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Mining Eastern Kentucky’s “Mountains of Potential” for Economic Success (/full-blog/2014/03/mining-eastern-kentuckys-mountains-of.html)



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By: Staff Member, Aubrey K. Vaughan[1]

(file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn1)

Wayne County, Michigan—home of Detroit, the perennial target for sensationalist stories chronicling the horrors of high unemployment. As of December 2013, the national unemployment rate (not seasonally adjusted) fell to 6.5%.^[2]

(file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn2)

Wayne County’s unemployment rate for the same month was 9.0%.^[3]

(file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn3)

In the thirty-seven counties recently initiated into the Kentucky Department of Agriculture’s Appalachia Proud program,^[4]

(file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn4)

the average unemployment rate for the same month was 10.7%, with twenty-four of the counties reaching double-digit unemployment, and three over 15%.^[5]

(file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn5)

Detroit and Eastern Kentucky share a history of industrial success: Detroit with car manufacturing and Eastern Kentucky with coal mining. However, both now have high levels of economic distress.

Stimulus packages designed to pump money into these impoverished regions have failed. As taxpayers learned firsthand following the \$700 billion bailout of Wall Street in 2008,[6] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn6) recessions are not fixed with a blank check from the government. Rewarding Wall Street with the bailout, or irresponsible states and bureaucrats with stimulus packages, “only encourages the behaviors of the past,”[7] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn7) instead of correcting course away from crony capitalism to one of free enterprise.

Rather than inject more money into the regions with yet another stimulus package, new legislation proposes to remove most government interference from the regions to allow commerce to flourish. Senators Rand Paul and Mitch McConnell are co-sponsoring S.1852,[8] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn8) the Economic Freedom Zones Act of 2013,[9] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn9) which lays out a plan to “revitalize...Eastern Kentucky and [struggling economies] across the United States by lowering taxes, enhancing education, reducing regulatory burdens, and encouraging charitable giving.”[10] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn10) A zip code is eligible to be an Economic Freedom Zone if its unemployment rate is “greater than one and a half times the national average.”[11] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn11) If an area qualifies, its federal income tax rate (for both individuals and corporations) will be lowered to a 5 percent flat tax, its federal payroll tax rate will be lowered to a 2 percent tax, capital gains taxes will be suspended, and certain EPA regulations will be lifted.[12] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn12) Kentucky Agriculture Commissioner James Comer is developing an Economic Freedom Zone in Eastern Kentucky with the Appalachia Proud program. His plan encourages universities to develop niche agricultural markets and launch industrial hemp pilot programs.[13] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn13) Commissioner Comer is also seeking state legislation to “return 100 percent of coal severance tax dollars to coal-producing counties.”[14] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_edn14)

The government is not too big to fail—it clearly has failed in both Detroit and Eastern Kentucky. Rather, the government is too big to let free enterprise succeed. With the implementation of an Economic Freedom Zone in the Appalachian region of Kentucky, the free market will allow the region to thrive once again.

[1] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref1) J.D. Candidate, May 2015, University of Kentucky College of Law.

[2] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref2) Press Release, Bureau of Labor Statistics, Employment Situation News Release (Jan. 10, 2014), http://bls.gov/news.release/archives/empst_01102014.htm.

[3] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref3) Local Area Unemployment Statistics Map, Bureau of Labor Statistics, <http://data.bls.gov/map/MapToolServlet?survey=la&map=county&seasonal=0> (select “Michigan,” “unemployment rate,” “2013,” and “December”; then click “Draw Map”).

[4] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref4) Appalachia Proud, Kentucky Department of Agriculture.

<http://www.kyagr.com/marketing/appalachia-proud-ky.html> (last visited Feb. 24, 2014).

[5] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref5) Local Area Unemployment Statistics Map, Bureau of Labor Statistics, <http://data.bls.gov/map/MapToolServlet?survey=la&map=county&seasonal=0> (select “Kentucky,” “unemployment rate,” “2013,” and “December”; then click “Draw Map”).

[6] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref6) See Senator Rand Paul, Economic Freedom Zones, 5 (Dec. 5, 2013), <http://www.paul.senate.gov/files/documents/EconomicFreedomZones.pdf>.

[7] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref7) Id.

[8] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref8) Press Release, Office of Senator Rand Paul, Sens. Paul and McConnell Introduce Economic Freedom Zones Act of 2013 (Dec. 18, 2013), http://www.paul.senate.gov/?p=press_release&id=1059.

[9] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref9) Economic Freedom Zones Act of 2013, S.1852, 113th Cong. (1st Sess. 2013).

[10] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref10) Press Release, Kentucky Department of Agriculture, Commissioner Comer launches Appalachia Proud to boost Eastern Kentucky through agriculture (Feb. 17, 2014), <http://www.kyagr.com/Kentucky-AGNEWS/press-releases/Commissioner-Comer-launches-Appalachia-Proud-to-boost-Eastern-Kentucky-through-agricul.html>.

[11] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx#_ednref11) Press Release, Office of Senator Rand Paul, *supra* note 8.

[12] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx?_edref12) See Paul, *supra* note 6, at 2-5.

[13] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx?_edref13) See Commissioner James Comer, Appalachia Proud, Mountains of Potential: An action plan for economic development through agriculture in Eastern Kentucky, 46-49 (Feb. 14, 2014), <http://www.kyproud.com/AppalachiaProud/docs/AP-Booklet.pdf>.

[14] (file:///C:/Users/Jeremy/AppData/Local/Temp/Vaughan%20Blog%201%20Post%20.docx?_edref14) Press Release, Kentucky Department of Agriculture, *supra* note 10.

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