the shakier firms couldn't renew their short-term credit. In 2008 the unraveling accelerated, first with Bear Stearns and then spectacularly with Lehman, whose failure triggered a global credit panic.

Two years ago, I had an exchange in an editorial board meeting with act supporter Rep. Emanuel Cleaver, who at one point burst out, "There's no evidence that anyone told Fannie and Freddie to make bad loans."

Never mind that Fannie and Freddie don't make direct loans, they buy them — and of course it was Congress itself that ordered the mortgage giants to buy "bad loans." Later, Cleaver sent me a five-page memo defending the act and its role in the debacle.

Cleaver's comment showed that many in Washington were appallingly ignorant of the origins of the crisis and how the well-intentioned drive toward more "affordable housing" helped push mortgage lending into excess. Despite all this, Cleaver said one of his goals was to make the act even more "impactful," which sounded as if he wanted more of what contributed to the problem in the first place.

The study ought to end the debate over whether the act was one of the factors culpable in the housing bubble. It was. It helped debase credit standards and encouraged lending to people with bad or dubious credit, and when those loans were scooped up by Fan or Fred, taxpayers ended up on the hook.

When I wrote about this two years ago, I noted that one result of the crash was that many of the people Cleaver says he wanted to help ended up financially ruined.

One hopes that he can find the time to take a glance at that study.

McClanahan is a columnist for the Kansas City Star.

McClatchy-Tribune

Voice of the People

School purchase wise

Purchase of the Eau Claire Lutheran School building is critical to the education of local children. I absolutely support the school board's decision to pay $2.85 million for the school and to buy it as soon as possible.

1. It will not raise property taxes. Wisconsin law states that school boards must hold referendums for any expenditure that will raise taxes. Buying the Lutheran School will *not* raise taxes.

2. The cost of buying the school is now $2.85 million as opposed to the $3.9 million price two years ago. If we don't buy it now, a new school will be necessary in a few years and will cost taxpayers at least $10 million.

3. It is a beautiful facility. Go see the school for yourself. It's an excellent place to educate our children.

4. The school population in Eau Claire is growing much faster than was projected three years ago. It is crucial that the early learning classes now held at North High School, the Montessori School, Longfellow and Locust Lane be moved to give those schools the space they will need for their own students.

5. Having all of the children in one building will be more efficient, as specialists who work with the students will not have to waste time driving to various locations, also saving money.

6. Some 4-year-olds who attend the early learning classes have to ride a school bus an hour each way. That time would be cut to a half hour or less and cut busing expenses if they are all in one building.

7. Research shows that early learning is extremely important for the future of all children.

CAROLYN GABRIELSEN BARSTAD
Eau Claire

No good signs on job front

By Peter Morici

The economy added 155,000 jobs in December — substantially less than needed to pull unemployment down to acceptable levels.

The recent tax and spending package passed by the Senate and House provides little prospect of improvement, as the U.S. economy continues to suffer from insufficient demand and will continue growing at a subpar 2 percent a year.

Factors contributing to weak demand and slow jobs creation are the huge trade deficits with China and other Asian exporters, as well as on oil. However, on the supply side, increased business regulations, rising health care costs and mandates imposed by Obamacare — and now higher taxes on small businesses — discourage investments that raise productivity and competitiveness and create jobs.

Higher Social Security payroll taxes were already rolled into growth projections for the New Year. The budget deal raises about $40 billion to $50 billion annually from higher income tax rates on family incomes above $450,000 but also extends other spending programs that were set to expire — for example, long-term unemployment benefits. Therefore, the new net impact on aggregate demand is not large.

The economy would have to add more than 356,000 jobs each month for three years to lower unemployment to 6 percent, and that is not likely with current policies. It would require growth in the range of 4 percent to 5 percent. Without better trade, energy and regulatory policies and lower health care costs and taxes on small businesses, that is simply not going to happen.

Most analysts see the unemployment rate inching up to 7.8 percent, while a few see it remaining steady. The wild card is the number of adults actually working or seeking jobs — the measure of the labor force used to calculate the unemployment rate.

Labor force participation is lower today than when President Barack Obama took office and the recovery began; factoring in discouraged adults and others working part-time who would prefer full-time work, the real rate is 14.4 percent.

Congress has postponed the major budgets cuts known as "sequestration." But the posture taken by the president in negotiations with Congress indicates the administration and Democratic lawmakers have little interest in substantially curbing health care spending and retirement benefits.

The likelihood of a downgrade in the U.S. credit rating by Moody's is increasing, and this will weigh on the investment plans of many U.S. multinational corporations — they invest and create jobs in Asia, where national policies better favor growth, instead of the United States, where higher taxes, spending and deficits are out of control.

Morici is an economist and professor at the University of Maryland's Robert H. Smith School of Business. He wrote this for the Baltimore Sun.

McClatchy-Tribune