

Economic Growth Slows Down

BY MARTIN CRUTSINGER
AP Economics Writer

WASHINGTON — The U.S. economy grew more slowly in the first three months of this year. Governments spent less, and businesses cut back on investment. But consumers spent at the fastest pace in more than a year.

The result suggests that the economy will continue to expand, slowly but steadily.

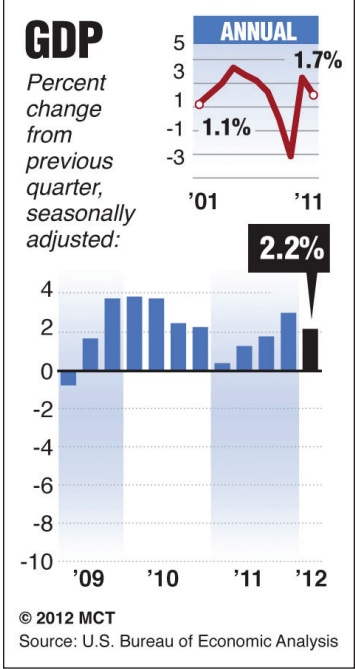
The Commerce Department estimated Friday that the economy grew at an annual rate of 2.2 percent in the January-March quarter, compared with a 3 percent gain in the final quarter of 2011. But growth is expected to rebound to around 3 percent for all of 2012 as stronger job growth spurs more consumer spending.

Consumer spending accelerated to an annual rate of 2.9 percent in the first quarter. The strength came from a second robust quarter of growth in auto purchases. Consumer spending is closely watched since it accounts for 70 percent of economic activity.

Government spending fell at an annual rate of 3 percent in the first quarter. The biggest factor was a sharp drop in defense spending. All levels of government are under pressure as they struggle to control budget deficits.

Chris Williamson, chief economist with the research firm Markit in London, pointed to a 2.1 percent annualized drop in business investment as a “big disappointment.”

He said the decline “serves as



a reminder that business remains wary of expansion, given the uncertain economic outlook.”

And investment in equipment and software rose at just a 1.7 percent annual rate. That was the slowest pace since the Great Recession ended in mid-2009.

Businesses also restocked their shelves more slowly in the January-March quarter than in the October-December period. That, too, slowed growth.

Beth Ann Bovino, senior economist at Standard & Poor's, says businesses might have cut back their spending when an investment tax break expired at the end of 2011.

Some economists said they expect business investment to strengthen in coming quarters and help support stronger overall growth.

“The U.S. economic expansion continues at a modest to moderate rate, with little momentum but should pick up somewhat later this year as business investment gets back on track,” said Sal Guatieri, chief U.S. economist at BMO Capital Markets

The 2.2 percent overall increase in the economy in the first quarter marked the 11th consecutive quarter that the gross domestic product has expanded since the deep 2007-2009 recession ended in June 2009. But the gains have been far below the usual increases coming out of a deep recession.

GDP is the nation's total output of goods and services, from cars and refrigerators to electricity to manicures.

A growth rate of 2.5 percent or higher is considered good when the economy is healthy. But with 12.7 million people unemployed, faster growth is needed to boost hiring. Under one rule of thumb, the economy must grow roughly 4 percent for a full year to lower the unemployment rate, now 8.2 percent, by 1 percentage point.

Trade was a slight drag on growth in the first three months of the year. U.S. manufacturers are finding it harder to sell products overseas because of Europe's debt crisis and weaker growth in Asia.

The government makes three estimates of the GDP for each quarter. Friday's was the first for the January-March quarter. Each revision is based on more complete economic data.

Many economists predict growth will strengthen in the second

half of this year because they think hiring will continue to improve. Job growth has helped drive the unemployment rate to 8.2 percent in March from 9.1 percent in August and given households more money to spend.

Joel Naroff, chief economist at Naroff Economic Advisors, thinks the economy will grow 3 percent for all of 2012. That would be nearly double the anemic 1.7 percent growth in 2011. The economy expanded 3 percent in 2010, the first full year of the recovery after the Great Recession officially ended in June 2009. In 2009, economic output had shrunk 3.5 percent.

Last year began with signs of healthier growth. But then the economy endured a series of shocks. Gasoline prices surged after political unrest triggered by the Arab Spring. The earthquake and tsunami in Japan slowed the flow of supplies to U.S. auto plants and other factories. And the European debt crisis and a standoff over raising the federal borrowing limit unsettled investors.

Gasoline prices have risen again this year. But the effect on consumer spending so far has been less. In part, that's because a warm winter meant families didn't have to spend as much to heat their homes.

Also, consumers this year have reduced their debt loads. Housing is inching back. State and local governments aren't cutting as much. Banks are lending more. And the threat from Europe's debt crisis has eased somewhat.

Secret Service Tightens Its Conduct Rules

BY LAURIE KELLMAN
AND ALICIA A. CALDWELL
Associated Press

WASHINGTON — Seeking to shake the disgrace of a prostitution scandal, the Secret Service late Friday tightened conduct rules for its agents to prohibit them from drinking excessively, visiting disreputable establishments while traveling or bringing foreigners to their hotel rooms.

The new behavior policies apply to Secret Service agents even when they are off duty while traveling, barring them from drinking alcohol within 10 hours of working, according to a memorandum describing the changes obtained by The Associated Press. In some cases under the new rules, chaperones will accompany agents on trips. The embattled Secret Service director, Mark Sullivan, urged agents and other employees to “consider your conduct through the lens of the past several weeks.”

The Secret Service said it would conduct a training session on ethics next week.

Sullivan said the rules “cannot address every situation that our employees will face as we execute our dual-missions throughout the world.” He added: “The absence of a specific, published standard of conduct covering an act or behavior does not mean that the act is condoned, is permissible, or will not call for — and result in — corrective or disciplinary action.”

“All employees have a continuing obligation to confront expected abuses or perceived misconduct,” Sullivan said.

The agency-wide changes were intended to staunch the embarrassing disclosures since April 13, when a prostitution scandal erupted in Colombia involving 12 Secret Service agents, officers and supervisors and 12 more enlisted military personnel who were there ahead of President Barack

Obama's visit to a South American summit.

But the new policies announced Friday raised questions about claims that the behavior discovered in Cartagena was an isolated incident: Why would the Secret Service formally issue new regulations covering thousands of employees if such activities were a one-time occurrence?

“It's too bad common sense policy has to be dictated in this manner,” said Sen. Charles Grassley, R-Iowa, a member of the Senate Judiciary Committee. “New conduct rules are necessary to preventing more shenanigans from happening in the future, and whether these are the best, and most cost effective, rules to stop future misconduct remains to be seen.”

The new rules did not mention prostitutes or strip clubs, but they prohibit employees from allowing foreigners — except hotel staff or foreign law enforcement colleagues — into their hotel rooms. They also ban visits to “non-reputable” establishments, which were not defined. The State Department was expected to brief Secret Service employees on trips about areas and businesses considered off-limits to them.

During trips in which the presidential limousine and other bulletproof vehicles are transported by plane, senior-level chaperones will accompany agents and enforce conduct rules, including one from the agency's Office of Professional Responsibility.

In a Wonderland moment, the operator of the “Lips” strip club in San Salvador, Dan Ertel, organized a news conference late Friday and said he didn't know whether any Secret Service employees were among his customers. Ertel said

the club was the only one in the country where prostitutes don't work. But a dancer who identified herself by her stage name, Yajaira, told the AP earlier in the day that she would have sex with customers for money after her shift ended.

“You can pay for dances, touch a little, but there's no sex,” she said. “But if somebody wants, if they pay me enough, we can do it after I leave at 3 in the morning.”

The chairman of the House Homeland Security Committee, Rep. Peter King, R-N.Y., praised the new rules as “very positive steps by the Secret Service to make clear what is expected of every agent and also makes clear what will not be tolerated.”

The Secret Service already has forced eight employees from their jobs and was seeking to revoke the security clearance of another employee, which would effectively force him to resign. Three

others have been cleared of serious wrongdoing. The military was conducting its own, separate investigation but canceled the security clearances of all 12 enlisted personnel.

Homeland Security Secretary Janet Napolitano assured senators earlier this week that the incident in Colombia appeared to be an isolated case, saying she would be surprised if it represented a broader cultural problem. The next day, the Secret Service acknowledged it was investigating whether its employees hired strippers and prostitutes in advance of Obama's visit last year to El Salvador. Prostitution is legal in both Colombia and El Salvador.

In a confidential message to senators on Thursday, the Secret Service said its Office of Professional Responsibility had not received complaints about officer behavior in El Salvador but would investigate.

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New Yorkers Watch Shuttle Pass Over Skyline

NEW YORK (AP) — In a city understandably wary of low-flying aircraft, New Yorkers and tourists alike watched with joy and excitement Friday as space shuttle Enterprise sailed over the skyline on its final flight before it becomes a museum piece.

Ten years after 9/11, people gathered on rooftops and the banks of the Hudson River to marvel at the sight of the spacecraft riding piggyback on a modified jumbo jet that flew over the Statue of Liberty and past the skyscrapers along Manhattan's West Side.

"It made me feel empowered. I'm going to start crying," Jennifer Patton, a tourist from Canton, Ohio, said after the plane passed over the cheering crowd on the deck of the aircraft carrier USS Intrepid, the floating air-and-space museum that will be the shuttle's permanent home.

"I just feel like to have a plane fly that low over the Hudson, right past New York City, and to have everyone cheering and excited about it, shows that we don't have fear, that we have a sense of 'This is ours.'"

Onlookers bundled up on the blustery spring day along the piers on the West Side, cameras slung around their necks. The roar of the aircraft could barely be heard over the howling winds. In truth, the camera angles on TV made it seem as if the shuttle was a lot closer to the buildings than it really was.

Accused Cyberbullies Claim 'Emoticon Defense'

INDIANAPOLIS (AP) — Even if three Indiana girls were just kidding around and used emoticons and LOLs when they discussed killing classmates on Facebook, their talk still could be considered cyberbullying if it inflicted emotional harm, experts say.

The American Civil Liberties Union of Indiana filed a federal lawsuit on behalf of the eighth-graders this week, claiming the Griffith Public Schools district in northern Indiana violated the girls' civil rights when it expelled them on the basis of a personal off-campus conversation that attorneys say shouldn't have been taken so seriously.

The lawsuit filed in U.S. District Court in Hammond says that any reasonable person would have realized the 14-year-olds' banter was in jest in part because of the use of emoticons such as smiley faces, humorous online shorthand such as LOL and ROFLMAO, and capital letters that represent sarcasm.

"The legal analysis asks whether a reasonable person viewing the conversation would conclude that the girls were about to inflict imminent harm. I think the use of emoticons and other forms of Internet-speak are simply one factor demonstrating that that was not the case," ACLU attorney Gavin Rose said in an email.

Bear That Wandered Onto Campus Relocated

BOULDER, Colo. (AP) — A 200-pound black bear that wandered onto the University of Colorado campus has been relocated to the nearby Rocky Mountains.

State wildlife official Jennifer Churchill said Friday that the male bear was tagged and taken to a remote area of ponderosa pines, oak brush and chokeberry west of Boulder.

The bear has become a celebrity since it wandered around a university residence hall in Boulder and climbed a tree Thursday. Wildlife officers eventually tranquilized it, and the bear dropped from its 15-foot-high perch onto pads placed on the ground.

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