



The Biggest Scandal Yet?

BY ROBERT B. REICH
Tribune Media Services

Just when you thought Wall Street couldn't sink any lower — when its excesses are still causing hardship to millions of Americans and its myriad abuses of public trust have already spread a miasma of cynicism over the entire economic system — an even deeper level of public-be-damned greed and corruption is revealed.

Sit down and hold on to your chair. Consider the most basic services banks provide you: You put your savings in a bank to hold in trust, and the bank agrees to pay you interest on it. Or you borrow money from the bank and agree to pay the bank interest on the loan. We trust that the banking system is setting interest rates based on its best guess about the future worth of the money. And we assume that guess is based, in turn, on the cumulative market predictions of lenders and borrowers all over the world (including central banks) about the future supply and demand for the dough. But suppose our assumption is wrong. Suppose the bankers are manipulating the interest rate so they can place bets with the money you lend or repay them — bets that will pay off big for them because they have inside information on what the market is really predicting, which they're not sharing with you.

That would be a mammoth violation of public trust. And it would amount to a rip-off of almost cosmic proportion — trillions of dollars that you and I and other average people would otherwise have received or saved on our lending and borrowing that have been going instead to the bankers. It would make the other abuses of trust we've witnessed look like child's play by comparison.

Sad to say, there's reason to believe this has been going on, or something very much like it. This is what the emerging scandal over "Libor" (short for "London interbank offered rate") is all about.

Libor is the benchmark for trillions of dollars of loans worldwide — mortgage loans, small-business loans, personal loans. It's compiled by averaging the rates at which the major banks say they borrow.

So far, the scandal has been limited to Barclays, a big, London-based bank that just paid \$453 million to U.S. and British bank regulators, whose top executives have been forced to resign, and whose traders' emails give a chilling picture of how easily they got their colleagues to rig interest rates in order to make big bucks. (Robert Diamond Jr., the former Barclays CEO who was forced to resign, said the emails made him "physically ill" — perhaps because they so



Robert REICH

patently reveal the corruption.) But Wall Street has almost surely been involved in the same practice, including the usual suspects — JPMorgan Chase, Citigroup and Bank of America — because every major bank participates in setting the Libor rate, and Barclays couldn't have rigged it without their witting involvement.

In fact, Barclays' defense has been that every major bank was fixing Libor in the same way, and for the same reason. And Barclays is "cooperating" (i.e., providing damning evidence about other big banks) with the Justice Department and other regulators in order to avoid steeper penalties or criminal prosecutions, so the fireworks have just begun.

There are really two different Libor scandals. One has to do with a period just before the financial crisis, around 2007, when Barclays and other banks submitted fake Libor rates lower than the banks' actual borrowing costs in order to disguise how much trouble they were in. This was bad enough. Had the world known then, action might have been taken earlier to diminish the impact of the near financial meltdown of 2008.

But the other scandal is even worse. It involves a more general practice, starting around 2005 (and continuing until ... who knows? It might still be going on), to rig the Libor in whatever way necessary to assure the banks' bets on derivatives would be profitable.

This is insider trading on a gigantic scale. It makes the bankers winners and the rest of us — whose money they've used to make their bets — losers and chumps.

What to do about it, other than hope the Justice Department and other regulators impose stiff fines and even criminal penalties, and hold executives responsible?

When it comes to Wall Street and the financial sector in general, most of us suffer outrage fatigue combined with an overwhelming cynicism that nothing will ever be done to stop these abuses because the Street is too powerful. But that fatigue and cynicism are self-fulfilling; nothing will be done if we succumb to them.

The alternative is to be unflinching and unflinching in our demand that Glass-Steagall be reinstituted and the biggest banks be broken up. The question is whether the unfolding Libor scandal will provide enough ammunition and energy to finally get the job done.

Robert B. Reich, Chancellor's Professor of Public Policy at the University of California and former U.S. Secretary of Labor, is the author of the newly released "Beyond Outrage: What has gone wrong with our economy and our democracy, and how to fix it," a Knopf e-book original.

A Triumph Of Human Curiosity

BY PAUL TIPTON
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The announcement last week of the first definitive evidence of a new particle, likely the long-awaited Higgs boson, has a lot to teach us — and not all of it is about science. It took an international team funded by the global community of taxpayers to bring it about.

To be sure the science is extremely exciting. The Higgs was first proposed in the 1960s and is thought to be the remnant of a ubiquitous interaction common to all objects with mass. As lofty and ethereal as these ideas are, the Higgs discovery, as with all scientific discoveries, is solidly grounded in concrete, observable phenomena. It took a colossal new scientific instrument, the Large Hadron Collider, or LHC, at CERN — the European Organization for Nuclear Research in Switzerland — to produce the few hundred examples of this new object thought to be the Higgs.

The LHC is an engineering tour de force. Made up of 17 miles of super-conducting magnets, it is designed to capture and accelerate counter-rotating bunches of protons that collide at several locations around the ring.

These locations represent some of the most precious real estate on Earth, where every square inch of space is carefully planned and equipped with sensors. It took two detectors the size of apartment buildings, each with about 100 million sensor elements, to detect the remnants of the Higgs, and to distinguish it from the billions of background processes that could mask it. The human capital needed to plan and build the LHC and the two detectors, ATLAS and CMS, is measured in tens of thousands of person-years.

This much-anticipated discovery is in one sense the culmination of a huge intellectual effort, and in another

sense the beginning of a new field of research. The Higgs is unstable and quickly decays to daughter particles. The study of how and what it decays into will give scientists a glimpse at the way nature works at much higher energies than we have yet to probe.

As exciting as this discovery is, and as meaningful as it is to the field of physics, the broader lessons of this human endeavor should not be lost on us. This discovery is the result of a truly worldwide effort. Citizens from all corners of the globe labored together to achieve this result.

The funding was also global. These days few people are willing to extol the glories and virtues of taxation, but this discovery would not have happened without the taxpayer. In fact, the vast majority of the planet's taxpayers had skin in the game. So in a very real sense we all own it. The Higgs discovery also represents a triumph of human curiosity. Physicists are trained in science, not project management. Mix in communication challenges from cultural differences, language barriers and the need to work across 24 time zones, and you have a recipe for failure. But somehow even without the profit motive or the need to survive — things that usually cause humans to pull together — the CERN teams succeeded. I can only attribute this to an overwhelming desire to comprehend the fascinating physical world we inhabit.

The Higgs could well be the first science discovery brought about by all of us in the broadest sense, the planet-wide human community. It seems fitting that nature's secrets are unwrapped by all of us, that we own and enjoy the discovery corporately. Let us hope that this is the first of many such endeavors.

Paul Tipton is a professor of physics at Yale University. He wrote this for the Los Angeles Times.

YOUR LETTERS

A Bad Choice

Sally Welter, Yankton

In response to Lawrence Rossiter's letter ("We Don't Have To Choose," *Press & Dakotan*, July 3). I was appalled when reading your letter. The choice among men and women who opt to contracept, is between them and their God. If they are Catholic, they know the teachings of the Church; even most Protestants know its teachings of our Church for Catholics. The issue is that Catholic organizations are asked to pay for, therefore subsidizing, birth control. This is a matter of conscience, and the Church, speaking through their Bishops cannot do that. A matter of conscience is a serious matter that the Bishops cannot, for any reason subscribe to.

THE PRESS & DAKOTAN

THE DAKOTAS' OLDEST NEWSPAPER | FOUNDED 1861
Yankton Media, Inc., 319 Walnut St., Yankton, SD 57078

OPINION | OUR VIEW

Cybersecurity: This Is The Time For Action

There is something simultaneously amazing and disturbing when you consider just how intertwined and reliant we are on cyberspace — and the word "we" refers to ordinary individuals, companies, government agencies, infrastructure, even our national defense capabilities.

Thus, there was something disturbing in the words of Army Gen. Keith Alexander, the head of the Pentagon's Cyber Command, when he spoke at an American Enterprise Institute event in Washington Monday.

The general called on Congress to take immediate action on beefing up this nation's cybersecurity. He said, in effect, that America is becoming increasingly prone to Internet attack, which might not be merely disruptive but also destructive, according to The Associated Press.

"The conflict is growing, the probability for crisis is mounting," he declared. "While we have the time, we should think about and enact things that we need to ensure our security in this area. Do it now, before a crisis."

One thing he specifically pointed to was sorting out the procedures for government agencies to act and to communicate and coordinate with one another.

This should sound nervously familiar. In the wake of the 2001 terrorist attacks, we were gradually presented a grim picture of just how unprepared we were for such a straightforward attack. As we recall, agencies did not share information that could have helped authorities connect the dots on the terrorists involved. We had numerous agencies working in various, uncoordinated directions, sometimes in direct competition with one another. This created gaps in our national defensive posture, and we paid a terrible price for it. This led to the formation of the Office of Homeland Security and its attempts, which are still ongoing, to bring these groups and agencies under on umbrella.

Now we face the same situation with cybersecurity, according to Alexander.

In short, a bell has been sounded, and we have been warned. Make no mistake, this is a tricky business. Cyberspace is the new frontier — a virtual, digital wilderness — and it is mutating all the time. Hackers are constantly probing for new ways to conduct malicious operations, whether they are money scams or worse. With that paranoid thought in mind, it's probably not unreasonable to believe that someone is probing our defenses right now, looking for a little breach in order to create bigger issues.

The prospect of a terrorist group like al-Qaida commencing some kind of cyber-assault is one of the great worries. While the group does not have such a capability now, there is no guarantee it won't have it soon. In fact, it's very likely, just as it's likely that other such groups will acquire this expertise to compromise and disrupt.

And if that happens? Well, look around. Consider all that we do that is tied to cyberspace, ranging from online banking to running electrical grids to coordinating vital communications.

Alexander's warning must be heeded by everyone, especially by those in Congress. His fears are nothing new. But the urgency grows with each passing day, for it's only a matter of time when any weakness we have in cybersecurity will be exploited in only the most malicious terms possible. As Alexander said, let's act now.

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OUR LETTER POLICY

The **PRESS & DAKOTAN** encourages its readers to write letters to the editor, and it asks that a few simple guidelines be followed.

■ Please limit letters to 300 words or less. (During political campaigns, letters related to the campaign may be limited to 150 words.) Letters should deal with a single subject, be of general interest and state a specific point of view. Letters are edited with brevity, clarity and newspaper style in mind.

■ In the sense of fairness and professionalism, the **PRESS & DAKOTAN** will accept no letters attacking private individuals or businesses.

■ Specific individuals or entities addressed in letters may be given the opportunity to read the letter prior to publication and be allowed to answer the letter in the same issue.

■ Only signed letters with writer's full name, address and daytime phone number for verification will be accepted. Please mail to: Letters, 319 Walnut, Yankton, SD 57078, drop off at 319 Walnut in Yankton, fax to 665-1721 or email to views@yankton.net.

TODAY IN HISTORY

By The Associated Press

Today is Wednesday, July 11, the 193rd day of 2012. There are 173 days left in the year.

Today's Highlight in History: On July 11, 1937, American composer and pianist George Gershwin, whose works included "Rhapsody in Blue," "Concerto in F," "An American in Paris," and "Porgy and Bess," died at a Los Angeles hospital of a brain tumor; he was 38.

On this date: In 1767, John Quincy Adams, the sixth president of the United States, was born in Braintree, Mass.

In 1798, the U.S. Marine Corps was formally re-established by a congressional act that also created the U.S. Marine Band.

In 1804, Vice President Aaron Burr mortally wounded former Treasury Secretary Alexander Hamilton during a pistol duel in Weehawken, N.J.

In 1859, Big Ben, the great bell inside the famous London clock tower, chimed for the first time.

In 1922, the Hollywood Bowl officially opened with a program called "Symphonies Under the Stars" with Alfred Hertz conducting the Los Angeles Philharmonic.

In 1934, President Franklin D. Roosevelt became the first incumbent chief executive to travel through the Panama Canal.

In 1952, the Republican national convention, meeting in Chicago, nominated Dwight D. Eisenhower for president and Richard M. Nixon for vice president.

In 1960, the novel "To Kill a Mockingbird" by Harper Lee was first published by J.B. Lippincott and Co.

In 1962, American diver Fred Baldaire completed an underwater crossing of the English Channel using scuba gear, arriving in Sandwich Bay 18 hours after leaving Calais.

In 1972, the World Chess Championship opened as grandmasters Bobby Fischer of the United States and defending champion Boris Spassky of the Soviet Union began play in Reykjavik, Iceland. (Fischer won after 21 games.)

In 1979, the abandoned U.S. space station Skylab made a spectacular return to Earth, burning up in the atmosphere and showering debris over the Indian Ocean and Australia.

In 1989, actor and director Laurence Olivier died in Steyning, West Sussex, England, at age 82.

Ten years ago: Lawmakers balked at moving the Coast Guard and the Federal

Emergency Management Agency into a new Homeland Security Department despite pleas from senior Cabinet officials to stick to President George W. Bush's blueprint. (Both agencies did end up being included in the new department.)

Five years ago: Lady Bird Johnson, the former first lady who'd championed conservation and worked tenaciously for the political career of her husband, President Lyndon Johnson, died in Austin, Texas, at age 94. Pakistani army commandos captured the Red Mosque from militants following a 35-hour battle.

One year ago: Rupert Murdoch's media empire was besieged by accusations that two more of his British newspapers engaged in hacking, deception and privacy violations. Eight-year-old Leiby Kletzky went missing while walking home from religious day camp in Brooklyn, N.Y. (his dismembered remains were discovered two days later; a suspect, Levin Aron, has been charged with kidnapping and murder). So Yeon Ryu (soh yahn yoo) won the U.S. Women's Open, defeating fellow South Korean Hee Kyung Seo (soh) by three shots in a three-hole playoff.

Today's Birthdays: Actor Tab Hunter is 81. Actress Susan Seaforth Hayes is 69. Singer Jeff Hanna (Nitty Gritty Dirt Band) is 65. Ventriloquist-actor Jay Johnson is 63. Actor Bruce McGill is 62. Singer Bonnie Pointer is 62. Actor Stephen Lang is 60. Actress Mindy Sterling is 59. Actress Sela Ward is 56. Reggae singer Michael Rose (Black Uhuru) is 55. Singer Peter Murphy is 55. Actor Mark Lester is 54. Jazz musician Kirk Whalum is 54. Singer Suzanne Vega is 53. Rock guitarist Richie Sambora (Bon Jovi) is 53. Actress Lisa Rinna is 49. Rock musician Scott Shriner (Weezer) is 47. Actress Debbie (correct) Dunning is 46. Actor Gred Grunberg is 46. Wildlife expert Jeff Corwin is 45. Actor Justin Chambers is 42. Actress Leisha Hailey is 41. Actor Michael Rosenbaum is 40. Pop-rock singer Andrew Bird is 39. Country singer Scotty Emerick is 39. Rapper Lil' Kim is 37. Rock singer Ben Gibbard is 36. Rapper Lil' Zane is 30. Pop-jazz singer-musician Peter Cincotti is 29. Actor David Henrie is 23. Actor Connor Paolo is 22.

Thought for Today: "Those people who think only of themselves, are hopelessly uneducated. They are not educated, no matter how instructed they may be." — Nicholas Murray Butler, American educator (1862-1947).

FROM THE BIBLE

Come, see a man who told me all that I ever did. Can this be the Christ? John 4:29. Portals of Prayer, Concordia Publishing House, St. Louis

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Published Daily

Monday-Saturday

Periodicals postage paid at Yankton, South Dakota, under the act of March 3, 1979.

Weekly Dakotian established June 6, 1861. Yankton Daily Press and Dakotian established April 26, 1875.

Postmaster: Send address changes to Yankton Daily Press & Dakotan, 319 Walnut, Yankton, SD 57078.

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