

Cheating in school: Why it's on the rise

Have we raised “a generation of cheaters?” asked Robert Kolker in *New York* magazine. That's the question people are asking after a series of major cheating scandals involving some of the nation's top schools and colleges. New York City's prestigious Stuyvesant High School this month suspended 12 students, and threatened to suspend 50 more, for allegedly sharing test answers via text and email. Weeks earlier, Harvard University accused 125 undergrads of sharing and plagiarizing answers for a final take-home exam. Recent research shows that 85 percent of high school students cheat. This might be because students today face enormous pressure as early as fourth grade to succeed on high-stakes tests that they're told will determine their entire futures. Now that schools prize test performance over learning, “cheating becomes rational,” said Steve Gimbel in *InsideHigherEd.com*. Indeed, cheaters are admired, for having “beat the system.”



A scandal at Harvard

For the Millennial Generation, in fact, “cheating” is a foreign concept, said Lauren Stiller Rikleen in *The Boston Globe*. Having grown up online, immersed in Wikipedia and Facebook, they think it's perfectly normal to share information and even intimate personal secrets. To them, passing

around test answers isn't really cheating, just as downloading music from file-sharing sites isn't really stealing. Lazy teaching only makes matters worse, said Zara Kessler in *Bloomberg.com*. The exam paper at the center of the Harvard scandal was open-book and open-Internet—meaning students could research their answers almost any way they wanted. Is it any wonder students decided

that collaborating on their answers was no big thing? To find out what students really have learned, schools must demand that they “shut the laptops altogether.”

How do we convince kids not to cheat, asked James Krohe Jr. in the Springfield *Illinois Times*, when society's most successful people cheat all the time? We know now that “bankers rig the interest rates they charge each other,” pocketing billions. Big Pharma phonies up its drug trials. Famous singers lip-synch at concerts. Admired athletes like Lance Armstrong illegally use drugs to become rich and famous. And how many “ordinary Joes” cheat on their taxes and their spouses? So before we dismiss an entire generation as morally flawed, maybe we should look at who taught them to play dirty in the first place.

Bernanke: Trying to save Obama?

The U.S. economy got a badly needed boost last week, said Josh Barro in *Bloomberg.com*. The Federal Reserve announced a third wave of “quantitative easing”—printing money to buy bonds from big banks to keep interest rates down. But where two previous efforts by the Fed to pump money into the system have been temporary, “QE3” will be open-ended, and thus vastly more effective. Ben Bernanke, chair of the Federal Reserve, has pledged to buy \$85 billion of mortgage bonds every month until January, and another \$40 billion every month after that for as long as necessary. The assurance of long-lasting Fed stimulus will boost stocks and homebuying, making consumers feel more confident, and more inclined to spend money—leading to new hiring. “It's a win-win-win.” For a long time Bernanke was resistant to QE3, said John Cassidy in *NewYorker.com*, because of intense Republican opposition. But slowing economic growth and stubborn unemployment made him decide the Fed had to act.

Bernanke's desperate intervention is not only unlikely to save the economy, said Larry Kudlow in *NationalReview.com*. It's a “blunt admission

that Obamanomics has completely failed.” The Fed has already spent \$2.35 trillion on previous bond-buying schemes, with no apparent impact on the economy. Further quantitative easing will only weaken the U.S. dollar, drive up food and energy prices, and hurt the middle class. As Mitt Romney said last week, “we should be creating wealth, not printing dollars.” And why choose to bail out Obama now? said *Investor's Business Daily* in an editorial. “A major Fed action coming just before an election is highly suspect.”

If Bernanke's goal was to influence the election, said Michael Tomasky in *TheDailyBeast.com*, “he'd have done this in the summer.” QE3 won't have much of an impact on the economy before November. He's also made it clear that the Fed's influence over the economy is limited, said *The Washington Post*. Only the president and Congress can restore real confidence, by devising a “credible fiscal plan” to get the deficit under control, and avert the fiscal cliff looming at the end of the year. Bernanke's bond-buying program has bought both sides some time. If our elected leaders continue to delay the day of reckoning, we'll be in the same sinking boat as Europe.

Wit & Wisdom

“Laws are spider webs through which the big flies pass and the little ones get caught.”
Honoré de Balzac, quoted in The Wall Street Journal

“There is no exception to the rule that every rule has an exception.”
James Thurber, quoted in the St. Louis Post-Dispatch

“A real patriot is the fellow who gets a parking ticket and rejoices that the system works.”
Columnist Bill Vaughan, quoted in Forbes.com

“A man by himself is in bad company.”
Eric Hoffer, quoted in the Pune, India, Mirror

“Before you write good words you have to get rid of a million bad words.”
Author Madeline Miller, quoted in the Connecticut Post

“An appeaser is one who feeds a crocodile hoping it will eat him last.”
Winston Churchill, quoted in The Sydney Morning Herald

“To see what is in front of one's nose needs a constant struggle.”
George Orwell, quoted in NationalReview.com

Poll watch

■ **45%** of Americans who say they've followed the news about attacks on U.S. embassies in the Middle East approve of President Obama's handling of the attacks. **36%** disapprove. **26%** approve of Mitt Romney's attempt to blame Obama for the attacks. **48%** disapprove. Pew Research Center

■ **70%** of Americans support efforts to require voters to show a photo ID card at the polling place. **28%** oppose voter ID. *The New York Times/CBS News Poll*

The 'toxic debt' tsunami

Trillions of dollars in bad debt have brought the financial system to its knees, choking off lending and leaving major banks on life-support. How can this toxic mess be cleaned up?

What is toxic debt?

It's a catchall term for the trillions of dollars of bad loans that are at the heart of the global economic meltdown. The term originally referred to bonds backed by mortgages granted to dubious, "subprime" borrowers. Now, though, it extends to bonds backed by a wide array of bad loans—auto loans, credit card debt, student loans, commercial mortgages, even aircraft leases. The buyers of those bonds—banks, insurance companies, hedge funds, pension funds, and other institutional investors—expected them to throw off large amounts of cash every month. But the bonds are generating much less cash than investors expected, causing massive losses and resulting in a crippling credit crunch affecting virtually everyone.

How much toxic debt is out there?

Amazingly, nobody really knows for sure.

The vast majority of the toxic securities were bought and sold in private transactions beyond the reach of regulators. And the securities themselves were dizzyingly complex. They consisted of bonds backed by hundreds or thousands of mortgages, which were then often combined with other mortgage-backed bonds and other debt into super-sized securities called collateralized debt obligations. Financial institutions bought these toxin-laced CDOs for their own accounts or for clients, with the ultimate owners disappearing behind a web of bank-secrecy laws. "No one knows where the toxic debt is buried," says University of Oregon political scientist John Foster.

Why is that such a problem?

Since nobody knows exactly where the toxic bombs are lurking, the system has virtually ground to a halt. The world's financial institutions have stopped lending to other institutions, fearing those would-be borrowers are so tainted by toxic debt that they would be unable to pay their loans. The International Monetary Fund estimates that investors worldwide are sitting on \$2.2 trillion in toxic debt. But other estimates are far higher, including one that leaked from a recent meeting of European finance ministers. The estimate—\$16.3 trillion—left the assembled ministers "ashen-faced," according to one participant. That's because the figure is more than the annual economic output of the European Union or the U.S.—raising the fear that the debt could overwhelm not just banks but the governments trying to bail them out.

Are these securities worth anything?

Yes, but again, no one knows how much. In fact, disputes about pricing have paralyzed federal TARP program, which was supposed to solve the problem of toxic debt by buying it from banks.



Now in a bank vault near you

Meditation

Some institutions, though, have attempted to place a value on toxic debt. JPMorgan Chase recently examined \$450 billion in mortgage-backed securities issued by various institutions between 2005 and 2007. It determined that \$305 billion of those mortgages were already in default. Worse, the amount that investors recovered from those defaulted loans ranged from only 5 cents to 32 cents on the dollar. A similar examination last year found that investors recovered 44 cents on the dollar. So not only is the debt toxic, "it's getting more toxic by the minute," says economist Nouriel Roubini, whose ultra-gloomy predictions about the financial crisis keep coming true.

Why is there so much of it?

Because for most of the past decade, too much money was chasing too few borrowers, leading to a decline in lending standards. In 2001, in response to the dot-com meltdown, the Federal

Reserve flooded the financial system with money, cutting short-term interest rates to 1 percent and keeping them there for more than a year. Banks borrowed cheaply from the Fed and lent the money at a higher rate to millions of home buyers and other consumers. Then firms such as Lehman Brothers (now defunct), Bear Stearns (now defunct), and Merrill Lynch (now owned by Bank of America), bundled the loans into CDOs—more than \$550 billion in 2006 alone. The firms kept some of the bonds for themselves and sold the rest to investors, who snapped them up, drawn by the prospect of steady, above-average returns with minimal risk. Those investors believed there was no chance the bonds could go bad—a belief encouraged by Wall Street. Investors "wanted the high yield, so Wall Street sold it to them," said Chriss Street, who manages money for Orange County, Calif. "They put lipstick on a pig."

Why they didn't see it coming

Financial firms have spent billions of dollars on technology for managing risk. So why didn't they recognize the risk posed by subprime mortgages and other forms of toxic debt? The answer involves the mathematical models the firms used to predict the behavior of the housing market. Those models were based on recent historical data, which seemed to prove that house prices could go in only one direction—up—and that even subprime borrowers rarely defaulted. But recent history was a highly misleading guide. Never before had housing prices risen so far, so quickly as they did in the first years of this decade, and never before had so many unqualified borrowers obtained mortgages. Among the firms that fell into this death trap was the giant insurer AIG, which sold protection against mortgage defaults. Because AIG assumed that few mortgages would default even in the worst-case scenario, it didn't set aside money to pay claims on the \$500 billion in protection it sold. AIG is now nearly insolvent—and 80 percent owned by the federal government.

Can the toxic mess be cleaned up?

Not easily. Most experts believe the cleanup can't begin until banks and other investors disclose their holdings of toxic debt, a move they have resisted until now. The so-called bank stress test announced recently by the Treasury Department could force the banks to 'fess up. Federal examiners are now in the process of analyzing bank assets, including toxic debt, and trying to figure out what will happen to them if the economy continues to deteriorate. In theory, the government would then seize the most vulnerable banks. But a growing chorus says that it's too late for tests and that the U.S. should simply take over at-risk banks. Under temporary federal ownership, the government would segregate the toxic holdings, and without the burden and distraction of the bad debt, the banks could get back to collecting deposits and making loans. "Of course, the economy would still stink," Roubini says, "but the death spiral we are in could end."

Labeling genetically modified foods

Californians will soon vote on a proposal to label genetically modified foods. Why is the food industry panicked?

What is genetically modified food?

It comes from a plant or animal that has been genetically manipulated, usually by adding a gene from another organism, to give it desirable traits that can't be achieved through normal breeding. Since the first such genetically modified organism—the slow-rotting Flavr Savr tomato—was brought to market, in 1994, the GMO sector has boomed, and now an estimated 70 percent of processed food in the U.S. contains ingredients from crops altered in the lab to make them hardier, more resistant to disease and pests, and more tolerant of herbicides. You almost certainly consume GMO food all the time: 88 percent of the corn and 94 percent of the soy grown in the U.S. is genetically modified, and GMO crops are used to make the high-fructose corn syrup in soft drinks and the hydrolyzed vegetable protein in everything from soup mixes to salad dressings.



GMO soybean plants at Monsanto

What does the California law propose?

Proposition 37, or “The Right to Know Genetically Engineered Food Act,” would require that any food containing genetically modified ingredients be clearly labeled. If it passes on Nov. 6, some of America’s most popular food products, from Coca-Cola to Corn Flakes, would have to be marked as “partially produced with genetic engineering”—a phrase that food companies fear could be as damning as a skull and crossbones. Similar labeling laws have been proposed in more than a dozen U.S. states, but the food and agriculture industries stopped them by putting intense political pressure on state legislators. This time the question will be decided by regular voters in a referendum. “To my mind, this is letting the free market work the way it’s supposed to,” said Rosa Rashall, a nutritionist who helped gather some of the 1 million signatures that put the proposition on the ballot. “Informed consumers decide what they want to buy.”

What do food producers say?

They say a labeling law would be pointless and anti-scientific, and raise the price of food not only in California but in every state. Genetically altering a corn plant in the lab—splicing in, say, a bacterial gene that repels pests—is just a more sophisticated form of the selective breeding that early civilizations used to domesticate wheat 10,000 years ago. “It used to take several generations, getting the best from each plant, to get where you want to be,” said Lisa Dry of Pioneer Hi-Bred, a DuPont subsidiary that creates and sells GMO seed. “Today, we isolate one gene that has a desired effect,

one trait, and put it into the plant where you want.” Only through such genetic modification, advocates say, will farmers achieve the higher yields necessary to feed a world population projected to reach 9 billion by 2050. They say labeling would hamper the spread of innovations like drought-resistant corn, no-lactose milk, and “golden” rice, a genetically fortified strain that developers say could end the vitamin A deficiency that kills 6,000 people a day in the developing world, including sub-Saharan Africa and India.

Are GMO foods harmful?

There’s no scientific evidence that they are. The Food and Drug Administration maintains that GMO foods do not present “any different or greater safety concern than food developed by traditional plant breeding,” and in June the American Medical Association said it saw “no scientific justification for special labeling of bioengineered

foods.” But opponents of GMO foods say the long-term effect of eating what they derisively call “Frankenfoods” is unknown, arguing that the industry is turning unwitting people into guinea pigs in a massive experiment. It’s possible, they contend, that the documented rise in allergies in recent years is the result of our bodies reacting badly to unnatural foods they do not recognize. “Californians have a right to know whether their baby formula, corn chips, or soy milk contain genetically modified ingredients that have not been proven safe,” said Stacy Malkan, a pro-Proposition 37 campaigner. That “precautionary principle” is the basis of GMO labeling laws already in place in Australia, Brazil, China, Russia, and the European Union. In Europe, GMO ingredients now show up in only 5 percent of food.

Superweeds through science

When Monsanto introduced its Roundup Ready seed in the late 1990s, grateful U.S. farmers quickly flocked to buy it. The soy and corn seeds had been genetically modified to tolerate the herbicide glyphosate, so killing weeds became cheaper and more effective, and crop yields soared. But nature is catching up. Weeds like waterhemp, mare’s tail, and Palmer amaranth—also called “pigweed on steroids”—have developed resistance to glyphosate, growing into hulking, 6-foot-tall giants impervious to spraying. Such Roundup-resistant “superweeds” have taken root on at least 13 million acres of U.S. farmland, causing an estimated \$1.9 billion in damage last year alone. Now Monsanto competitor Dow AgroSciences is seeking USDA approval for its Enlist line of genetically modified seeds, which are resistant to herbicides containing the potent agent 2,4-D. The geneticists’ arms race with nature threatens to increase rather than reduce the use of toxic chemicals in agriculture, argues Margaret Mellon of the Union of Concerned Scientists. “This is not the path to sustainability.”

Is the measure likely to pass?

Polls say 65 percent of California voters favor the law, but companies such as Monsanto, DuPont, Nestlé, and Coca-Cola are spending at least \$25 million to change their minds in a “No to 37” campaign. If the labeling referendum passes, the food industry will undoubtedly fight the new law in court. Some advocates of GMO foods think it would be more effective to spend money persuading the public that “genetically modified” is a badge of progress rather than something to be feared. “One of the best ways the industry can turn public opinion around is to be honest, to be transparent,” said Belinda Martineau, a plant scientist who helped develop the Flavr Savr tomato. That’s a risk the biotech industry has so far been unwilling to take.