



EDITORIALS

Debt still suffocates

When the Farmers Bank & Capital Trust Co. celebrated a century of service in 1950, it billed itself as Frankfort's "financial safety zone." Chances are few around town would have thought back then to question its stability. A brochure issued for the occasion looked back to the bank's founding in 1850 when the institution literally made money the old-fashioned way – by printing it. A \$20 bill issued by the old Farmers Bank could be spent exactly like a U.S. greenback.

Now the printing of money is left to counterfeiters and the federal government, which has been doing more of it lately trying to rescue financial and other industries from self-destruction. The Farmers Capital Bank Corp., of which Farmers Bank is a subsidiary, borrowed \$30 million from the Capital Purchase Program, sometimes referred to as the "healthy bank program." The U.S. Treasury Department insisted the loans were not bailouts of participating banks, merely a helping hand to get sound institutions through tough times. But ProPublica, a nonprofit group of investigative journalists, said some of the banks "have turned out to be not so healthy."

So far as we've heard, antsy depositors haven't started lining up at Ann and Main Street to withdraw their money from Farmers Bank. Just the same, it's more than a little unsettling that a 160-year-old depository, a veritable pillar of the community, finds it necessary to accept government assistance. Tony Busse, president and CEO of Farmers Capital, says the company plans to start repaying the \$30 million next year – raising the money by issuing additional stock at the risk of diluting current shareholders. Hopes are to complete the transaction in 2011 and regain autonomy.

The problem at Farmers Bank is the same one facing many these days. Because of bad decisions made across the financial industry, abetted by government policies facilitating loans to unqualified borrowers, banks have customers who simply can't pay what they owe. The Securities and Exchange Commission reported Farmers' non-performing loans increased from \$29 million to \$44 million over a six-month period earlier this year.

According to the Investigative Reporting Workshop of the American University School of Communication, the total troubled assets at Farmers Bank grew from \$13.1 million in 2008 to \$16.2 million this year. Its troubled asset ratio was 36.9 percent in September, compared to a national median of 14.1 percent.

This doesn't mean the local bank, or its holding company, is on the brink of failure. Most failed institutions are said to have troubled asset ratios of 100 percent. However, the financial bulwark of West Main Street is in the same predicament as its customers: Even though some economists say the recession is over, the recovery is too weak to make anyone feel especially secure. Busse finds neither businesses nor individuals are in the mood to borrow much money, which inevitably depresses the bank's revenue outlook.

If Americans really have resolved to reduce their indebtedness, that's not a bad thing. Farmers Bank was established in an era of fewer consumer goods when people found it prudent to borrow only if they really needed to, and vigilant bankers kept them from diving in over their heads. It's past time for financiers, and the rest of us, to rediscover the proven wisdom of living within our means.

Muslims fight terror

Dec. 14
San Diego Union-Tribune, on the troubling case of Americans arrested in Pakistan:

Last week, Pakistani officials reported the arrest of five young Muslim-American men, at least two of whom are foreign-born immigrants and all of whom carried American passports showing they now live in Northern Virginia. They had somehow made their way to the Pakistani town of Sargodha. ... According to authorities, the youths had gone to South Asia with plans to wage jihad against American interests in Pakistan and possibly Afghanistan. ...

This kind of cultural alienation in which young Americans can be radicalized against America by what they hear, see and read is troubling, indeed. But there's another, more encouraging side to the coin. The case of the Sargodha 5 came to light after the families of the young men went to a local Muslim community organization to report their sons missing and someone there contacted the FBI, which began to investigate. By all accounts, the Muslim community in Northern Virginia cooperated fully with federal authorities once the inquiry started. It was the patriotic thing to do.



E.J. DIONNE JR.

Progressives, unite

There'll be opportunities to improve the health care bill

For progressives, the question on the health care battle going forward is not whether they have a right to be angry but whether they can direct their fury toward constructive ends. The alternative is to pursue a temporarily satisfying and ultimately self-defeating politics of protest.

Of course what has happened on the health care bill is enraging. It's quite clear that substantial majorities in both houses of Congress favored either a public option or a Medicare buy-in.

In a normal democracy, such majorities would work their will, a law would pass, and champagne corks would pop. But everyone must get it through their heads that thanks to the now bizarre habits of the Senate, we are no longer a normal democracy.

Because of a front of Republican obstruction and the ludicrous idea that all legislation requires a supermajority of 60 votes, power has passed from the majority to tiny minorities, sometimes minorities of one.

Worse, more influence in this system flows to those willing to kill a bill than to those who most devoutly want to pass one. The paradox in this case is that senators who care most passionately about extending health coverage to 31 million Americans have the least power.

That's why Joe Lieberman held the whip hand in killing the idea of letting Americans 55 and older buy into Medicare. Unlike liberal senators such as Jay Rockefeller or Sherrod Brown, Lieberman was perfectly happy to see the health care proposal die if that was

the price of getting himself into the spotlight.

What transpired was thus not the product of some magic show in which more conservative senators are endowed with mysteriously ingenious negotiating abilities while liberals are a bunch of bunglers. The whole system is biased to the right because the Senate itself – a body in which Wyoming and Utah have as much representation as New York and California – is tilted in a conservative direction. The 60-vote requirement empowers conservatives even more.

In light of this, the notion that letting the current health care bill perish would produce a more progressive bill later is preposterous. Anyone who wants to change or even abolish the Senate has my full support. But that is not an option now.

In the meantime, progressives such as Brown and Rockefeller are right to be fighting with all their might to push through this less than perfect but still remarkably decent proposal.

To vote against it, Rockefeller said when I caught up with him recently, "you have to be for not covering 30 million people ... you have to be for denying coverage to people with pre-existing conditions ... you have to be against helping small businesses buy health insurance." His list went on and on, pointing to the rather astonishing progress this bill makes.

Brown agrees, and suggests that progressives now need to direct their energies toward improving on the Senate's work. Senate passage of this bill, expected later this week, will not be the final step. There will still be ne-

gotiations with the House whose plan is, in some important respects, the superior product, especially when it comes to making insurance more affordable for low- and middle-income Americans.

While the Senate's intricate balance severely constrains how many changes it will accept – Sen. Ben Nelson, who provided the crucial 60th vote, made that clear in an interview with CNN Sunday – there is still room to maneuver. Instead of trying to derail the process, which is exactly what conservative opponents want to do, those on the left dissatisfied with the Senate bill should focus their efforts over the next few weeks on getting as many fixes into it as they can.

And then they can do something else: start organizing for the next health care fight. Enactment of a single bill will not mark the end of the struggle. It will open a series of new opportunities. It's a lot easier to improve a system premised on the idea that everyone should have health coverage than to create such a system in the first place. Better to take a victory and build on it – to accept this plan as a "starter home," in Sen. Tom Harkin's apt metaphor – than to label victory as defeat.

Successful political movements prosper on the confidence that they can sustain themselves over time so they can finish tomorrow what they start today. At this moment, rage is understandable, but hope is what's necessary.

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Schools must help students win

The following editorial appeared in Monday's Washington Post:

Too often, colleges and universities have blamed the poor performance of low-income and minority students on the preparation they received in high schools. Basically, their message was: Send us better students, and we'll show better results.

So it's nothing sort of a breakthrough that leaders of half the country's public colleges have embarked on an initiative to close racial and socioeconomic gaps in enrollment and graduation. Data from the Access to Success Initiative released this month paint a gloomy picture of low-income and minority students: Far too few en-

roll in college, and even fewer make it to graduation. Consider, for example, that 45 percent of low-income and minority students entering as freshmen in 1999 had received bachelor's degrees six years later, compared with 57 percent of other students.

Particularly disturbing were the findings about students entering two-year colleges, ostensibly a pathway to higher education for many who are underprepared: Only 7 percent of minority students who entered community college received bachelor's degrees within 10 years.

The analysis, conducted by the Education Trust and the National Association of System Heads, is valuable for its realistic look at the issues. It's also a call to action, with 24 public college

and university systems pledging to halve, by 2015, the gaps in enrollment and completion that separate minority and low-income students from others. Each system now has a baseline from which to operate.

"This is not just research for research's sake," said Kati Haycock of the Education Trust. Key to the effort is the ability of schools to share ideas that work, such as redesigning freshman courses to provide more support for students, or doing outreach to African American churches to attract students. It's encouraging that at a time of real budget challenges, these schools are not shirking from their responsibility to ensure success for all its students.