

ECONOMIC DEVELOPMENT IN KENTUCKY: THE INTEGRATION OF POLITICS,
GOVERNMENT AND ECONOMIC POLICY FROM THE FOUNDING FATHERS TO THE
PRESENT

A Thesis

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Master of Public Administration

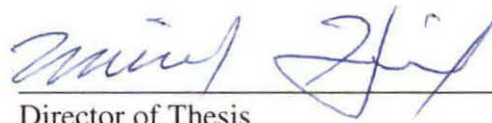
by

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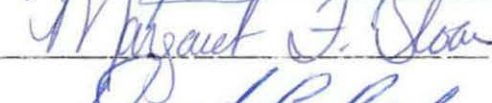

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Local officials are constantly bombarded with expectations and demands from voters and constituents. Chief of these demands lie in the expectation of economic prosperity to be channeled by politicians and government alike. The “pursuit of happiness” has come to symbolize America and its dreams. However, dating back to the founding of the nation and the ideas of the Founding Fathers, there is little written on the responsibility of government and politics to provide economic direction for its citizens. Likewise, there are no operating guidelines established on political parties and what roles they should fulfill. Following Alexander Hamilton’s view, the Constitution allowed for a loose interpretation to tackle what was deemed “necessary and proper.” I chose the example of Kentucky with its storied history in

politics and government evolution. In Kentucky, like the United States as a whole, a large part of government administrations deal with economic development issues. Likewise, politicians stoke their campaigns based on economic promises of prosperity to voters. I have examined whether government and politics of today strayed away too much from the Founding Fathers' views and what exactly has government and political structures evolved into.

Data for the paper is drawn from a wide variety of sources. The Declaration of *Independence* and the *US Constitution* are utilized to help articulate the Founding Father's view on political party structures and economic development roles. Scholarly and historical works on party politics and economic evolution in the United States and Kentucky were examined. In addition, economic development experts with a wide range of differing economic philosophies were scrutinized. The Kentucky Cabinet for Economic development was utilized for an examination of its economic incentive programs utilized by local officials. The method used was to examine early American thought on government, economic policy and politics and carry it through the political, economic and governmental relations data obtained and in particular on Kentucky.

The interdependence and complexity of government and political systems of today has reached a point where it is nearly impossible to wade through the red tape of who is responsible for what in economic policy. By not creating strict guidelines for political party structures and detailed areas of influence in economic policy, the Founding Fathers and the Constitution have allowed for the evolution of these important American structures. Economic policy has married both political forces and administrative efficiency. The result, surprising enough, may not be all that bad. As pointed out in the case of Kentucky, a lot of corruption and self interest has either been eradicated or reduced due to these myriad of pressures placed on local government and

elected officials. The constant public pressure on elected officials enforces accountability while interdependence of agencies and political structures has increased professionalism in politics and government.

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Introduction

It is generally believed that local government is the most effective and appropriate system to guide democratic processes and practices at the grassroots level and solicit the involvement of citizens in the process of development and governance. The question to be answered is how much of a role government policy and politics should play in economic development initiatives. The Founding Fathers did not layout a structure for economic development in government or political party structures. They were concerned with philosophical and fundamental approaches. However, both politics and government have become involved in development activities. These activities, characterized by intergovernmental dynamics, issues of federalism, political involvement and policy agenda approaches, have all served to create the current dynamics of today. Ultimately, these characteristics of government have created accountability concepts or the need for accountability to the citizens that government serves.

Local government helps to ensure decentralized governance that creates able political leadership, develops an administration that is accountable, and plans and implements civic-minded development programs. In essence, local government is supposed to generate a decentralized form of governance and involve citizens in the process of governance. In return, government delivers a wide range of goods and services for benefit of the community. The expectations and needs of citizens

have changed dramatically since the founding of the nation and ratification of the Constitution.

Today's society has invited the involvement of government in the economic arena. As mentioned, the Founding Fathers did not specifically spell out economic policy responsibilities of government. However, today, communities and governments are thoroughly involved in economic development activities. It may take the form of community development programs, job creation initiatives, expanded infrastructure activities, tax incentives, or even civic engagement activities on economic policy initiatives. The local political party system may become involved and active in engaging those issues. Rural areas are often more influenced by the sway of the local political arena. Urban areas have other supportive networks to turn to: corporate sectors, private actors, higher education, or interest groups. A strong, healthy local government is of necessity to address issues on poverty and improved quality of life for local residents. Responsive and accountable local structures serve further to enhance the overall capacity of government to address the growing needs and concerns of stakeholders in the community. Challenges facing human development, economic progress, and social justice are first encountered at the local level, using local leadership.

The complexity of today's government has grown to involve an interdependence and network of bureaucracies, administration and policy initiatives. The Founding Fathers also did not layout "political party" structures.

In fact, some Founding Fathers believed political parties to be unhealthy for the survival of the United States. In reality, local governments and local political structures have become entangled in the myriad of state, regional and national program parameters and policy initiatives. The clearly defined world of “dual federalism” which defined separate national and state roles has become muddled and tangled. The concept of “intergovernmental relations” has served to show that government today is an interwoven web of relationships dependent on each other. Likewise, local political parties and structures have lost much of their original clout and patronage in the process. They have become entangled in the web of intergovernmental procedures and dominance. They serve to help the elected official at the precinct level but no longer have the “policy” power they once administered. In addition, the age of technology has allowed citizens to become much more aware of government and local political party initiatives. Citizens are becoming more and more inclined to align with issues rather than merely accepting party doctrine. They are informed and cognizant of policy issues and certainly believe government has a role in economic development policy.

The purpose of this thesis is to:

1. Highlight the Founding Fathers and their basic view on government.
2. Examine scholarly thought on economic approaches involving government and political structures.
3. Provide an overview of the political party structure in Kentucky.

4. Identify Kentucky economic development programs and their interactions with local government or local political structures and approaches.
5. Draw a conclusion on the examination of material focusing on policy and local political interaction and whether government should be involved in economic policy since it was not mandated in the Constitution.

Chapter 1

Theoretical Foundations of Government and The Founding Fathers

The Founding Fathers were educated and trained in classical thought and theory on effective government. They drew from a plethora of resources in making their argument for independence and establishing a government for the people and by the people. The Founding Fathers were concerned with the natural liberties of man and how an ordered union could exist which perpetuated unalienable rights and liberties given by nature. They did not establish any political party structure in the Constitution and did not create economic responsibilities for government to perform. The Preamble reads, “We the People of the United States, in Order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defense, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.”¹ Likewise, the Declaration of Independence clearly stated a belief that when the “laws of nature” and of “nature’s God” are violated men have the right for argument against the tyranny that engulfs them. The Founding Fathers believed “these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights. That

¹ *The United States Constitution*, Preamble. 1787.

among these are Life, Liberty and the pursuit of Happiness.”² The Founding Fathers further established that to secure these “rights” governments are created. The Declaration of Independence seeks to establish and justify rights given by nature and God. These are classic and theoretical beliefs drawn from Hobbes and Locke. John Locke, in his *Second Treatise on Government*, sets forth a “state of nature” in which all men are naturally equal. It is when the rights of the free and equal man are invaded that governments are formed to protect and ensure those rights. The early foundations of America were built on these strong philosophical concepts of government. It is essentially a government of societal and individual necessity.

The Constitution lays out the mechanics of government calling for an executive, legislative, and judicial branch. The 10th Amendment states that “powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to the people.”³ The structural process and mechanisms that are utilized for the framework of elections is unclear. The legislative branch is outlined in Article I. It establishes the House of Representatives and the Senate. It even establishes the election process for both branches. Two senators are elected every six years by their state legislatures.⁴ Representatives are elected every two years by the general public. Article II lays

² *The Declaration of Independence*, 1776.

³ *US Constitution*, 10th Amendment.

⁴ Note: The 17th Amendment removed election of senators from legislature to the “people thereof” Ibid. 17th Amendment.

out the organization of the executive office and the president. It also includes election parameters. The idea of the electorate and popular vote were established for the executive office. While the Constitution defines the organization of elective procedures legislative and executive offices, it does little in examining political party structures. However, the Founding Fathers were not completely silent on the subject.

George Washington had a strong and articulated opinion on the concept of political parties and their importance to government. Washington thought that political parties had the capacity to do far more harm than good. In his Farewell Address, Washington sought, out of welfare to the country, to convey his concern for a number of issues including political parties and their potential pitfalls:

I have already intimated to you the danger of parties in the state, with particular reference to the founding of them on geographical discriminations....It serves always to distract the Public Councils, and enfeeble the Public Administration. It agitates the Community with ill-founded jealousies and false alarms; kindles the animosity of one part against another, foment occasionally riot and insurrection. It opens the door to foreign influence and corruption, which find a facilitated access to the government itself through the channels of party passions.⁵

Washington firmly believed that the party system was prone to faction and could “enfeeble” public administration and good government. He believed better government was achieved by addressing public opinion concerns and issues that arise to face the country.

⁵ George Wahington’s Farewell Address. *The Independent Chronicle*, September 26, 1796.

James Madison also shared his concern for the rise of faction. In *Federalist #10*, Madison states one of the advantages of a “well constructed Union”, is its ability to “break and control the violence of faction.”⁶ Madison maintains that “instability, injustice and confusion” are introduced into public councils and in return it leads to the destruction of popular governments. Madison calls for a multiplicity of interests which in turn diffuse any coordinated faction from rising to power and assuming destructive capacity. This is similar to Washington’s view of a myriad of issues being used to drive government. The more the interests and concerns appear, the fewer united fronts develop. Washington and Madison certainly would be opposed to the rise of powerful factions and their potential influences. Washington feared that strong political parties would merely become factions centered on their own agendas and a potential threat “to consume.”

The Federalist Papers were written to drum up support for the ratification of the new Constitution. Ultimately, questions derived from the papers would rest on establishing a republican form of government and how that government should be organized. A republican government being one which consists of elected representation. The *Papers* served as a resource to address possible courses of action in establishing this effective government. However, they were also philosophical in scope. John Jay’s, *Federalist #2*, re-iterated that “whenever and however it (government) is instituted, the people must cede to it some of their

⁶ *The Federalist Papers*, Federalist #10.

natural rights.”⁷ Government is a necessity as indicated in the Declaration of Independence, the Constitution, and certainly in the *Federalist Papers*. Jay pointed out that of equal importance are the shared experiences and identities we have as Americans, a people “descended from the same ancestors, speaking the same language, professing the same religion,” would be inclined to be attached to the same principles of government.⁸ The shared customs and mannerisms would help unite and solidify the nation as a whole. Jay was not the only notable individual to note this philosophical point which united the populace in government.

Alexis De Tocqueville, the French philosopher and thinker, also took note of the American experience. Tocqueville’s, *Democracy in America*, warns of seeking government only to “insure the greatest enjoyment.”⁹ Tocqueville feared that America could potentially become concerned only with pursuing those pursuits that are designed for happiness and self-indulgent causes. If this was the case, he felt that America should simply convert to a pure democracy and let everyone vote on their whim. He believed in America that “voters in electing a delegate, point out a certain conduct to him, and impose on him certain positive obligations...”¹⁰ Now, the elected official feels a certain kind of responsibility and accountability to the constituents he or she serves. A system of social checks and balances is occurring. Tocqueville also aligned with John Jay on the social and cultural

⁷ *The Federalist Papers*, Federalist # 2.

⁸ Ibid.

⁹ Alexis De Tocqueville, *Democracy in America*, ed. Philips Bradley (New York: Alfred A. Knopf, 1963) 241.

¹⁰ Ibid.

strengths of Americans and how it strengthened their government. He believed that those elements of community and values that connected Americans would be America's greatest strengths in generations to come. This sense of neighbor helping neighbor would help check the "tyranny of the majority" that Tocqueville was fearful of.

While, the Founding Fathers were not definitively clear on political party makeup and creation, however, they were somewhat clearer on the role of economic activity of government. However, addressing how much economic impact a government should have in the influence of private business is sketchy and usually reserved for general commerce and taxation policies. They also drew from John Locke on issues related to privatization and economic activity. John Locke proposed that God had given the earth to man, rather, to the industrious man who earned and utilized it in its best form and worked "property." He conveys that

God gave the world to men in common, but since He gave it them for their benefit and the greatest convenient of life they were capable to draw from it, it cannot be supposed he meant it should always remain common and uncultivated. He gave it to the use of the industrious and rational (and labour was to be his title to it); not to the fancy or covetousness of the quarrelsome and contentious.¹¹

Locke conveyed the importance of property in society and the industrious and rational individual who improved it and his economic status. Property and economic success was a divine right to be taken by the industrious man. God has

¹¹ Locke, John, *Second Treatise of Civil Government* 1690.

given man reason to make the world the “best advantage of life.” Locke believed it was man’s duty to utilize property and create success and increase his betterment in life. The Constitution would also address some of these points.

In Article I, Section 8 of the Constitution, Congress is invested with the power to “lay and collect taxes, duties, imposts and excises, to pay the debts and provide for the common defense and general welfare of the United States; but all duties, imposts and excises shall be uniform throughout the United States.”¹²

Congress also had the power “to regulate commerce with foreign nations, and among the several states, and with the Indian tribes.” The Founding Fathers obviously realized the need for economic related activity to occur. A system of checks and balances had to be in place to regulate commerce. The increasing transportation up and down waterways and the important need for foreign trade urged the demand for economic mechanisms that enabled growth in the young nation. After all, Locke had pointed out the “divine right” of man to occupy the earth he had inherited since Adam and Eve. It was the duty of the young republic to “promote the general welfare.”

The two views on economic progress immediately following the founding can be summed up in the debate between Thomas Jefferson and Alexander Hamilton on the constitutionality of the US Bank. Thomas Jefferson took more of

¹² US Constitution

a strict construction of the US Constitution and believed there was no place which could warrant or establish such an entity. Jefferson had always relied more on agricultural and rural ideologies in terms of commerce and business happenings. Jefferson pointed out that, "1st. A power to lay taxes for the purpose of paying debts of the United States; but no debt is paid by this bill, nor any tax laid. Then, 2nd. to borrow money. But this bill neither borrows money nor ensures the borrowing it. . . .3rd. To regulate commerce with foreign nations, and among the States with the Indian tribes. To erect a bank, and to regulate commerce, are very different acts. . . ."¹³ The difference in philosophy is very apparent. Jefferson simply believes that there are no powers that enumerate or warrant the necessity for a US Bank. The Constitution does not call for a bank.

Alexander Hamilton, however, responded to Jefferson's claims by insisting that language and need warranted such a bank.

The powers contained in a constitution of government, especially those which concern the general administration of the affairs of a country, its finances, trade, defense &c., ought to be construed liberally in advancement of the public good....The means by which national exigencies are to be provided for, national inconveniences obviated, national prosperity promoted, are of such infinite variety, extent, and complexity, that there must of necessity be great latitude of discretion in the selection and application of those means.¹⁴

¹³ Jefferson Argues Against the Constitutionality of a National Bank, February 23, 1791
<http://shs.westport.k12.ct.us/jwb/Collab/leadandpower/bank.htm>

¹⁴ Hamilton Argues for the Constitutionality of the National Bank
 February 15, 1791 <http://shs.westport.k12.ct.us/jwb/Collab/leadandpower/bank.htm>

Hamilton adopts a loose construction approach. He believes the language and common sense to conduct business and promote commerce calls for the establishment of such a bank. The ability of a bank would help insure foreign trade and commerce relations. It also would add to the validity of the nation as a new vibrant economic entity.

Hamilton and Jefferson highlight principled, theoretical differences that the Founding Fathers possessed. The general public often views the Founding Fathers as being united in one clear agenda and train of thought. Philosophically, the Founding Fathers believed and shared the basic rudiments of Locke and the idea of liberty and equality. Their period was one similar to the gathering of strong blocks to lay a solid foundation. The Declaration of Independence serves as defense for their reason to call for independence from Britain. The Constitution was the blueprint for republican government. Political parties were not an item developed and spelled out in the Constitution. There simply was not time to focus on such matters. The country needed a solid charter to chart its course. Despite this, Founding Fathers like George Washington, did warn of possible evils of political parties and factions. They may not have touched on parties in the Constitution but they certainly were aware of political parties' pro's and con's. Likewise, the Founding Fathers had no way of knowing the extreme growth and complexity of the United States. The economic power that the United States would evolve into simply could not be blueprinted at this point in time of American history.

However, theoretical views such as Jefferson's and Hamilton's, coupled with the attention to commerce in the Constitution, show that it was a conscious concern. Government and economics would grow and become of increasing importance to the scope of identity of the United States. In fact, economics and job creation eventually would be an inherited chore that administration and political structures must confront and address. The question remains as to whether government is better served following more philosophical approaches of the Founding Fathers or whether the "tyranny of the majority," as defined by Tocqueville, has resulted in the masses demanding economic prosperity and welfare in a capitalistic society, thus, dictating to government its roles, functions and general path.

Chapter II

Intergovernmental Dynamics, Political Mechanisms and Economic Policy

Today's realm of government involves a complex pattern of relationships that includes government agencies, elected officials, interest groups and community demands for public goods and services: including economic goods in the form of jobs. These relationships have served to create some worthwhile and beneficial intangibles since the foundation of the Constitution. What the forefathers developed in philosophy and theory, government has implemented in numerous forms. Administration itself has evolved to a network of offices and procedures which are adhered to in order to create a better working bureaucracy. Americans tend to view bureaucracies as necessary evils. Changing one's driver's license information can be a harrowing experience. Procedures, numbers, delays and rude bureaucrats influence the idea of a slow and sluggish government machine. The reason for most of this is because we have evolved to a framework in which everybody answers to everybody. One agency or office cannot make a decision without impacting another. It is worth examining the transition to the current status of governmental dynamics. The effect of all these dynamics and mechanisms decide courses of action and efficiency in economic development.

Intergovernmental Dynamics

In Max Weber's, *Bureaucracy*, he reveals the evolution of loyalty of the "vassal" or "discipline" from one of a relationship to a "person," to that of "office" and fixed "jurisdictional boundaries."¹⁵ Weber maintained that the formation of "office" had created a whole new system in which skill and ability would dictate bureaucratic structure. The office holder had replaced the administrator tied to familial or patriarchal lineage. This new system of government was characterized by hierarchal structure with a "firmly ordered system of super- and subordination in which there is a supervision of the lower offices by the higher ones."¹⁶ Office holding had become a vocation. Weber critically notes that the elected official is "not a purely bureaucratic figure." The elected official does not derive power from the hierarchical chain but rather from "powerful party men who also determine his further career."¹⁷ Obviously, Weber makes a clear distinction between the administrator who rises in the ranks through a hierarchical chain of command and the official who is elected to office. Government involves the sharing of administration and the influx of elected officials in this new modern structure.

This raises the question of the role of politics and how it should be treated when coupled with administration. Frank Goodnow points out in, *Politics and*

¹⁵ Max Weber, "Bureaucracy," in *Classics of Public Administration*, 5th Ed., edited by Jay Shafritz, Albert Hyde, Sandra Parkes. (Belmont: Wadsworth/Thomson Learning, 2004) 51.

¹⁶ Weber 50.

¹⁷ Ibid. 52.

Administration, that without a written constitution for that governmental entity to abide by, the “control and superintendence of the function of administration tends to be assumed by the governmental body which discharges the political function.”¹⁸

Goodnow notes the existence of three authorities in government: judicial, executive and administrative. Given the chance, Goodnow believes the “executive” or elected authority will dominate and influence the administrative sphere. The elected government official may become more influenced by public patronage and concerned with “attracting” and “marshalling” votes. The debate then lies in whether governments should become more machine like and concerned with operational and administrative functions as opposed to observing and acclimating policy and public agenda pressures. Frederick W. Taylor’s, *Principles of Scientific Management*, would insist that government can be methodical and organized to the point where every action and motion is rated on efficiency and everyone has clearly defined roles.¹⁹ His theory of efficiency does not involve the problematic divisions within administration of the “expression of the will of the state” and the “execution of the will of the state” as pointed out by Goodnow. Expression is identified as being the political will and execution being the administrative. Government, therefore, may become more instrumental in nature or may embody more constitutive approaches.

¹⁸ Frank J. Goodnow, “Politics and Administration,” in *Classics of Public Administration* 5th Ed, edited by Jay Shafritz, Albert Hyde, Sandra Parkes. (Belmont: Wadsworth/Thomson Learning, 2004) 37.

¹⁹ Frederick W. Taylor, *Principles of Scientific Management* (New York: Harper and Bros., 1911).

Brian J. Cook examined the ideas of instrumental and constitutive based government in *Bureaucracy and Self-Government: Reconsidering the Role of Public Administration in American Politics*.²⁰ Similar to Goodnow, Cook illustrated that government did indeed have instrumental (administrative) and constitutive (philosophical and political) characteristics. The general public indeed may identify with the “paradox of distance” and “the lack of role differentiation.” In the paradox of distance, “people trust and even revere those government officials who are near at hand” while government officials from a distance are “lazy, incompetent, and probably dishonest.”²¹ The lack of role differentiation refers to the general public’s lack of identifying difference between the various ways officials can reside in administrative office: elected to legislative bodies, elected as executives, political appointments, and civil servants.²² Both of these elements have truth in them. Cook believes there are more ideological influences which shape public image and governmental discourse. Cook notes the longstanding view that Americans have of government as a mere instrument to execute the will of the people. Administrations operate to serve as an instrumental means to producing the will of the people’s policy or agendas. In this environment, administration does not dictate or promote policy related activities. Likewise, political influences are only involved to the extent of policy development and then there is a delegation of that

²⁰ Cook, Brian J, *Bureaucracy and Self-Government: Reconsidering the Role of Public Administration in American Politics* (Baltimore: John Hopkins University Press, 1996)

²¹ Cook 2

²² Ibid. 2

will to the execution of administration. The administration itself might take on the form of a hammer which has many functions: driving nails, pulling nails out, used to smash things. This is close to Taylor's theory of scientific management. The tool or instrument merely performs a function without examining whether the function should occur or what effect it might have.

Constitutive reasoning in government involves the examining of the "ends." "Constitutive rationality refers to individuals, or even societies, making sense of the composition of something, reasoning on how to make something into what they wish it to be."²³ Society is not only concerned with objectives and efficiency, but also, is concerned with moral and ethical social fabric. An example of this would be to offer transportation for the elderly in a city despite it being financially inefficient. Constitutive reasoning calls for the examination of how we are to treat our elderly while instrumental reasoning is concerned with how the transportation program is to be administered. Administration then carries elements of both constitutive and instrumental approaches. In this combination, political policy is concerned for the betterment of society. There are agency concerns to improve on efficiency and to formulate program objectives that address societal issues and needs. However, there are also demands from public opinion for government to be efficient and thorough. An instrument that is both scientifically efficient and compassionate to the needs of society. This form of governmental and

²³ Cook 5.

administrative debate is embedded in policy philosophy, political involvement and maximum efficiency of the administrative agency. However, administration and government have also become intertwined in a layer of intergovernmental processes.

James Madison states that “the proposed Constitution, therefore ...is, in strictness, neither a national nor a federal Constitution, but a composition of both.”²⁴ Madison maintained that the states were involved in the process and had a great degree of power because they were the ones that would ratify the Constitution. They also would elect the Senate and play a critical role in the election of the President with electorates. The debate had existed that replacing the Articles of Confederation with the new Constitution diminished the role and ability of the states in favor of a *national* power. Federalism focused on the “division of political power, a division of supremacy between member states and a central government.”²⁵ Eventually, the Constitution was ratified and the form of government we operate under today was established. The Constitution had clearly defined in the 10th Amendment that “the powers not delegated to the United States by the Constitution, nor prohibited by it to the states, are reserved to the states respectively, or to the people.”²⁶

Dual Federalism existed as the pre-eminent characteristic of our

²⁴ *The Federalist Papers*, Federalist #39.

²⁵ Martin Diamond, “What the Framers Meant by Federalism”, in *American Intergovernmental Relations* 3rd Ed. Edited by Laurence J. O’Toole Jr. (Washington: CQ Press, 2000) 44.

²⁶ *US Constitution*, 10th Amendment.

governmental system up until the early 1930's. Dual federalism clearly articulated a separate jurisdiction for both state and national government. Duties were clearly articulated by a boundary of responsibilities. National defense and commerce were examples of the national scope. States decided educational policy and handled most transportation and economic policy issues.

Franklin Roosevelt and the New Deal helped create a "cooperative federalism" model in which national government created programs, procedures and policy for states to follow "cooperatively".²⁷ The principal tool of cooperative federalism was the grant-in-aid, a system by which the federal government uses its greater financial resources to give money to the states to pursue mutually agreed upon goals. The building of the US Highway System in the 1950's and 1960's is an excellent example of cooperative federalism in action.

Since the 1960's, we have experienced creative federalism, co-optive federalism and new reincarnated versions of creative federalism. Walker points out the more correctly coined "permissive federalism" as a structure of operation. A sharing of authority exists between national and state government, however, the authority of the state is dependent on the permission of the federal. Thus, control and power have become more centralized to the national level. However, the growing web of intergovernmental relations has led to a highly technical and complicated system of relationships.

²⁷ Walker, David B. *The Rebirth of Federalism* (Chatham: Chatham House, 1995) 13.

Laurence O'Toole has elaborated on the concepts of interdependence, complexity and intergovernmental bargaining. O'Toole reveals that *interdependence* means power is shared among branches and layers of governments. Any change in policy may require the involvement of multiple levels of government.²⁸ *Complexity* refers to large size of the intergovernmental network and how differentiated it is. Individuals working in government lack enough information about all these different network intricacies to make a decision. The machine is simply too big and complicated. Due to the web of interdependence and complex nature of modern government, intergovernmental bargaining develops. In order to achieve goals and policy implementation, the numerous governments must bargain between themselves. This can involve local governments, state governments, national governments, non-profits, and even public and private entities. These forms of federalism serve to transition governments approach to economic development. Each type of federalism dictates how the economic policy will be shaped. Dual federalism allowed for strong economic development to take shape from the state level. Cooperative and permissive federalism allowed for economic developed to be dictated by national forces. The relationship and hierarchy structure between the various levels and layers of government is critical in economic development policy and practices.

²⁸ O'Toole, Laurence Jr., Ed. *American Intergovernmental Relations* (Washington: CQ Press, 2000) 19.

Policy Arena Instruments

Regardless of who is driving policy development, the policy arena may utilize a number of instruments which have a direct effect on improved quality of life for citizens and improving the economic status of communities. Sometimes these instruments may not be popular with the general public but can provide an array of services in return for the general welfare. B. Guy Peters lists: law, services, money, taxes, loan guarantees, and suasion as chief of these instruments.²⁹ Taxes are a tool that politicians and political structures are careful to utilize. Suasion is often utilized to appeal to the public opinion and develop support for policy initiatives. Local governments and political factions use the power of suasion to engage civic support on projects. Often, when the public is not involved in the suasion process, the repercussions are a change in the political guard. Developing an agenda that addresses public concerns and public opinion is a key for political structures. Accountability is always a factor in political decisions and agendas.

Pluralist, elitist and state-centric approaches are typical approaches which set agendas for policy and economic development.³⁰ All of these actors will weigh

²⁹ Peters, B. Guy, *American Public Policy: Promises and Performance*, 6th ed. (Washington: CQ Press, 2004) 6-12.

³⁰ Peters 52.

in on how economic development occurs. Pluralist approaches involve a multiplicity of arenas which may be separate and not have interaction with each other. Interest groups and issue-networks are typical working mechanisms in pluralist approaches. These mechanisms may only be interested that their voice is heard and they are at the policy table. Elitist approaches “assume the existence of a power elite who dominate public decision making.”³¹ The elitist approach maintains that only a select group in society consistently wins: business, upper and middle class, and typically whites. This is probably more true of early periods in American history prior to pluralist approaches and the rise of the state-centric approach. The state-centric approach maintains that government can act as a catalyst to pressure groups to act on policy initiatives and influence public opinion. Task forces, committees and public information gathering meetings are tools utilized in this approach. This approach also spotlights potential local political involvement in this process. Local elected officials often use a state-centric approach to show that they care about public opinion and want to involve citizens. These are some of the major tools utilized in driving economic policy. They involve a wide range of actors in the process who represent a varied range of interests in approaching economic development.

³¹ Ibid. 53.

Political Mechanisms

If an individual were asked to explain American government, they probably would succeed at explaining national perspectives more easily. As noted from the Constitution earlier, we have legislative, executive and judicial branches. We utilize elections and have representation. However, asking an individual on the street how local governments and political structures work may incur a furrowed brow and receive a blank stare in return. Despite this general lack of knowledge on state and local political structures, it does not diminish the significance or importance of state and local governance. Sub-governments of all kinds dot our landscape. Special districts, precincts, zones and councils exist on all levels. We are surrounded by elected, appointed and civil service officials. The Congressional districting is also decided by state legislatures. Herbert A. Kaufman notes:

The influence that states and localities exert on congressional composition is further magnified by state legislative control of eligibility to vote in party primaries and in all general elections (including federal elections), subject only to the broad voting provisions of the United States Constitution and to relatively limited federal statutes.³²

States still wield clout which effects local election guidelines and as stated by Kaufman, party primaries and general elections. State and local politics enter into

³² Kaufman, Herbert. Robert A. Dahl, editor. *Politics and Policies in State and Local Governments*. (Englewood Cliffs: Prentice-Hall, 1963) 4.

the process of change no matter what the method of change happens to be. For instance, no amendment may be adopted without the assent of at least three-fourths of all the states (by legislature or state convention). The process of ratifying an amendment would mean a thorough involvement of both state and local forces. Kaufman also notes that many of the federal court judges owe their positions to “political forces in their home areas.”³³ It doesn’t mean that they will confer with state political officials before making decisions; however, it continues to show the strength of state political mechanisms.

If indeed, state and local politics dispense more power than one realizes, then, there should be an examination of the political stakes involved and the strategies utilized to achieve those.

Kaufman presents three strategies:

1. Those that focus on who gets elected for public office.
2. Those designed to manipulate the structure and procedure of governments and parties.
3. Those that influence policy deliberations, policy adoptions, and policy requirements *regardless* of who is in office.³⁴

For purposes of this paper, I am primarily concerned with the second and third strategies and how they affect government and policy.

Manipulation of structure and procedure of governments and parties has evolved. The influence of party leaders has been progressively weakened by the

³³ Kaufman. 8

³⁴ Ibid. 88.

move toward civil-service reforms and technical and professional requirements for officeholders. Weber's ideas on the idea of "office" replacing patronage systems certainly has come to fruition with party leaders and their weakened effect on government structures. They may still maintain their power within the party precinct but hold far less power outside of that circle. Martin Shefter explains on their power that if political parties are the stronger institution, "they will be in a position to extract patronage from the bureaucracy and to distribute it to the cadres who conduct their campaigns and the voters who support their candidates; if parties are weaker than bureaucracies, they must find some alternative means of mobilizing popular support."³⁵ If the power structure manipulation has weakened from the party perspective on government, then, that leaves an "alternative means" of policy manipulation.

Once again the idea of suasion that Peters illustrated comes into play. Kaufman notes that there are many "channels" in which individuals concerned with a decision may voice their views and arguments and then "persuade others of the rightness of their cause."³⁶ Public hearings, task forces, zoning boards, committees and issue groups elicit participation from individuals concerned with those policy development issues. A new highway or a new housing development will no doubt bring out civic dialogue among those involved. It is generally perceived that

³⁵ Shefter, Martin. *Political Parties and the State: The American Historical Experience*. (Princeton: Princeton University Press, 1994) 61.

³⁶ Kaufman 97.

stronger political parties and governmental structures will rely less on citizen input and more on patronage courses of action as pointed out by Shefter. However, all of those seek support in pursuing their policy initiatives. Support may not only come from the general public but also from those interest groups, issue networks, agencies and even power elites discussed earlier. In order for policy manipulation to occur, there must also be support for those policies from some sector.

Originators of new programs and policies often turn to political officials and bureaucratic experts to endorse their claims. Officials at one level of government solicit aid from officials at other levels, and it is not unusual for candidates in elections to importune respected public figures to intervene in the campaign on their behalf. Once again, interdependence and intergovernmental relations may come into play in policy manipulation and adoption. Economic policy has certainly felt the fingers of both structural manipulation and policy manipulation in the process.

Economic Policy

As outlined earlier, the Founding Fathers did not establish mechanisms to address or spur economic development as a particular function of good government. They did create a framework with attention to commerce and Congress' role in handling and directing commerce. They also enumerated the rights of Congress to "lay and collect taxes, duties, imposts and excises, to pay the

debts...to borrow money on the credit of the United States...to coin money, regulate the value thereof...³⁷ These are all mechanisms to insure the well-being of the United States but also to fortify a climate which allows for economic growth and investment. The core debate is deciding what role government and politics should have in economic development policies.

Martin Saiz argues that economic development strategies and policy adoption can be examined by looking at the effects of 1.interstate competition, 2.fiscal stress, and 3.state ideologies.³⁸ Saiz believes that economic development choices are largely the result of inter-jurisdictional competition. Within the federal system, states are important laboratories and contributors for economic policy development. This natural competition serves to create the best and most efficient strategies. Daniel Elazar supports this laboratory theory in “A View from The States” by observing the states’ role as “primary managers of great programs” and “important innovators in the government realm.”³⁹ However, Elazar distances himself from Saiz’s view of inter-jurisdictional competition. Elazar’s view believes there is very little conflict between federal government and states or their particular interests.

Saiz maintains that the diversity of services offered by state and local governments creates a market for public goods. Within this market, businesses, as

³⁷ US Constitution Article I, Section 8.

³⁸ Saiz, Martin. “Politics and Economic Development: Why Governments Adopt Different Strategies to Induce Economic Growth”. *Policy Studies Journal*. Volume: 29. Issue: 2. (2001), 203.

³⁹ Elazar, Daniel. *American Federalism: A View from the States* (New York: Crowell Company, 1966) 201.

consumers of public services, “shop” before locating in the community that offers the array of services and levels of taxation that most closely approximates their individual preferences.⁴⁰ Governments and local politicians are encouraged to create attractive incentives or conditions to keep and lure business and economic sectors. In return, businesses may play off of each government in order to get the best deal.⁴¹

Fiscal stress is derived from a “situation of stress or pressure, to which the government must respond.”⁴² A government that is experiencing the effects of economic stagnation, higher unemployment, or increasing poverty faces citizen demands for more governmental services. The public opinion described echoes back to Tocqueville’s concerns of a right to “happiness” and “prosperity” becomes an intense pressure on the government and political officials to produce. The result of this intense pressure may force governments to become less conservative or moderate and will encourage risk. The, “if you build it, they will come,” ideology begins to take root. Investing in services and infrastructure without knowing if business will truly find it economically attractive enough to invest in the community becomes an acceptable risk.

The final approach Saiz describes is the approach of state ideologies. The adoption of innovations is more likely when the policy change corresponds with

⁴⁰ Saiz 203.

⁴¹ Mahtesian, C. “Romancing the Smokestack”, *Governing*, November, 1994 36-40

⁴² Saiz 203.

local political norms. According to Saiz, “electorates guide the ideological tone of public policies by consistently rewarding the party closest to their own political views. In turn, the character of state policies is congruent with the ideological attributes of the state party leadership.”⁴³ Basically, elected officials adopt policies that reflect the ideological beliefs of their constituents and voters in their defined sphere of influence and interest. Saiz further maintains that although both liberals and conservatives acknowledge the efficiencies of a free market, both also accept economic intervention when its goal is to stimulate growth. Otherwise, the role of government in economic development can be initiated from these political factions. Ideology plays an important role in establishing when and where economic policy is initiated or adopted. Local communities that display an interest in tourism development will likewise influence their elected officials and administrative officials to develop policy which stimulates tourism development.

Intergovernmental dynamics, political mechanisms and economic policy are all shaped by strategies and concepts that are influenced from a plethora of activities. These activities, theories and approaches affect how government on all levels and forms functions. This chapter has concerned itself with examining those issues and mechanisms which affect intergovernmental dynamics, political mechanisms, and economic policy pressures. The previous chapter examined the founding framework for government and the Founding Fathers’ input on

⁴³ Saiz 203.

government, parties and economic theory. Now, that a philosophical and scholarly foundation has been laid, a more centralized approach will occur focusing on issues related to Kentucky in the process of political, governmental and economic policy roles.

Chapter III

Kentucky Political Structure and Governance

Kentucky remains a state of ideology and fixated public images, stereotypes that occupy the American psyche. Horses, feuds, bluegrass music, bourbon and basketball tend to jump to the average American's mind when visualizing what characterizes Kentucky. One individual might think of the region as one of poverty and a backwoods nature. Another individual might think of the Appalachian mountains and rolling bluegrass with horses grazing. Individualism and a frontier spirit have always served to identify Kentuckians. That same spirit of individualism has also been manifest in Kentucky politics. This chapter will focus on the early twentieth century historical characteristics of Kentucky politics, current characteristics and then provide a brief overview of how party and government structures currently work and operate in the state.

Early Twentieth Century Political Culture

James H. Mulligan wrote a poem published in the Lexington Herald which summed up early thought on Kentucky at the beginning of the twentieth century.⁴⁴

⁴⁴ Mulligan, James. "In Kentucky," *Lexington Herald* sec. 1, February 12, 1902.

*The songbirds are the sweetest
 In Kentucky;
 The thoroughbreds are fleetest
 In Kentucky;
 Mountains tower proudest,
 Thunder peals the loudest,
 The landscape is the grandest,
 And politics the damndest,
 In Kentucky.*

Politics and parties have always played a major role in Kentucky and have always historically served to ignite social events with all sorts of activities. Kentucky politics can be the “damndest.” Thomas Clark, noted Kentucky historian, points out that “Kentuckians have always enjoyed their political speaking. Barbecues, burgoos, and speaking have become a sort of institutional combination which has given the state real flavor.”⁴⁵ Ultimately, politics in the past served to unite social and community interests and provided a springboard for future leaders or at the least a forum for public speakers. This created a system of potentially powerful and influential political offices and powerful political leaders.

James C. Klotter points out that the political system explained to civics classes included “political parties, voting patterns, and local government.”⁴⁶ In reality, most Kentuckians perceived a strong, “dominant,” controlling force in the

⁴⁵ Clark, Thomas D. *The Kentucky: Bicentennial Edition*.

⁴⁶Klotter, James C. *Kentucky Portrait in Paradox, 1900-1950*, (Frankfort: Kentucky Historical Society, 1996) 190.

political system. Power blocs, bosses, and other strong alliances kept a tight rein on much of Kentucky politics in the early twentieth century. Lobbying interests of these groups ranged from liquor, coal, racetracks, farms, and education. Kentucky was changing. The interests of officials and the needs of the citizens were evolving. The rise of the railway system, better roads, and external business interests in coal and timber served to entice officials to become more sympathetic to those business needs. Party factions tended to be tied to individual leaders.⁴⁷ These leaders represented the face of politics, however, usually they were strongly influenced by party bosses and business bosses. Business leaders like John C. C. Mayo became fixtures in the Democratic Party despite not holding office.⁴⁸ These leaders gave monetary support for the political official to continue running successful campaigns. Party bosses made sure these men were elected by controlling or manipulating the voter base. John Ed Pearce refers to the bosses as controlling their own “little kingdoms.”⁴⁹ These “kingdoms” may in fact be different. Eastern Kentucky, the Bluegrass, Western Kentucky, Louisville and the river cities along the Ohio River all share Kentucky political ties, however, they also share some not so pleasant flaws in the political process of this period.

Vote buying, patronage, selling of political services for political loyalty has painted itself across the canopy of Kentucky government on many occasions.

⁴⁷ Klotter 191.

⁴⁸ Ibid. 191.

⁴⁹ Pearce, John Ed. *Divide and Dissent: Kentucky Politics 1930-1963*. (Lexington: University of Kentucky Press, 1987) 8.

Klotter makes an interesting point that it “was a rare election when each side did not accuse the other of fraud.”⁵⁰ He further explains that it is even rarer when they were not correct. The twentieth century had begun with the assassination of William Goebel. Goebel was the democratic candidate for governor in 1900. Kentucky Republican William S. Taylor was deemed the winner of the election, however, word spread that Republican counties had stuffed ballots with “names of trees, names of fictional heroes, or names from the headstones in community graveyards.”⁵¹ True or not this resulted in a wave of voters coming into Frankfort armed with pistols, shotguns and rifles. Civil violence was at a breaking point. Goebel was then shot. The Democrats seized control of the legislature and Goebel was made governor. He died four days after being shot. Certainly, this kind of political environment cared little for government philosophy and prudence. Klotter also relays the account in Harlan County of a voter who reports that he sold his vote for four dollars. Then, “I was thoroughly rebuked by my father,” he recalled, for not holding out for the going rate of seven dollars and the half a pint of ...bourbon.”⁵² It is not surprising that geographical isolationism and examples of this kind of political manipulation caused most Kentuckians in the early twentieth century to be skeptical of outside forces or new methodologies in government. Elitism was the strategy used by government for much of Kentucky’s political

⁵⁰ Klotter 195

⁵¹ Clark 355.

⁵² Klotter 195.

history. The involvement of citizens and other governmental mechanisms had not surfaced yet. The fact that Kentucky evolved to a more “modern” and less corrupt form of government owes its success to a number of factors.

Characteristics and Methodologies

By 1950, Kentucky had a half century of tough political, economic and social issues. The nation had just come out of a world war and was poised to enter another conflict in Korea. Optimism was readily available. The GI Bill and New Deal efforts had addressed economic and educational concerns. Committees and task forces began to make recommendations for the future of Kentucky. However, Klotter notes that at the national level leadership had exerted itself in a prominent manner. Teddy Roosevelt, Woodrow Wilson, and Franklin D. Roosevelt had provided the important leadership in tough times.⁵³ Kentucky had not shared strong visionary leadership. Thus, the course would be charted from this point on with leaders such as governors A.B. “Happy” Chandler and Bert. T. Combs; legislative leaders like Congressman Carl Perkins and Hal Rogers, and Senate leadership and seniority of Mitch McConnell. Despite, carrying some remnants of these political fiefdoms forward, political party and government did change.

⁵³ Klotter 341.

Penny Miller explains in, *Kentucky Politics and Government: Do We Stand United?*, that the four regions of the state have adopted certain political characteristics.⁵⁴

According to Miller, Kentucky geographical is composed of:

1. Elitist traditionalism of the bluegrass.
2. Progressive traditionalism of Eastern Kentucky.
3. Radical conservative traditionalism of Western Kentucky.
4. Individualistic tradition in areas along the Ohio and in metropolitan Louisville.

Elitist traditionalism is spelled at as a coupling of certain elite leaders in its history (e.g. Happy Chandler) and the overall view of the “bluegrass” region of Kentucky as being a sort of utopia for the rest of the state to look up to. This is the heart and core of the state in which the best and only elite reside with tradition, horse racing, Victorian architecture, and long rows of white fencing secluding separate elite fiefdoms.

Progressive traditionalism of Eastern Kentucky is defined as more of a reaction to the stimuli of poverty on the populace of those who inhabit the Appalachian region. Development and progress is at the core for citizens of the region to prove themselves and improve their lot in life. Miller correctly notes that

⁵⁴ Miller, Penny. *Kentucky Politics and Government: Do We Stand United?* (Lincoln: University of Nebraska Press, 1994) 66.

the Bluegrass lies as the market center for the region.⁵⁵ Eastern Kentuckians often hold themselves up in comparison to the elitist standards of the Bluegrass. The region hosts tremendous beauty and natural wealth (e.g. coal, timber, etc.). Their sense of progress existed prior to the New Deal with institutions like the Hindman Settlement School, Frontier Nursing and Pine Mountain Settlement School. It has existed since then with benefits from the coal, timber and tourism industries.

The Western Kentucky region consists of the Jackson Purchase area of eight counties in the far western border along the Mississippi River, the Pennyrile Region east and typically along the border of Tennessee, and finally the Western Kentucky Coal Fields north of the Pennyrile Region. The region is culturally identified with rural life. Miller states that this region believes progressive and modern approaches are “destructive of rural values.”⁵⁶ Their political identity is connected to agrarian interests with the exception of the Coal Fields.

The individualistic approach of the Ohio River cities and in particular Louisville, endorses the concept that government is seen as an effective tool to improve economic and social positions. Some political corruption is expected and accepted; politics is a profession. According to Miller, politics tends to be more competitive in these sections of Kentucky. Individuals are more apt to become involved in civic and political activities.

⁵⁵ Miller 62

⁵⁶ Miller 66.

These approaches and perspectives as outlined by Miller may certainly be true to various degrees. However, since 1994, the rise of other economic methodologies and tools has affected approaches to development and political party focus and strategy. New concepts like “sustainable development,” “community development,” and “asset mapping” have served to illustrate a growing trend away from political party dominance. These approaches and buzz words have been utilized by community organizers, administrators, and scholars to show that communities must provide a complete and multi-faceted plan for development and prosperity. It also has served to negate the potential harm of political corruption in Kentucky by involving a wide array of actors on the stage of economic development.

Over the past decade, the ascendance of market-based “community economic development” (CED) has fundamentally shaped the development of social policy, community-based practice, and legal advocacy. At the national policy level, a private sector approach has defined the federal government’s response to poverty issues, as support programs have yielded to market-based antipoverty initiatives, such as the Empowerment Zone Program and the New Markets Tax Credit. This federal agenda has been augmented by state and local efforts to adopt market-based programs to stimulate investment and business activity in low-income neighborhoods. However, many of the approaches adopted by these community development groups may only be concerned with economic

related results and bypass the political institutions and local government inputs. Scott Cummings, an attorney at the Public Counsel Law Center in Los Angeles, comments that “scholar-activists have urged greater collaboration between the organizing and CED communities, highlighting how an integrated approach can more effectively advance shared goals of community building and economic redistribution.”⁵⁷ Political structures and administration must be engaged in the process of economic development due to the evolution of jurisdictional responsibilities and public services.

I have examined the role of economic, political, social, and administrative variation upon the behavior and policy of governments and political institutions in Kentucky. Saiz maintained that “fiscal stress” was now becoming apparent on governments and political officials. The pressure to produce for the common good and economic prosperity of the community was paramount. In Kentucky, that pressure may be extended from a wide array of mechanisms as pointed out in the concept of intergovernmental relations and interdependence. Federal grants, tax incentives, and economic development programs all have strings attached. A plethora of “pluralist” actors may force their will on local officials. Penny Miller notes for instance the power of the Louisville and Nashville Railroad at the turn of

⁵⁷ Scott L. Cummings. “Community Economic Development as Progressive Politics: Toward a Grassroots Movement for Economic Justice,” *Stanford Law Review*. Volume: 54. Issue: 3. (2001) 401.

the century.⁵⁸ Their powerful leaders were able to lobby the support of elected officials to insure their business interests were protected. The following years saw “behind the door” alliances with tobacco, coal mining, racing and other industries. However, Kentucky has made major strides in erasing those stereotypes of the past.

This is evidenced by a wider range of interests and a much larger number of interest groups represented in Frankfort in recent years. Miller notes also that legislative reform itself added to the complexity of lobbying: committee hearings and interim activities are now important. These structural changes have combined with the growing economic complexity of the state—and the shrinking base of government resources—to encourage the growing number and intensity of interest groups represented by lobbyists in Frankfort. While governments bend under these pressures, the results usually involve growth patterns that they may not be prepared to handle or address. For instance, demands for water, sewer or housing may be too much of a fiscal strain on those governments. Most interest groups and activists miss this critical point.

Simple pluralist politics is a primary factor involved in creating more conflict and elongating the decisional process in growth communities. Rapid growth communities have more people, more interests, and more factions to contend with than smaller, stable communities. In addition, unlike stable, larger communities, rapid-growth communities do not usually have an established and

⁵⁸ Miller 187.

accepted system for processing a variety of perspectives. Lewis G. Bender and Thaddeus C. Zolty argue that if the changes brought about by population growth are perceived as positive or negative values, “local governments must make political and administrative adjustments in order to accommodate the increased demands of growth. The relative ease in which these adjustments and accommodations are made within a rural community are related to citizen attitudes and perceptions about the value of growth within their community.”⁵⁹ Political and administrative adjustments must therefore be made within the parameters of their current structures. Political party organization and dynamics along with local government organization is of utmost importance.

Kentucky Party and Government Structure

The Kentucky Constitution has been adopted four times: 1792, 1799, 1850 and 1891, and currently in force. It structures the guidelines for executive, legislative, and judicial branches. It also outlines county and municipality guidelines. Like the US Constitution, the Kentucky Constitution does not address political party organization and structure. However, the state constitution does address more economic related subjects such as corporation guidelines and

⁵⁹ Lewis G. Bender and Thaddeus C. Zolty. “Rapid Growth: Impacts on the Politics and Administration of Rural Governments,” *Rural Public Administration: Problems and Prospects*. ed. Jim Seroka (New York: Greenwood Press, 1986) 115.

regulations.⁶⁰ It does not address further concerns or needs for government's involvement in economic activities. Structural questions must ultimately lie in party structure and in governmental structure. Kentucky is a state that primarily utilizes two political parties: Democrat and Republican.

Democratic party organization typically is driven by the recognized strongest member of the party, in this case, the governor. The governor in Kentucky has traditionally been strong as a legislative leader and a politician.⁶¹ The governor often initiates policy and budgetary direction for the Commonwealth. The governor may also become involved in local party candidate races.

The Democratic State Party headquarters in Frankfort also plays a critical role in the structure of party organization. The party headquarters is charged with developing organizational strength, supporting local parties, raising funds, recruiting and assisting candidates, and registering and mobilizing voters. Kentucky Democratic State Party headquarters provides for a fully hired professional staff to conduct these activities.

Local party organization can vary dependent on the voting bloc registration and demographics of the area. Miller notes that two-thirds of the counties in the 1980's had strong Democratic Party structure.⁶² The exception to the rule was the Fifth Congressional District. Voting precincts in each county have a committee.

⁶⁰ *Kentucky Constitution* Sec. 190-208.

⁶¹ Jewell, Malcom E., and Penny Miller. *Political Parties and Primaries in Kentucky*. (Lexington: University Press of Kentucky, 1990) 8.

⁶² Miller 33.

However, for most power purposes, the executive democratic committee in the county generally pulls the strings on leadership. The chair of that committee is the main contact person for state Democratic headquarters and the governor. The committee serves to support their chosen candidate for races in the main election in the fall. They will also raise money and generate fundraisers for these candidates. State organization dictates a precinct and county structure. The executive power of the Democratic Party of each county “shall be vested in the County Executive Committee, which shall have all the powers and duties relevant to the county which are given to the State Central Committee for the state as a whole.” The Precinct Committee members attending the County or Legislative District Convention shall elect their County Executive Committee, and/ or Legislative District Chair and Vice Chair.⁶³

Republican Party organization has been particularly successful at producing legislative leaders on the national scope. Senator Mitch McConnell and Congressman Hal Rogers have both held key positions on powerful committees in Washington, D.C. The party on the state level has seen improved success since Miller’s book in 1994. The Kentucky Senate is currently controlled by the Republicans and Governor Ernie Fletcher was the first Republican elected since Louie Nunn in 1967.

⁶³ “Kentucky Democratic Party Bylaws,” http://www.kydemocrat.com/our_party/about (accessed April 14, 2008).

The responsibility for developing organizational strength, supporting local parties, raising funds, recruiting and assisting candidates, and registering and mobilizing voters rests with the republican state party organization. Miller notes that one of the weaknesses the party experienced in the past was simply finding viable candidates for the various elected ⁶⁴offices. The state convention meets in even numbered years, its members chosen at county mass meetings. The membership of each County Committee, unless a contrary local rule is specifically approved by the Republican State Central Committee, “shall consist of the Precinct Officers and the County Officers.” Each County by local rule may include as members the Chairman of Party Auxiliary Organizations and as ex-officio, non-voting members, all local elected Republican officials. The County Officers shall be a Chairman, a Vice-Chairman of the opposite sex, a Secretary, a Treasurer, and a Youth Chairman.⁶⁵

This organizational structure for both parties helps to insure that parties are involved in the process of raising money and support for national, state and local candidates seeking office. Candidates on the local level may compete for a number of positions in Kentucky’s two main units of local governance: incorporated cities and counties.

⁶⁴ Miller 227.

⁶⁵ “Republican Party of Kentucky Rules,” <http://www.rpk.org/About/> (accessed April 14, 2008).

Cities

Cities in Kentucky are divided into six “classes”—from first-class cities (population of 100,000 or more) to sixth-class cities (less than 1,000).⁶⁶ Cities themselves can operate with a number of different types of management. Kentucky has each of these types of management in operation. Louisville utilizes a *mayor-alderman* form of government. Each alderman is elected from a separate district (called a *ward*), and some aldermen build tight and powerful political organizations lasting over the years. The *commission* form consists of a government, in which all executive, legislative, and administrative power is exercised by the city commission, consisting of a mayor and four commissioners, who may choose to delegate administrative duties to a city administrative officer. The *city-manager* plan is similar to the commission plan, except that a majority of the members of the city commission must appoint a city manager and delegate administrative powers to him or her. The most common form of city government is a *mayor-council* form of government, with a strict separation of executive and legislative powers. The size of the legislative council (six to twelve members) and the scope of the mayor’s executive powers and duties vary considerably. The mayor, who may not vote on issues except to break a tie, presides over the legislative branch; he or she has veto

⁶⁶ *The Kentucky Constitution*, Section 156a.

power, which may be overridden by a super-majority of the council. The mayor may also delegate administrative duties to a city administrative officer.⁶⁷

Counties

The idea of the county as a unit of local government dates from early English history. In England the county, or shire, as it is sometimes called, acted as a unit for judicial administration, law enforcement, and highway maintenance, and such county offices as sheriff, justice of the peace, and constable developed there. This institution of local government, like many other elements of English culture, found broad usage throughout the colonies of the new world—including Virginia.⁶⁸ Kentucky was formally part of Virginia until statehood was achieved in 1792. Kentucky now has 120 counties.

County government consists of two forms of government in Kentucky's counties: (1) a county judge-executive and a Fiscal Court made up of up to eight magistrates, elected from districts and, (2) a county judge-executive and a Fiscal Court made up of a three-person county commission, elected at large. Members of all Fiscal Courts are elected on a partisan ballot and serve for four years. In addition to these offices, the county citizens also may elect a county clerk, county attorney, sheriff, jailer, coroner, surveyor, property valuation administrator, and constable.

⁶⁷ Miller 270.

⁶⁸ Legislative Research Commission, *County Government in Kentucky* (Frankfort: LRC Bulletin no. 115, 1993)

These various candidates may and generally do receive support from the local party structures.

This chapter has focused on identifying the political climate that Kentucky has evolved from, examining external forces and pressures on political and government structures in the state, and has given the operating and organization structures of the state parties, cities, and county governments. An elaborate, large, and dynamic infrastructure is in place to tackle the needs of all citizens. Regardless of the rise of multiple demands and new technology pressures, there is a working infrastructure in place to initiate and conduct policy initiatives. The focus now is the type of tools and resources in place to achieve success in the economic policy arena.

Chapter IV

Kentucky Economic Development Programs: Policy Interaction

Kentucky Programs

Examining economic development policy can seem simplistic or very complicated depending on the view of the observer. Simplistically, it is simply “create jobs.” However, economic development goals and strategies involve many other factors and actors in the equation. Michael Keating points out that “the goals of development policies are, unfortunately, multiple, complex, and often contradictory.”⁶⁹ This chapter will identify some common economic development incentives and programs to fulfill the “simplistic” view of economic development in Kentucky. Then, I will take a deeper examination into the complexity of economic development policy and the actors involved or not involved.

The Kentucky Cabinet for Economic Development is the identified state agency whose sole purpose is to be responsible for creating new jobs and investment in the state. Programs offered by the Cabinet are designed to support and focused to promote economic development within the state, primarily by attracting new industries to the state, assisting in the development of existing

⁶⁹Keating, Michael. “Local Economic Development: Policy or Politics,” *Local Economic Development: Incentives and International Trends*. Ed. Norman Walzer (Boulder: Westview Press, 1995) 13.

industries, and assisting communities in preparing for economic development opportunities. The Cabinet is governed by the Kentucky Economic Development Partnership (or the Partnership Board). The Partnership Board is responsible for directing and overseeing the Cabinet and adopting a Strategic Plan. The Kentucky Economic Development Finance Authority (KEDFA) is a statutorily created committee under the authority of the Partnership Board. KEDFA is responsible for awarding most of the financial incentives offered by the Cabinet.⁷⁰

The website for the Cabinet lists a structure of five departments with particular duties and functions. Cabinet departments and functions are:

- Office of the Secretary

Responsible for the development and administration of executive policies and for the overall management of the agency. Staff and administrative functions within the Office include communication services, legal services, research and information technology, personnel and administration, legislative initiatives and special projects.

- Department for Existing Business Development

Responsible for assisting and encouraging job retention and creation by working with existing Kentucky business. Partners with outside agencies and communities to conduct workshops, community assessments, and

⁷⁰ Who We Are, <http://www.thinkkentucky.com/KYEDC/WhoWeAre.aspx> (accessed April 14, 2008).

business surveys to support local development efforts. The Department consists of the Division of International Trade, the Regional Economic Development Divisions, and the Division of Small Business Services.

- Department of Financial Incentives

Coordinates all financial assistance, tax credit, and related programs available to business and industry. The Department consists of the Grant Programs Division, Tax Incentives Program Division, Direct Loan Programs Division, Program Servicing Division, and the Bluegrass State Skills Corporation.

- Department of Commercialization and Innovation

Responsible for developing and implementing a strategy to create, attract, and assist knowledge-based companies to Kentucky. Additionally, recommends projects meriting funding through the high-tech construction pool and the high-tech investment pool to KEDFA.

- Department for New Business Development

Responsible for coordinating the recruitment and attraction of new companies that will enhance the overall viability of the state's economy. The Department consists of the Industrial Development Division and two International Representative Development offices.

The cabinet maintains three satellite regional offices located in Frankfort (Central KY), Prestonsburg (Eastern KY), and Madisonville (Western KY). These offices

strive to maintain “interaction” with appropriate actors in economic policy arenas. Ten development specialists work exclusively in assigned territories of about a dozen counties each. Their strategic placement allows these Development Specialists to become familiar with area businesses, communities and local leaders, and to offer the following assistance.

- Ongoing statewide industry visitation program
- Access to loan and financial incentive programs for job creation and expansion activities
- Identification of concerns that may inhibit growth of a company such as infrastructure, environmental, labor, transportation or regulatory issues.

The Kentucky Economic Development Finance Authority (KEDFA), established within the Cabinet for Economic Development to encourage economic development, business expansion, and job creation, provides financial support through an array of financial assistance and tax credit programs. The goal is to establish long-term economic growth and job creation. The following are eighteen tax and business incentive programs utilized by the Cabinet:

Tax Incentives

Bluegrass State Skills Corporation Skills Investment Act
Incentives for Energy Independence Act
Kentucky Rural Economic Development Act

Kentucky Jobs Development Act
Kentucky Industrial Development Act
Kentucky Environmental Stewardship Act
Kentucky Economic Opportunity Zone
Kentucky Investment Fund Act

Business Incentives

Bluegrass State Skills Corporation Grant Reimbursement Program
Direct Loan Program
Small Business Loan Program
Kentucky Enterprise Initiative Act
Industrial Revenue Bonds

IRB Procedures

Community Development Block Grants
Commonwealth Small Business Development Corporation
Kentucky Tourism Development Act
Linked Deposit Program
Local Government Economic Development Fund

Governments may also receive funding for projects from legislative designated projects, the Governors discretionary fund, or other programs like the Kentucky Coal Severance Tax.

The Cabinet also lists four community assistance programs designed to strengthen the community local economic development effort: community action plans, community assessment visits, business retention and expansion program, and

economic development practices workshops. Of key importance is the community action plans that are geared for communities that have an active and ongoing economic development program. Local participants in the action plan process should include *agency board members and staff, elected officials, and key partners in business, utilities, and education*. The community may elect to accomplish the program in a single 8-hour day, or to divide the program into two 4-hour segments with each half on a different day.

It is apparent that the Cabinet offers a wide variety of programs for local government and elected officials to access. The multiplicity of programs, the numerous incentives and credits within the programs, and the technical and bureaucratic requirements to participate are complex. The requirement for elected officials and administrators to be knowledgeable and informed of all these programs and procedures demands a learning curve. It is also added “fiscal pressure” considering that these elected officials and administrators are dealing with many other problems and concerns. Indeed, Keating seems correct in an assessment of development programs being “multiple” and “complex”.

Approaches and Analysis

As noted previously, the demand for economic development policy success in communities can be immense. Having the numerous programs offered by agencies like the Cabinet for Economic development does not guarantee success.

Approaches may vary on how to pursue economic development and on which tools to use in the economic policy formula. Communities generally choose to pursue “exogenous” (*recruiting outside businesses*) or “endogenous” (*growing and promoting from within*) approaches to development. It seems there is no magic bullet to approaches. Economic development has been referred to as “a process of continually improvising.”⁷¹ Flexibility and creative thinking are crucial elements for elected and administrative officials to possess.

Communities have taken a number of approaches in the past to economic development. In the 1970s and early 1980s, “bidding wars” for the branch plants of large corporations were the primary function of state economic development leaders. In this regime, the job of the state’s economic development official or office was to find firms, offer them information and inducements--in the form of tax breaks, subsidized training, free land--and cross their fingers in the hope that corporate chiefs would choose them (exogenous).⁷²

A second approach relies on new business innovation and older business modernization (endogenous). In this process, states begin to focus on strengthening their economies from within. To do so, they set out to help their existing businesses modernize, finance in-state expansions, and cultivate business start-ups.

⁷¹ Jacobs, Jane. *Cities and the Wealth of Nations: Principles of Economic Life*. (New York: Vintage Books, , 1970)

⁷² Mary Jo Wait. “Economic Development Strategies in the American States,” *International Journal of Public Administration*. Volume: 23. Issue: 9. (2000) 1541.

The third approach to economic development in the 1990's centers on refinement and re-invention. Waits reveals that states had so many tools in place and so much experience with economic development there was a widely shared understanding of program strengths and weaknesses. This knowledge, along with critics asking about results and accountability, led to the refinement of both first and second phase programs in the 1990s.⁷³ Agencies refined current strategies to development by creating measures of accountability and repackaging approaches to other arenas such healthcare economic development or entrepreneurial development.

Local development is competitive and the livelihoods of citizens and even elected officials depend on success in this arena. Local parties back individuals that can best represent their constituency but that can also deliver for the community and citizens. Walzer notes that "the globalization of much economic decision-making has raised the salience of local economic fortunes, since the impact of global decisions is felt locally and there is an increasing divorce between the logic of the multinational corporation and that of local communities."⁷⁴ A decision which is rational from the point of view of global competitiveness may be devastating for a community; and the well-being of the multi-plant company does not coincide with community interests in the way which that of a single plant operation might. Bedroom communities are not looking for Toyota to locate there.

⁷³ Waits 1541.

⁷⁴ Walzer 14

Their business goals are much different. However, local governments must also examine whether they want an industry that may dry up and disappear once the “incentives” and “tax breaks” are gone. Private capital which brings “outside money in” may look attractive today, but, what affect and benefit will it give the community later.

Kentucky’s economic programs have mirrored the national approaches. They represent tax breaks, loans, relocation bonuses, and workforce education credits and programs. It is probably far better to have the programs than not to have them. However, it also calls for a knowledgeable representation of public officials, both elected and administrative, to utilize those tools. Creative thought and understanding of all multiple and complex actors is needed. Likewise, the diversity of economic approaches depends on the community and goals of the community. Kentucky has been criticized for not developing benchmarks and accountability measures for its programs. The lack of such measures can be readily seen on the Cabinet for Economic Development website. Indeed, state and local officials must “continually improvise.”

Conclusion

Economics, politics and government are connected on a long, snowy, slippery slope that can lead to citizen content with an enriched bank account or embittered retribution at the polls. It is likened to a feeling of uneasiness that an individual incurs if he or she realizes that everyone was interconnected by ropes as they slid down the snowy slope at an increasing rate of speed, then, only to discover there is a cliff and bottomless ravine below. No one wants to remain tied to the others. Tocqueville warned of trying to cater to the ideology of “happiness” that Americans had begun to embrace: this was the 1830’s! However, our current state has evolved to the point where we are affected by and dependent on all sorts of variables. As noted by Cook, we distrust government yet cling to the rationality and warmth as a provider of “liberty” and “happiness.”

Throughout the preceding chapters, views and ideologies have been laid out on the foundations of our government, our political and governmental evolution into interdependence and complexity, the rise and metamorphosis of the political machine with the example of Kentucky, and the mechanisms, programs, and interactions which now arise in our complex system of economic policy and politics. At times, everything seems contradictory. However, it is in contradiction that positive and productive results sometimes occur. I contend there is no going back on the slippery slope. The only option is for a direct “improvisation.” We must utilize, as Cook pointed out, constitutive forces of government to make sense

the proper use of any instrumental ones. Government has burrowed itself like a tick into economic policy or vice-versa.

It is probably with good reason the Founding Fathers did not blueprint economic policy for government or the political party structure. The rigidity and “instrumental” nature would have prohibited government and politics. The Constitution allowed for the development and fluidity of change which is necessitated of economic and political environments. I would support Hamilton’s view of a less constrictive government at the national level and his belief that because of the mass of necessary detail, a vast body of powers had to be implied by general clauses, and one of these authorized Congress to "make all laws which shall be necessary and proper" for carrying out other powers specifically granted. However, I do not believe that state and local government should be as constrictive as well. National, state, and local government must have the capacity for fluidity and growth. It is true that “necessary and proper” is broad but it does allow for flexibility. This highlights the continuing importance of federalism mentioned earlier. The relationships between national, state and local governments often play important and critical roles in economic development and policy. Whatever form of federalism pursued, it is important that capacity for change and innovation is not excluded in the process.

George Washington warned of the possible flaws and evils of a party system. Its’ “potential for faction and ability to “enfeeble Public Administration”

and “distract Public Councils” is exactly what has happened at various times in American history. Note the example discussed previously, of early Kentucky politics and the power of party bosses, vote buying, and selling of administrative offices to individuals. The “pursuit of happiness” can become a detriment to the core values of government and civic service. Even Locke’s emphasis on property, shows the natural disposition for man to want to possess and grow his possessions. The Founding Fathers provided the blueprint for Republican government. We have elected representation with executive, legislative, and judicial branches of government. They rested their thoughts and foundations on men like Hobbes and Locke. The idea of a “law of nature” and a “law of God” and one in which equality and liberty should be driving forces for a just government. They obviously knew that new challenges would arise. They felt entitled to address what was needed in the Constitution (basic government structure) but allow for the interpretation of what is “necessary and proper.” Government would grow and change and with it become more complicated but also more professional and comprehensive.

The political power of states has remained despite a change in fundamental relationships with the national government. Dual federalism was the ideal format that operated until the late 1930’s and Franklin D. Roosevelt’s New Deal policies. States and the national government operated in separate spheres of influence. Since the 1930’s, a myriad of forces have risen and been created to change the relationship, not only among state and national political boundaries but in

administration as well. States control many election laws for local and general elections, including ones that are national. States share goals and agenda development with national and local players. The statement “all politics is local” bears a lot of truth in today’s current interaction between levels of government and policy development.

Sub-governments occupy the landscape. Special districts, precincts, planning zones, and various councils utilize administrative and political players. These administrative and political entities utilize public hearings, task forces, zoning board meetings, and issue groups to involve the general public in their policy development. Sometimes it may be for selfish reasons just to gain support of political or government budgets or issues. Other times there is legitimate need for civic input and cooperation to support the common good despite political aspirations or agency direction. The result of continued specialization in policy and political development has resulted in added pressures.

As outlined by Saiz, fiscal stress, interstate competition, and state ideologies play roles in economic policy implementation and political livelihoods. City A, next door, got a new park and recreational pool. City B feels pressure to keep up and produce also. Of course, the largest pressurizing force is economic. Politicians and administrators now have to live up to expectations of a general public, which wonders why they lost out on the new automobile plant or why other communities seem to grow or attract jobs. Engulfed in this quagmire of constraints and

concerns, the concepts of intergovernmental relations, complexity and interdependence appear. The pressure to produce and grow resources has forced government and political officials to become entangled in a web of alliances with other agencies. It has also forced a dependence on government grants and knowledge, enormous bureaucratic and procedural guidelines, which require either hired professional services or knowledgeable and well-educated officials. Everything from federal employment guidelines, budget and financial requirements, grant reporting and preparation, to city, county, and state administrative procedures is placed on officials. The list never seems to end.

In order to maintain office or administrative position, corruption may often occur. In Kentucky, the rise of the political official moved from answering to the “party boss,” to the patronage of voters and others, and finally seeking to appease based on public opinion issue or economic policy goals demanded by the community.

Kentucky has always occupied an interesting place in the American psyche. The state was the first western expansion frontier state. It has a long history of political stumping and statesmanship with individuals like Henry Clay occupying both state and national prominence. The evolution of Kentucky politics evolved from one of strong centralized party bosses and corruption to one dictated by public mainstream objectives. Partisanship and patronage still occurs. However, the emergence of telecommunications in the form of television, radio and the internet,

have made it difficult for individuals to hide behind those old prerogatives. The party structure is formal and clearly defined. Precincts and county officers in the parties play important roles in the state convention functions. Their primary function is to recruit candidates and raise money and support for their candidates. The city and county governments are dictated by legislative direction on various forms of government. Party officials are initially involved in most of the elections for the leadership in the city and county governments, thus, tying the two close together in relationships. Outside pressures have forced party officials and local governments to respond to public policy demands, mainly, economic development initiatives.

Kentucky utilizes eighteen programs either created through state legislative action or national legislative action. The programs provide a base of incentives and breaks to induce and attract economic development growth. The criticism on most of the programs is that they do not have benchmark and accountability measures. The state and local governments can spend millions on these companies and not earn a return to match or warrant the investment. Programs need accountability measures. Also, the Cabinet for Economic Development boasts ten specialists located in the three regional offices to service about 12 counties a piece on average. If there is economic activity and development action, then a large workload is shifted on one individual. Increased staff or resources would be appropriate to actively engage community goals. Kentucky has adopted regional approaches to

development. They have utilized community action plans and involved elected officials and community structures in that process. Once again, there are no benchmark measures to determine the success of community partnerships and of local leadership.

Globalization and economic pressures have forced elected and administrative officials in government to adapt and improvise. Communities have become more risk oriented in order to lure and solidify economic stability. They pursue endogenous and exogenous approaches to development. Industrial recruitment, new business development, and recently, refinement have been the approaches most local and regional governments pursue. Community planning, asset mapping and various kinds of analysis are utilized to assess community potential and needs for development.

The evolution of government, politics and economic philosophy has changed dramatically since the Founding Fathers. The Constitution is still in place and still working as the basic blueprint for the nation's direction. The question of whether government, both elected and administrative, should be involved in economic policy arenas has been answered. Our political structures and government agencies have become immersed in a realm of complexity and interdependence. Politics and government have been assimilated into this elaborate web of complexity. Paul Appelby noted that "government is politics." While removed decades from what has happened today, he is quite correct. The quest of

Americans and their right to life, liberty and a pursuit of happiness has created a responsibility of governments and elected officials to make citizens economically prosperous. This is true in Kentucky and the rest of the nation as well. Despite warnings of potential party evils and no guidance in the Constitution on economics and the role of government in it, we have embraced a plethora of pluralistic approaches to development and the government's role in the process. I will contend that this is not necessarily bad for the nation. The process has removed us from strong political bosses dominating our policy lives and has served to give local communities their own capacity to pursue economic policy initiatives how they so choose. The elaborate economic development plans, the endless array of special districts and governing boards, the alliance of agencies to each other out of resource allocation needs, and continued focus of political parties to maintain their promises of economic prosperity to citizens has only served to create this environment in which politics, government and economic policy have become wed.

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