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THE WALL STREET JOURNAL.

DOWJONES WEDNESDAY, MAY 28, 2003 ~ VOL. CCXLI NO. 103 ~ ★★★★ $1.00 * * * * * * WSJ.com

Radical Politics

Idaho Arrest Puts Muslim Students Under Scrutiny

Saudi Is Accused of Aiding Extremists; Supporters Cite Free-Speech Rights

Skateboards, Soccer and Jihad

By Paul M. Barrett

MOSCOW, Idaho—In the days after Sept. 11, 2001, Sami Omar al-Hussayen led fellow Muslims as they joined an emotion-charged candlelight march remembering the dead. The Saudi graduate student in computer science at the University of Idaho helped organize a blood drive for victims. He issued a press release on behalf of the Muslim Students Association, stating that the small town's Muslims "condemn in the strongest terms possible what are apparently vicious acts of terrorism against innocent citizens."

Sami Omar al-Hussayen

That's why people in this rural university town were so surprised on Feb. 26, when Federal Bureau of Investigation agents arrived before dawn in unmarked vehicles at Mr. Hussayen's home to arrest him. The agents rousted him from bed and took him away in handcuffs. Over the next two days, most members of the campus MSA, which Mr. Hussayen formerly headed, were interrogated about their immigration status, extracurricular activities and views of the U.S.

Federal investigators say that Mr. Hussayen's public image was a cover for a secret career supporting terrorism. The case against him raises difficult questions about Muslim students who espouse extremist views, or support those who do. Some government officials say the case is part of a broader investigation of current and former Muslim students at Northwest universities who are believed to have ties to U.S. charities linked to foreign terrorists.

Mr. Hussayen has been charged on several counts of visa fraud. The indictment also alleges that he raised money for the Islamic Assembly of North America, a Michigan organization the government is investigating for possibly supporting terrorists in the Middle East. Mr. Hussayen allegedly helped administer Arabic-language Web sites that spew violent anti-Western views and the writings of radical Muslim religious figures who encourage suicide bombings.

The FBI says that Mr. Hussayen has communicated often with two radical clerics known as the "awakening sheiks" because of their ideological influence on young Arabs. The clerics are widely recognized as intellectual godfathers of Osama bin Laden's al Qaeda terrorist network. Law-enforcement officials say that they are looking into whether Mr. Hussayen has "provided material support to terrorists," a crime punishable by 15 years in prison.

"Muslim student organizations by and large are good, wholesome and need to be there," says Kim R. Lindquist, the lead federal prosecutor on the Hussayen case in Boise. But, he adds, "under student visas, young people are allowed to stay here, and they can make that transition fairly subtly and fairly quietly from appropriate student activities to a manifestation of things that are inappropriate, including advocacy of radical Islam."

Mr. Hussayen, 33 years old, is being held in jail without an opportunity to post bail. Through his lawyer, David Z. Nevin, he has denied any wrongdoing. "Sami does not hold terrorist views," says Mr. Nevin. "He believes that violence is inconsistent with the tenets of Islam."

Mr. Hussayen's case provides an unusual window into the world of Muslims from abroad studying in the U.S. They are drawn to this country in part by the freedom it offers, but some hold distinctly anti-Western beliefs. Many MSA members across the U.S. say they reject terrorism. Yet many also express

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INDEX

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What's News—

Business and Finance

STOCKS SURGED on investor optimism that low interest rates, the Bush tax-cut plan and consumer confidence could boost the economy. The industrials jumped 2.09% to 8781.35 while the Nasdaq leapt 3.09% to 1556.69, its highest level in almost a year. The 10-year Treasury note eased. The dollar rebounded after falling to a record low against the euro.

■ **Consumer confidence rose** in May, providing hope for a pickup in consumer spending. The housing market rebounded in April.

(Articles in Column 5 and on Page A9)

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■ **Tenet CEO Jeffrey Barbakow** stepped down after the hospital-chain's board met Friday and decided on a leadership change.

(Article on Page A3)

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■ **Iraq's southern oil fields** are set for significant production in a week to 10 days, making Persian Gulf exports possible next month.

(Article on Page C12)

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■ **The FASB is weighing** a move that could make cash-balance pension plans more burdensome to companies' balance sheets.

(Article on Page A3)

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■ **France privately indicated** it is willing to relax its opposition to separating European farm output from government supports.

(Article on Page A6)

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■ **Enron is considering** bringing legal action against its own bankers for allegedly giving the company bad financial advice.

(Article on Page C1)

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■ **The SEC adopted** a rule requiring company executives and auditors to ensure adequate financial-reporting controls are in place.

(Article on Page C1)

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■ **Bond-fund dividends** and some stock-fund dividends will still be taxed as ordinary income under the new tax package.

(Article on Page D7)

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■ **Airbus signed** a $23.72 billion contract to build 180 transport planes for European armed forces.

(Article on Page A9)

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■ **Canada's big banks posted** mixed results, as investment-banking weakness was offset by consumer business at some lenders.

(Article on Page B2)

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■ **Ebay was ordered** to pay $35 million in damages after a jury found that its method for some transactions infringed on patents.

■ **Novell plans to challenge** SCO's claims that Linux software violates intellectual-property rights.

(Articles on Pages A9 and B11)

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■ **Vodafone reported** a 33% jump in fiscal year revenue, but issued a more cautious growth forecast for the current year.

(Article on Page B7)

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■ **Fox's plan to quickly release** a DVD of a coming movie featuring winners of "American Idol" is irking theater owners.

(Article on Page B6)

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■ **Frank Quattrone pleaded** not guilty to charges of obstruction of justice and witness tampering.

(Article on Page C5)

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■ **RealNetworks is launching** a service to let subscribers download songs for 79 cents per track.

(Article on Page B7)

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■ **Fidelity announced** plans to offer a new fund that tracks the entire Nasdaq Composite Index.

(Article on Page C5)

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—Markets—

Stocks: NYSE vol. 1,529,592,340 shares, Nasdaq vol. 1,918,538,139. DJ industrials 8781.35, ▲ +179.97; Nasdaq composite 1556.69, ▲ +46.60; S&P 500 index 951.48, ▲ +18.26.

Bonds (4 p.m.): 10-yr Treasury ▼ -22/32, yld 3.414%; 30-yr Treasury ▼ -2 8/32, yld 4.385%.

Dollar: 117.29 yen, +0.44; euro $1.1827, -0.43 cent against the dollar.

Commodities: Oil futures $29.35 a barrel, ▲ +$0.19; Dow Jones-AIG futures 118.238, ▼ -0.610; DJ-AIG spot 151.709, ▼ -0.782.

World-Wide

■ **THE SUPREME COURT ISSUED rulings on family leaves, Miranda.** In contrast with recent cases chipping at federal power over states, justices, 6-3, decided state workers can sue employers for violating the federal law providing time off in family emergencies. The court, moving toward a review next term of its 1966 Miranda decision, ruled police warnings aren't required to question someone who is never prosecuted. It also let stand secret post-Sept. 11 deportation hearings. And it agreed to decide if the Postal Service is covered by antitrust laws. (Pages A4 and D2)

With just over a month remaining in the court's term, the annual bout of speculation has begun over whether one or more vacancies will occur. A nomination fight is sure to be fierce.

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■ **Iraqi gunmen killed** two U.S. soldiers and wounded nine during a sustained battle in the Baathist stronghold of Fallujah, the bloodiest day of fighting since Hussein fell. Rumsfeld said Iraq may have destroyed banned weapons before the war. The Treasury declared Iraq open for business again, unless the trade involves weapons, artifacts or blacklisted officials.

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■ **Arafat managed to force** a delay in Israeli-Palestinian peacemaking efforts ahead of next week's summit with Bush, giving a sharp reminder he won't acquiesce quietly in a U.S.-backed effort to sideline him. Abbas, the Palestinian premier, postponed a presummit meeting with Sharon as his mercurial boss said he needed to review the security arrangements.

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■ **Russia and China called on** North Korea to give up nuclear ambitions. Hu's visit with Putin is his first trip outside China as president. The U.S. is pulling back heavy bombers it sent to Guam as a warning to Pyongyang.

■ **The U.S. named** two companies to construct coal-fired power plants to replace Russian reactors that made plutonium for arms. Bush heads for Russia this weekend, his friendship with Putin needing work. (Page A11)

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■ **The U.S. dismissed** Iran's denials that it is developing nuclear arms or harboring top al Qaeda fugitives. Russia, in advance of Bush's visit, asked Tehran for guarantees it isn't working to build an atomic arsenal.

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■ **An Algeria aftershock killed** nine. An Islamic party is distributing aid amid anger at official inaction. The interior minister threatened to hold up quake relief after he was jeered.

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■ **Taiwan's experience shows** the confusion that resulted from hasty and sometimes contradictory government responses to the SARS-outbreak crisis. (Column 4 and Pages B1 and B2)

■ **OSHA dropped plans to require** hospitals to set up facilities to limit the spread of TB and other infectious diseases, angering unions. (Page D5)

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■ **Hormone replacement raises** the risk of Alzheimer's or other dementia, a study found, further diminishing the therapy's rationale. (Page D1)

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■ **Islamic parties in Pakistan plan** to impose the Quran-based legal system of Shariah in North West Frontier Province, on the Afghan border.

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■ **Rwandans voted approval** of a constitution with safeguards against genocide. That sets up August multiparty elections, the first in decades.

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■ **Al-Jazeera fired** its top manager. The unexplained move came days after Powell had complained to Qatar over a broadcast of an al Qaeda tape.

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■ **A German court refused** to extradite a man accused of plotting to fly a plane into Ataturk's tomb, saying he could face ill treatment in Turkey.

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■ **Police in Atlanta arrested** a suspect in the slayings of six Louisiana women a day after a warrant was issued and his picture shown on TV.

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■ **Canada brushed aside** U.S. objections and introduced legislation to greatly reduce penalties for possession of small amounts of marijuana.

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■ **Oregon is debating** whether to give a death-row inmate a $100,000 kidney transplant or pay dialysis bills of $120,000 a year during his appeals.

—Online Today—

WSJ.com **The Middle Seat:** Airlines struggling to fill empty seats could profit by closing some money-losing hubs, as painful as the moves may be in the short term, Scott McCartney says.

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■ **Checkup:** Drug companies are developing new forms of existing medicines to treat alcohol abuse.

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■ **The Daily Fix:** Read the best of the Web's sportswriting on the NBA playoffs and NHL finals.

In Shenzhen, China, Wild-Animal Market Eludes a Crackdown

* * *

Critters With SARS Virus Discourage Exotics Trade; A Taste for Snake, Pigeon

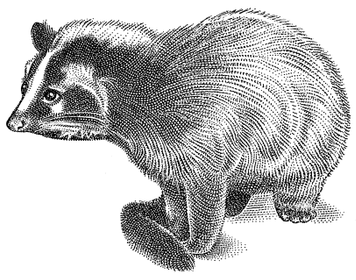
By Matt Pottinger

SHENZHEN, China—On Saturday afternoon, vendors at the Dongmen live-animal market here were busy peddling pheasants, hedgehogs, cats and other creatures destined for cooking pots, when a tip began to spread.

"Inspection! An inspection is coming," came the alert, relayed from vendor to vendor. One woman placed her turtles into a black trash bag, slung it over her shoulder and fled. About 20 more hawkers quickly followed, wheeling cart-loads of caged animals with them before vanishing into alleyways and storefronts surrounding the covered market.

Fifteen minutes later, a team of officials from Shenzhen's Wild Animals and Plant Protection division and two other agencies arrived to enforce a month-old ban on the capture and sale of wildlife—a measure designed to halt the suspected transmission of severe acute respiratory syndrome from animals to human beings. The only remaining creatures to be seen in the market: chickens, ducks and rabbits.

Trouble may still be lurking in China's kitchens. Amid some new evidence that the SARS virus originated in wild



A masked palm civet

animals and jumped to people in markets such as this one, authorities are cracking down on trade in wild animals. But thus far the market is eluding the crackdown, and China's appetite for exotic animals remains strong among adventurous eaters.

The danger isn't thought to lie in eating the animals after they've been prepared. The virus is more likely to be spread when the animals are being handled, slaughtered or cooked.

Diners generally haven't been dissuaded. "If it were dangerous, all these people wouldn't be here," said Liu Yong, a 39-year-old real-estate-company employee, who was sharing a pot of ginger-stewed northeastern mountain deer at Zhiqing No. 1 Village. The Guangzhou restaurant serves snake, fowl, wild pigs and deer. "It's not urgent like mad-cow disease," he said, "where the government destroys cattle and people don't go to restaurants."

Indeed, just a day after state TV broadcast the discovery of the SARS virus in civets, the creature—while not openly displayed—was readily available at the Dongmen market for a four-fold markup, at about $90.

In southern China, many Cantonese relish the taste of wild animals. The meat of the wild civet, a nocturnal tree-dwelling omnivore with a body resembling a cat's and a face resembling a weasel's, is believed to boost the immune system.

Snakes are said to make men more virile, while the smooth-skinned giant salamander is eaten to clear up acne. Taking a group of guests out for course after course of *yewei*, or wild cuisine, is also an ego boost.

"It's fun," says gourmand Chen Jianyi, another diner enjoying a hazel grouse at the Zhiqing No. 1 Village with two colleagues. "You point to an item on the menu and ask your friends, have you eaten that? No? Well, I have."

The wild-animal dishes on a single restaurant menu can run in the dozens. The Heavenly Fragrance Mansion in Shenzhen offers a meal of nine creatures in one sitting, from deep-fried baby pigeons, to soy-braised civet

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Home Brew

As Housing Buoys Economy, It's No Surprise to Fed's Chairman

Greenspan Has Spent a Career Gauging Economic Impact Of U.S. Residential Wealth

More Clout Than Stock Gains

By Greg Ip

As an economic consultant in the 1960s, Alan Greenspan had a novel insight about buying and selling homes. He noticed that when a house changed hands, the mortgage the buyer took out almost always was bigger than the one the seller was retiring.

Mr. Greenspan went on to conclude that this borrowing played an unexpectedly large role in consumer markets, by generating extra spending power backed by the value of homes. At the time, it was an arcane thesis that few other economists accepted or even understood.

But today, that very phenomenon is having a powerful impact across the United States. And for Mr. Greenspan, now chairman of the Federal Reserve, it has emerged as his best weapon for keeping the fragile U.S. economy from slipping back into recession.

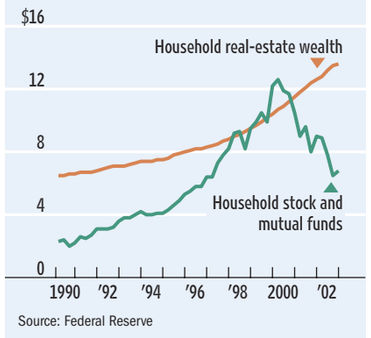
As the Fed repeatedly cut interest rates over the past 2½ years, much of the economy barely responded. Businesses' capital spending didn't, nor did the post-bubble stock market. But the housing industry—from construction to refinancing to rising prices—has surged, steadily putting more money in consumers' pockets.

Home prices are up 38% in five years, a powerful offset to sinking stock prices. Housing starts hit a 16-year high last year, buoying employment in construction. And as mortgage rates fell along with the short-term rates the Fed oversees, refinancing freed up $100 billion last year for people to spend on everything from cars to clothes. By keeping consumer spending robust, that saved the economy from what could have been a worse downturn, as it faced depressants from terror attacks to war to factory overcapacity.

In the latest indication of housing strength, sales of both new and existing homes showed unexpected strength in April, rising from March levels (see article on page A9). The most recent fall in mortgage rates has spurred record refinancing activity, which will likely bolster consumer spending.

Shock Absorber

Value of homes, compared with household holdings of stocks and mutual funds, in trillions of dollars.



Source: Federal Reserve

Although Mr. Greenspan didn't intend to rely so much on housing, he had more confidence than most that housing and mortgage markets would respond this vigorously as he guided rates ever lower. He has spent much of his professional life studying the interplay between those markets and the economy—picking at countless, often esoteric, bits of seemingly unrelated data to develop insights that fancier mathematical models miss. Though better known for his discussions of productivity and inflation, Mr. Greenspan has had Fed economists at work for years building databases of housing and mortgage data. Along the way, they have developed models to predict movements in those markets.

Economic stimulus that is so dependent on housing carries some risks. One is the possibility that a housing "bubble" has developed that could abruptly lose air, although Mr. Greenspan doubts this is much of a danger. Another potential downside is that households may run into trouble paying off the extra debt they've taken on by boosting their mortgages through refinancing.

Some analysts are concerned that housing activity spurred by ultralow interest rates is stealing from future growth. "The homes and cars that

Please Turn to Page A8, Column 1

Renewed Optimism Over Economy Has Investors Returning to Stocks

By E.S. Browning

Stock prices jumped, with the Nasdaq Composite Index surging to its highest level in almost a year, as investors slowly began to believe that rock-bottom interest rates along with remarkably upbeat consumers and President Bush's tax-cut plan just might pull the economy out of its slump.

Stocks have been edging up for more than seven months now, after bottoming out in October, but the gains have seemed to come more on hopes of a business recovery than on any real proof. Yesterday, data trickled in to support the optimism in the form of stronger home sales and gains in the Conference Board's consumer-confidence survey (see article on page A9).

Still Climbing

Daily close of the Dow Jones Industrial Average

Source: WSJ Market Data Group

Before stocks could rise, though, investors had to get over the shock that the euro, the European currency that is just a little more than four years old, had jumped to a record against the beleaguered dollar in Tokyo trading, briefly trading above $1.19.

With money moving toward U.S. stocks, even the dollar managed to rebound against the euro late in the day. In New York trading, with the dollar recovering, the euro finished at $1.1827, down slightly from $1.1830 on Friday and well off its intraday highs.

Even that can be interpreted as good news for stocks, since a soft dollar helps U.S. corporate profits. That thinking helped push the Dow Jones Industrial Average up 179.97 points, or 2.09%, to 8781.35, its highest finish since Jan. 14. It is up more than 5% since the year began. The Nasdaq composite, which leapt 3.09%, or 46.60 points, to 1556.69, now is at its highest level since June 5, 2002, almost one year ago. The Nasdaq index, dominated by large technology stocks, is up 16.6% since the year began and has surged almost 40% since Oct. 9.

The evidence to support the stock gains still is sparse. Unemployment remains high and corporate sales are sluggish. Professional investors know that any economic setback or another major act of terrorism could send the stock market reeling.

They also know that the market typically moves six months or more ahead of any convincing signs of an economic recovery. So, with nearly every economic tool available turning the market's way—the weakened dollar, the coming tax cuts and interest rates at a 45-year low—many investors are slowly returning to stocks, in part on the bet that the economy could well turn stronger ahead of the 2004 elections.

"I personally don't think that the evidence is there in the economic fundamentals overall," said Tim Heekin, director of trading at San Francisco brokerage firm Thomas Weisel Partners. "These gains are coming more on the optimism that this all will happen, that the cost-cutting measures have been put into effect, that the resiliency of the consumer and

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INSIDE TODAY'S JOURNAL

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Housing Buoys the Economy, Which Is No Surprise to Greenspan

Continued From First Page

would be sold in ... 2004 are being sold now," said Edward Leamer, an economist at the University of California, Los Angeles, at a panel discussion last fall. Some Fed officials worry that, even without a big pullback, housing activity can't expand much from such robust levels, so its contribution to economic growth will ebb.

Mr. Greenspan's analytic interest in housing dates to his days as a consultant at Townsend-Greenspan & Co. He noticed that total mortgage debt was increasing each year by more than could be explained by mortgages taken out on newly built homes, after he subtracted scheduled repayment of existing loans. The difference, he concluded, had to be mortgage borrowing secured by the equity in existing homes—borrowing that consumers used for other purposes, from buying cars to investing in stocks.

Mr. Greenspan called this the "monetization," "liquefication" or "extraction" of home equity. He believed it could explain a lot of things—stock prices, home prices and consumer spending—better than other economic models did. "Capital gains from home sales are a potent force in consumer markets, far greater than ... stock-market gains," he told the National Association for Business Economics in Philadelphia in 1977.

In the audience was Sung Won Sohn, chief economist at what is now Wells Fargo & Co. "After lunch, we came out of the hall saying, 'Is housing really that important?' " he recalls. Although Mr. Sohn found at the time that he couldn't reproduce Mr. Greenspan's findings with a then-popular mathematical model of the economy, he says that "in hindsight, I think Greenspan was right."

When he became Fed chairman in 1987, Mr. Greenspan asked a Fed housing expert to refine the Townsend-Greenspan models. The first challenge was getting good data. Tackling the problem in meetings with Fed economist Jack Goodman, the chairman was in his element. "He'd say, 'Is the American Housing Survey a better source or the Current Population Survey or the decennial census?'" Mr. Goodman recalls.

Despite Mr. Greenspan's fascination with houses, he has never owned one, although he has owned condos in New York and Washington. The home he lives in now belongs to his wife, NBC correspondent Andrea Mitchell, whom he married in 1997.

In 1999, at Mr. Greenspan's urging, Fed colleague Jim Kennedy began working full time on a database of housing wealth, prices and turnover. He used house prices from the 1800s from Mr. Greenspan's well-thumbed two-volume compendium of historical statistics. Another group of staff economists built a large database of mortgage originations and repayments, using records the Fed collects from banks for enforcing fair-lending laws.

It was increasingly apparent that homeowners could spend some of their housing wealth without selling the house. Mr. Kennedy told his boss that growing numbers of people who refinanced mortgages were raising the size of the loans, using the extra cash to pay down other debt, renovate or shop. Such "cash out" refinancings had long been possible. But by 1999 they were surging, a survey done for the Fed by the University of Michigan that year showed.

By 2001, Mr. Greenspan had enough data to test some of the theories he had espoused in that 1977 speech. Addressing a Fed symposium in Jackson Hole, Wyo., he didn't talk about the tech-stock meltdown or productivity, as many expected, but delivered a technical discussion about the differing effects of stock and housing wealth on spending.

His key finding was that a rise in the value of a home had a bigger impact on household spending than a similar-size gain in the household's stock portfolio. The impact was especially pronounced when a home was actually sold; the seller spent 10 to 15 cents of each dollar of the capital gain on such a sale, Mr. Greenspan said. Fed researchers did not have an equivalent figure for realized capital gains on stocks.

The importance of this finding became clear over the following months. As the post-bubble bear market in stocks deepened, housing prices continued to rise. Between stocks' March 2000 peak and the end of 2002, U.S. households' stock wealth sank by almost $6 trillion. But their real-estate wealth rose $3 trillion, cushioning that hit significantly and helping support consumer spending.

Why housing wealth should have a bigger bang for the buck than stock wealth isn't entirely clear. It might be that many stocks are held in tax-sheltered plans, so it's hard for an investor to spend a capital gain—or even be aware of one—Mr. Greenspan suggested. Or perhaps it's that many more households own homes than stocks. In 2001, 68% of families owned homes, which had a $122,000 median value; 52% had stock portfolios, with a median value $34,000. Many of these were tied up in retirement plans.

The combination of rising home prices and lower mortgage rates made for a powerful economic force. Magnifying it were changes in the mortgage market that made refinancing simpler.

Alan Greenspan

The mortgage market, once dominated by savings and loans that took deposits and lent the money on housing, began shifting in the 1980s toward mortgage bankers. Instead of taking deposits, these firms lent funds borrowed on capital markets and quickly unloaded their mortgages to other institutions, primarily the giant mortgage agencies Fannie Mae or Freddie Mac. Home loans, thus freed from the vagaries of local economic and banking conditions, became cheaper and more readily available.

Meanwhile, software for underwriting and credit-scoring speeded the mortgage-approval process. The result was a fall in the cost and complexity of refinancing a mortgage. A smaller interest-rate drop was sufficient to make refinancing worth a homeowner's while.

"In the old days, housing wealth was relatively illiquid and the only way to realize it was to sell and move to smaller house," said Fed researcher Andreas Lehnert at a recent academic conference in Washington. "Now you can borrow against housing wealth." He calls this increased role of the home as a source of cash the "ATM effect."

Some 35% of homeowners who refinanced after a late-1998 fall in mortgage rates took out extra cash, averaging $18,000, a University of Michigan survey showed. The share who took out cash jumped to 46% in the 2001-2002 refinancing boom, and the average amount rose to $31,000, a new survey showed.

Though Fed officials have always watched housing closely, Mr. Greenspan increased the scrutiny. In 1994, when the National Association of Home Builders complained of high interest rates, he asked the group to help update him on industry conditions. The association's chief economist, David Seiders, now does a special early survey of homebuilders about sales, cancellations and backlogs, and provides the Fed with the results.

The industry doesn't always behave as the Fed staff expects. In early 1997, the Fed's staff began looking for an economic slowdown that would cause the homebuilding industry to cool. Michael Prell, then the Fed's research director, predicted that housing starts, which totaled 1.5 million in 1996, would slip to 1.4 million in 1997 and 1.3 million in 1998. Instead, they stayed level in 1997 and rose to 1.6 million the next year.

For a while, Fed officials figured the demand was a logical response to buoyant growth and fattened stock portfolios. But by 2000, Mr. Greenspan began to fret that demand for homes was overheating. That July, he told Congress new home sales were running at "extraordinarily high levels relative to new household formations," and "a pause" was likely.

There was no pause. By fall, mortgage rates had begun falling as the economy slowed. Housing remained strong right through the 2001 recession, taking a breather after the Sept. 11 terror attacks and then rebounding. It was the first recession in four decades in which housing sales and construction rose. Housing starts hit 1.7 million last year.

Fed officials acknowledge that housing is likely to weaken when interest rates rise, but they expect that to happen only when the economy rebounds.

As for the concerns Mr. Greenspan expressed in 2000 about a saturated housing market, those have abated. New census data suggested there were more potential homeowners than Mr. Prell knew back in 1997, especially among immigrants and low-income families. That's one reason Mr. Greenspan is confident there's no housing bubble waiting to burst, though he has acknowledged housing prices could slip after such a big runup. And as more Americans own their own home, he told Congress last week, the impact of home values on the economy, which he started to follow more than 30 years ago, is going to "increase, rather than decrease."

Chinese Market Eludes Crackdown

Continued From First Page

steamed with ginger and garnished with coriander.

A survey conducted by a Chinese newspaper three years ago found that 95% of people in Shenzhen had eaten wild animals. In nearby Guangzhou, a city of about 10 million, people eat nearly eight million pounds of snake each year, says Jiang Zhigang, a fellow at the Animal Institute of the Chinese Academy of Science. The taste for exotic animals has been spreading along with the general economic liberalization that began a quarter century ago.

While still inconclusive, the scientific case linking SARS and wild animals has strengthened somewhat over the past several days. First, researchers from the University of Hong Kong microbiology department and the Shenzhen Center for Disease Control announced on Friday that they had discovered live coronaviruses in masked palm civets at the Dongmen market, and in a raccoon dog, a wild creature related to domestic dogs. New research by a Chinese government interagency task force this week found that 13% of 508 people working in three Guangdong wild-animal markets had antibodies to the SARS coronavirus, suggesting that at some time they had been exposed to it, though most apparently never developed pneumonia.

Chinese researchers also found that all six SARS patients linked to outbreaks of the disease in four Guangdong cities had eaten or handled wild animals within 20 days of falling ill. Many of the initial cases involved chefs. The research was muddled by the large range of animals that the people who tested positive work with. Masked palm civets, wild pigs, rabbits and snakes were the most common.

Even before the latest findings, Chinese authorities, acting on a hunch, last month banned the capture, transport, sale and purchase of almost all wild animals—dead or alive.

But the scene at the Dongmen market shows how wide the gap remains between rules and enforcement. Bedraggled domesticated cats, confined to small chickenwire cages and panting in the heat as they await a buyer, are stained with droppings from pigeons enclosed above. Green-shirted market supervisors periodically hose down the floors, washing the effluence into an open gutter.

The wildlife trade is so lucrative, it "is just like drug trafficking," says Mr. Jiang Haisheng, professor of the South China Research Institute for Endangered Animals. "So long as profits exist, there will be people willing to take risks."

There are signs Chinese officials plan to move more forcefully in cracking down on the wild-animal trade. Yesterday, newspapers in Guangdong province published new rules designed to give teeth to the new ban on wildlife trade. Officials announced they would conduct "comprehensive" inspections of markets, restaurants and ports. Even roving circuses and animal shows are being required to stop performances and go into quarantine. The provincial legislature is also considering a campaign declaring that citizens must "cultivate enlightened and hygienic eating habits, and not eat wild animals" in order to halt the spread of SARS.

> In Guangzhou, people eat nearly eight million pounds of snake each year.

Vendors at the Dongmen market say they believe the crackdown will follow the pattern of periodic campaigns against the sex industry: aggressive enforcement for a time, and then an eventual drift back to business as usual.

Others in the food business are preparing for permanent change. The proprietor of Zhiqing No. 1 Village restaurant, Liu Zhenhua, says he is gradually shifting away from providing reptiles and wild mammals in favor of seafood.

Some diners say they are willing to kick the habit. Wild animal "isn't a must-have item," says another Zhiqing patron, Zhuang Ge, "it wouldn't be like giving up rice."