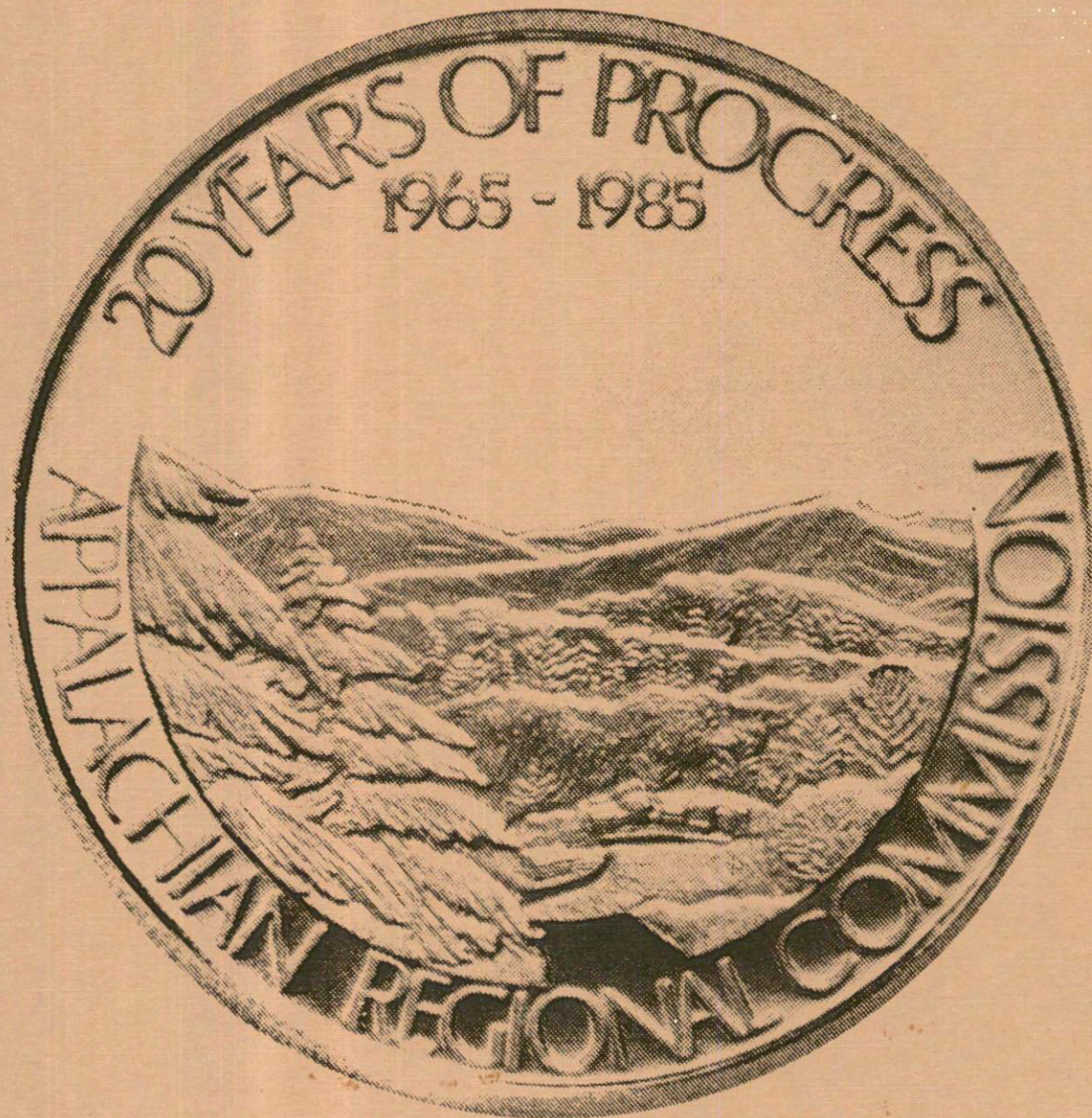


# **ARC From Implementation To Payoff Decade and Beyond**

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Research Report No. 11  
APPALACHIAN DEVELOPMENT CENTER  
Morehead State University  
Morehead, Kentucky

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## ARC From Implementation To Payoff Decade and Beyond

by Stuart Seely Sprague

Between 1965 and 1974, the Appalachian Regional Commission (ARC) spent in excess of \$2 billion. Since 1974, that figure has climbed to more than \$4 billion, with the bulk of these funds spent for road building and vocational schools. Despite this outpouring of funds, many in the region have never heard of the ARC. Part of the problem is ARC's lack of credibility, caused by less than spectacular results.

In the beginning, in March 1965, President Lyndon B. Johnson signed into law the Appalachian Development Act and declared it to be the "truest example of creative federalism of our times." The President's declaration that the "pork barrel is gone" proved either tragically naive or a tongue-in-cheek con game LBJ played on his audience. According to Bill Peterson of the Louisville *Courier Journal*, the ARC:<sup>1</sup>

long praised by public officials and scorned by spokesmen for the poor, shows many earmarks of having become just another pork dispenser, calloused to the needs of the region it was created to serve. [Furthermore] the commission's own studies indicate its impact on economic development in central Appalachia is questionable, and officials openly acknowledge that their work is little known or loved in the hills of Eastern Kentucky and West Virginia.

The law's intent was for regional planning, like TVA, but by 1973 Kentucky's ARC representative complained that the people "are more interested in individual pork barrel projects than regional improvements." Indeed, the ARC's record in economic development was abysmal. In 1973 the sole industry ARC could claim credit for moving into Appalachian Kentucky was the Paintsville American Standard branch. That is not surprising, considering that the Appalachian Regional Commission's public relations staff out-numbered its economic development staff twelve to two. Evidently the Johnson county factory did not make much of an impact, for the General Accounting Office, that watchdog agency of the federal government, concluded in 1972 that—despite grants of \$21,500,000 and loans of \$6,700,000—federal funding "has not made a significant impact on alleviating poverty and unemployment" there. The area's "heavy dependency on federal assistance will continue into the foreseeable [sic] future."<sup>2</sup>

There have been leaders within ARC who tried to make the agency less bureaucratic. When Alvin J. Arnett, a Magoffin County native, came to the Commission in December 1971 he declared (among other things) that:

- People who are paid \$14,000 and \$15,000 are not going to process—they're going to be paid to use their minds.
- We should give them [state governments] the help they need to see further than the end of their noses.
- We need a covey of futurists around here.

Arnett declared he was interested in property-tax structures, welfare programs, health programs, and wanted to become "the advocate of the poor," though he was quick to add, "but that's not to say that's our only job."

But that kind of attitude did not play well in the state capitols of Appalachia. Politics was at the heart of ARC, and bridges between the federal government on the one hand and state and county government on the other were constructed.

Local development districts, each covering a group of counties, were set up as conduits for ARC dollars. Results were mixed. The Kentucky River Area Development District (KRADD) quartered at Hazard ran into trouble on various occasions. A Letcher County land use plan led "residents to rise up in outrage." On the other hand, Kentucky's Big Sandy Area Development Council of Prestonsburg established a reputation for getting "a lot of local mayors and county judges to sit down and work together for the first time." The development district, with its larger than county boundary, was intended to get local leaders to look at the bigger picture and cooperate. All too often, however, ARC money attracted adroit county court ringleaders who excelled at log-rolling and power plays.<sup>3</sup>

Harry M. Caudill complained that the "ARC hasn't grasped the importance of the region's natural resources, has ignored black lung and mine safety problems, has 'done nothing about strip mining' and failed to even consider ways to redistribute the area's wealth." To sum up, "as a watchdog for the region, it's blind and toothless. It's sorry in conception, sorry in execution. . . It never once has attempted to reach our real problems." Caudill added that, if given the authority, "I'd make it responsive to the needs of the region. I'd try to make something out of it, keeping in mind it's hard to make something out of nothing." Given the impact of local power elites (who chase ARC funding like Pac-man goes after power pellets and ghost monsters) it is ludicrous to expect dispensers of ARC monies would be interested in redistributing wealth unless to their own pockets or those of allies. According to the law, the ARC was to "maintain a temporary office in the District of Columbia and establish a permanent office at such a central and appropriate location as it may select." It remains at 1666 Connecticut Avenue, Washington, D.C.

How can it be that this organization, the ARC, survived both the Nixon and Reagan welfare cuts, not to mention numerous lesser attempts to kill it off? If the ARC is anything, it is a survivor. Under the ARC, governors need not seek state legislative approval for ARC funding. This feature makes the program most attractive to state executives. In 1971 West Virginia's Arch A. Moore Jr. described ARC as "the most successful current program in terms of. . . effective state-federal partnership" while powerful Kentucky Congressman Carl D. Perkins labelled it "one of the greatest programs ever enacted into law for the benefit of the people of Appalachia." ARC does bring home the bacon, and hard-nosed politicians appreciate that.

In public relations terms, "progress" has been noted by the inclusion of such typical Appalachian communities as Atlanta, Ga., Huntsville, Ala., and Elmira, N.Y. Likewise, monies were concentrated in self-described "growth centers." Thus the ARC could claim credit for growth that would have happened even if ARC had never existed! Though the law's intent had been to help the poor and needy, mainly rural areas of Appalachia, funds were shunted over to urban areas. Eastern Kentucky was written off as unsalvageable until the coal boom made it politically expedient to reconsider the region. Much money was spent upon consultant fees and studies; the ARC (except when in extremely hot water) ignored the law's intent to hold public policy hearings.

The ARC's political acumen was clearly visible during 1974-1975, a time of increasingly severe attacks by critics. By June 1974 the commission had

spent \$394,376 for studies on tourism and recreation, \$465,859 for studies pertaining to transportation, \$2,800,000 for studies on education, \$3,200,000 for studies on the environment and energy, \$468,548 for studies on community development, \$219,925 for health studies, and \$155,089 for housing studies, footing up to more than \$11,400,000. Yet supporters called for more studies, studies that might be brought up as weaponry to buttress up requests for further federal funding. South Carolina's Democratic Governor John C. West defended the new round of studies, declaring that "planning is an essential part of good programming. I've seen too many efforts fail in the past because of lack of planning."<sup>4</sup> The ARC timetable called for "public" meetings in October 1974 for pushing new legislation by January 1975, for passage by Congress in March, and for presidential signature soon thereafter.

But even before October, Central Appalachian newspapers sniped at the agency. "The chief beneficiaries," according to Louisville *Courier-Journal* staffer, "appear to be a string of outside consultants, including senatorial candidate Katherine Peden, who has been hired at \$250 a day to tell the commission about economic development, something it is supposed to have been doing for nine years." Bill Peterson's comment reflected the frustration caused by the lack of tangible results. An August 1974 report declared that "it is still difficult to succeed with enterprise development in most of Central Appalachia unless it is related to mining." An unfavorable public image, the lack of industrial sites, and poor access to major markets retard the area's development. The ARC report claimed that "the single most important need for the Appalachian region at this time is the development of new industrial sites." But roadbuilding and—specifically—roadbuilding related to mining was, has been, and probably will continue to be at the heart of the unimaginative ARC effort. The Huntington *Herald-Dispatch* published a series of articles under the title of "Who Owns West Virginia?" The series indicated that some roads were constructed almost solely for the benefit of the coal industry.<sup>5</sup>

The lack of concrete results forced the Appalachian Regional Commission to drum up support for the beleaguered agency through "public" meetings. The Whitesburg, Ky., *Mountain Eagle* referred to the gimmick as the ARC "road show" which intended to "play to a handpicked audience chosen to offer applause uninterrupted by any dissenting voices." An attempt at "dialogue" was dropped, primarily at the insistence of Kentuckian John D. Whisman, an architect of the ARC. The result was predicted to be "a charade instead of a hearing." Carefully handpicked state officials, local development district officials, and others with a vested interest were interviewed. Even the dates and meeting places were kept top secret.<sup>6</sup>

The first meeting took place in Bedford, Pennsylvania, where the ARC slide show ignored the most pressing issues facing the Southern Allegheny Development District (SADD). Area people were concerned with mine safety, the farm problem, the worsening transportation situation created by the demise of rail service, and the lack of completed, though promised, new roads. Another crucial local issue revolved around the widespread fear that the ARC would take jobs from union states like Pennsylvania and Kentucky and deliver them to non-union states like Georgia and Alabama.

The Johnstown, Pa., superintendent of schools denounced the policy of "indiscriminately" erecting vocational education school "buildings instead of funding Southern Allegheny's comprehensive high schools which

already have vocational educational facilities but must turn away students because they can't support a larger staff or purchase adequate equipment." John D. Whisman replied to the criticism, stating that there would be a shift from brick and mortar programs to social programs. When an official of Pennsylvania Electric asked why the ARC did not serve as a power broker to the region, ARC's Executive Director Harry Teter replied glibly that that was an objective.

When the traveling show reached Kentucky, Whisman proclaimed proudly that ARC's "Payoff Decade" was now in sight, perhaps not realizing the inference that the past nine years had been a bust. Short on specifics, Whisman told local development district representatives that "potential pay-offs appear to be the greatest" in housing and community facilities, transportation including "rural mass transit," human resources, and natural resources. The Mayor of Louisa piped up, suggesting there were many people capable of doing light work but forced onto welfare by the lack of job opportunities. Boyd County Judge George Hall described the "forgotten people" as those in the 50-55-year-old age bracket. Whisman claimed that the ARC's greatest accomplishment had been to coordinate local-state-federal action and insisted that "the unique structure to make a complex big national government responsive to local development needs has gained worldwide attention."<sup>7</sup> Such bombast left editors cold.

"Soon it will be backslapping time again," a reader wrote the *Mountain Eagle*. The "KRADD will eulogize the accomplishments of ARC and ARC in turn will heap praise on KRADD programs and how these have made county lines disappear, etc." The writer had attended an earlier 1972 evaluation where he discovered that there, "never was heard a discouraging word." He concluded that "this evaluating process is much like. . . a judge allowing the accused to decide his own sentence."<sup>8</sup>

The *Floyd County Times*, a paper whose editorials were often reprinted throughout Eastern Kentucky, headed its ascerbic comments **Ten Years Preparing, ARC Said Set To Act**. The *Times* noted the \$200 million expended on vocational schools and the 900 out of a projected 3,000 miles of new highways completed, but added heatedly that ARC had no cohesive answers to some of the area's more pressing questions. For instance, the editorial asked rhetorically:<sup>9</sup>

Where was ARC when homes were sliding in mud off of Sanctified Hill in Harlan county? Wasn't ARC an organization formed to deal with a region's most hurtful needs? Not necessarily, Mr. Whisman had to answer. Houses were slipping to destruction down that hill in Cumberland, but the ARC had no housing money, Whisman explained. The hill's best bet was to be declared a disaster area, but the ARC couldn't have helped there, either, because it had no disaster money. The one way the ARC might have plunged into the act was for Sanctified Hill to be declared a "recreation area."

That look at the thought processes of the bureaucratic mind did not sit well with those personally touched by the tragedy.<sup>10</sup> This was not an isolated incident. In West Virginia, angry Elk Garden residents sparred with ARC representative Dick Frum respecting a filtering system. Twice Mrs. Mayne had sent letters, the second time with an engineering study that proved need. ARC ignored the letters. When Frum denied knowing anything of the matter, Mrs. Mayne became righteously indignant, reminding the bureaucrat of a conversation on the matter just "the week before the

meeting.” She added angrily that “this is the first time we ever asked ARC for money. If we didn’t think we needed it, we sure as hell wouldn’t ask for it.” Soon Masontown planner Larry Speers jumped into the fray, complaining that ARC would not help with a similar project “because we don’t fit into their investment criteria.”

Don Whitehead attempted to put the monkey back on local development district chairman John Anthony, declaring that it was up to the local development district to assign priorities. That gambit failed as Anthony shot back that “until the commission broadens its investment criteria. . .the commission can’t fund projects in small communities like Elk Garden, any plan we develop at the local level is useless.” John D. Whisman was quick with a ready answer, “Our hands are tied by Congress” as the law restricts investments to growth centers where the return on the dollar is greatest. Left unsaid was the probability that had ARC sought a rural thrust, the ARC could have moved Congress in that direction. A Morgan County commissioner was upset that “not one penny of ARC money has ever reached our county. . . The ARC conducts a policy which intentionally shifts life away from the rural areas. . .leaving small rural communities like mine alone to die.” A Clarksburg citizen claimed that new highways were “strangling the downtown area and requiring extra money to rebuild it on the perimeter of town.” As the meeting wound down, Whisman observed that “regional planning and democracy are not necessarily compatible.”<sup>11</sup>

The Huntington *Herald-Dispatch* added its skeptical voice, stating that “at its birth the ARC was hailed as a ‘bold effort to change the face of Appalachia.’ Unfortunately, the nearly ten years since has seen more rhetoric than results.” As for the highly touted system of development districts, “at their best, . . .[they] are useful in making government more responsive to public needs. But more often they’ve proved just another level of government, with all the the paper-shuffling and such that goes with it.” The West Virginia journal concluded that “at the risk of being branded as overly cynical, we can’t help but admit we feel that ARC’s ‘new direction’ is one that’s being staked out as much with an eye to currying favor with the White House and Congress as to actually meeting the real needs of Appalachia. . .its’s hardly a situation likely to advance the low estimation held by many in Appalachia.”<sup>12</sup>

The most sarcastic editorial appeared in the influential Whitesburg **Mountain Eagle**:<sup>13</sup>

#### **Slow Learners**

There is this to be said for John Whisman, the Kentuckian Congress gave four billion dollars to play around with in the name of helping the poor, broken down, half-starving people of the Appalachian area. It has taken him ten years and four billion dollars, but now he knows what the rest of us all have known all along—The Appalachian Regional Commission program has been a disastrous failure down through the decade. . .

Instead of the money coming into Neon and Blackey and Mousie and Dwarf, where the people and the problems have been all along, ARC has pursued a policy dreamed up by Whisman a long ten years ago. Under the Whisman-ARC “growth center” brainstorm, money was not spent where it was needed, but where they in their wisdom said growth would occur. This meant that they picked out such “Appalachian” centers as Knoxville and

Pittsburgh and poured endless millions of dollars into new libraries, new roads, new facilities generally for already well-off population centers. In effect, they stole money meant by the American taxpayer to bring aid and comfort to the weary of Appalachia. They—the ARC bureaucrats—stole it from the needy and gave it to the already rich areas of the Appalachia. Or as Whisman, one of the bureaucrats, would put it: “ARC had never intended to distribute money to the people who needed it most.” Were it just a matter of wasting a few billion dollars it wouldn’t matter so much, maybe. After all, Appalachian residents now have had a hundred years of people coming to do us out of the earth’s blessings while all the time assuring us they were helping us along. . . . But the ARC fiasco was far more mischievous. For it has created a monster—a new level of government. . . . Called regional development districts, or area development districts, these new boards are swallowing more and more of the functions of local governments and have their fingers out for others. . . . Thing is, none of this regional structure is elected by the people. . . . If a voter doesn’t like the decisions that are made, the voters can’t vote. . . . ADD officers out of office. There is no accountability to the voter. . . . there is simply total control. As Whisman puts it, “Regional planning and democracy are not necessarily compatible.”

Such criticism seemingly did not bother Whisman. The Lexington, Ky., native had a new scheme—the three “E’s”—Energy, Enterprise, Environment. According to Whisman, in the past “when coal has been up Appalachia has been up; when coal has been down, Appalachia has been down.” The new thrust would accelerate tourism and industrial site development, coal liquefaction, and gasification. This would lead to diversification of the economy and break our dependence upon coal. Using the buzzwords of the day, Whisman claimed the ARC program “both anti-inflationary and anti-recessionary. . . . because it increases productivity, and productivity is the answer to both inflation and recession.”<sup>14</sup>

For ARC watchers, 1975 proved to be most interesting. The Floyd County Ky., *Times* opened the year with a critical editorial lambasting its preconceptions.<sup>15</sup>

### It’s Worth Saving

It is encouraging to learn that the Appalachian Regional Commission has indicated that it now proposes a new program which will include industrial sites, access road construction and more money for coal research. These three items are basic to the future of what is known as Appalachia.

At the same time the ARC, if newspaper reports are accurate, relegates a part of the region, including much of Eastern Kentucky, to the proverbial boneyard. Bill Peterson reported. . . . in the *Courier-Journal* [that] “Under the strategy, ARC funds are concentrated in places that show the greatest potential for growth. Other places, including much of Eastern Kentucky, are written off as ‘not worth saving’.”

“Not worth saving”—how does ARC, an agency established to save depressed areas from hope destroying conditions, decide



which part of the region is to be forgotten? Five years ago, Martin County might have qualified. Today, the Appalachian Regional Commission is amazed to find that the county which in the 1960-70 decade lost eleven per cent of its population, had three years later gained 11.2%. . .

The *Times* does not ask the Appalachian Regional Commission to invest in impractical ventures here in Eastern Kentucky or in any other section of the region which it was created to serve, but it does ask it, please, to desist from statements which paint with a broad brush a dark picture for Eastern Kentucky—a picture which would bear the grim title, “Not Worth Saving.”

We suggest that ARC forget some of its dreamy projections and get down to the practical matters of industrial sites, access roads and coal research—and then watch Eastern Kentucky grow. After that, it should be our own job to clean up a beautiful land that is a domestic junkyard and an industrial wasteland. . .

To the east, Huntington, W.Va., area merchants grew increasingly anxious about a 15 mile stretch of road, Corridor G., from Chapmanville to Danville which would move Mingo County out of Huntington’s trading orbit and into Charleston’s. The symbiotic relationship between Huntington and the counties of Mingo and Logan which extended back to rafting days, was made more intimate by a railroad connection and coal, and had continued down through the automobile age. Though West Virginia was laggard in completing its ARC highways, no other state would be affected as greatly by the new road system.<sup>16</sup>

The ARC with the savvy of a fight-wise boxer, bobbed and weaved, presenting a difficult target to hit. The coal boom lessened problems the ARC was to solve, but with its usual canniness the agency took much undeserved credit for the results. But the coal boom presented a potential problem; if there be too much prosperity, how to justify the ARC? Donald W. Whitehead, federal co-chairman of the ARC cleared that hurdle noting that, though unemployment and poverty problems were easing, the ARC needed to plan for the time a decade hence when the coal boom ended and the old problems reasserted themselves.<sup>17</sup>

One of Whisman’s “new” enterprise elements was tourism. But when Sea Pines Co. of Hilton Head, S.C., the same body that provided reduced rates for the ARC May meeting, received a \$25,000 fee for a “manual of action” showing how Appalachia might attract more tourists, eyebrows were raised. When it became known that the report was not bid out, that the job was completed within two and a half weeks, additional questions were asked. Sea Pines president Charles E. Fraser dismissed the doubts declaring “this is not the result of 17 days of work but of our 17 years of experience in the field.” “The report itself,” it was noted, “is a monument to graphic design and skillful generalizations.” Even more surprising was talk of the firm doing a fuller \$250,000 study, possibly without competitive bidding.<sup>18</sup>

Donald W. Whitehead rallied ARC supporters, declaring that the agency was seeking to gain and control additional federal, state, and local monies. “We’re saying,” he proclaimed, “let’s quit planning for spending Appalachian dollars alone—let’s start aiming for the big buck. Let’s get a handle on that federal, state and local money.” The newest holy grail was “area action program.” By diversifying the economy, Appalachia could survive

downswings in the coal industry. ARC's Executive Director, Harry Teter, opined that "it's obvious ARC dollars won't be enough."<sup>19</sup>

During February many state and congressional office holders, who benefitted directly from the Commission, supported the embattled agency. Kentucky's Development Cabinet Secretary, Dee Akers, suggested a crude oil pipeline from Alaska to Kentucky, with refining to occur in northeastern Kentucky. Akers liked ARC's newest thrust away from highways, vocational schooling, health, towards industry and commerce. Akers was reviewing a two-year plan for spring submission to the ARC and stated that Kentucky's governor was "obtaining special reports on agriculture, Kentucky's energy networks, and the economic impact of our parks." We are now "ready to do things that can push the region ahead."<sup>20</sup>

West Virginia's ARC representative Richard D. Frum declared that the endorsement of ARC by Appalachian governors "shows there is a considerable amount of interest from all the state governors. They all realize what the commission has meant to them." West Virginia's highway system alone was enough to justify future funding. He cited a governors' resolution declaring that the ARC "has made significant progress toward meeting the needs of the region." [However] "there still remain serious deficiencies which must be remedied."<sup>21</sup>

Suddenly the ARC steamroller stopped. Lee Stillwell, a \$34,000 per year ARC press officer, quit after six weeks on the job to join Senator Abe Rubicoff in the same capacity despite a \$2,000 pay cut. Soon it became known that the ARC had been authorized to hire one \$30,000 "Director of Communications." Instead, after an 18-month search, two men were hired—Lee Stillwell at \$34,000 and Arch Parsons at \$31,000. This, by means of calling one of the men a consultant!

The annual salaries of ARC's communication staff footed up to more than a quarter of a million dollars. ARC spokesmen explained lamely that "besides the *Courier-Journal* and the *Mountain Eagle* we haven't been able to excite many papers to come see what we're doing. I want to improve that."<sup>22</sup> Even within ARC there was disagreement as to need for a director of communications. One ARC staffer declared, "one man is too many. But two is absolutely ridiculous."<sup>23</sup>

This was not the end of ARC's difficulties. John D. Whisman, Kentucky's delegate, allegedly carried large travel advances, used ARC credit cards to rent trucks and cars for personal use, collected occasionally twice for the same ARC expense, despite federal guidelines forbidding employees to take advances greater than \$300 and requiring prompt filing of travel vouchers. In Whisman's case, some vouchers were more than three years in arrears!<sup>24</sup>

Nonetheless, the pro-ARC testimony of witnesses at Washington continued. The *Ashland Independent* declared "There was no testimony from critical witnesses during the three days of hearings, and senators on the Public Works Committee did not ask any questions. Committee Chairman Jennings Randolph, D-W.Va., was the only senator present when [Carter County, Ky., Judge] McDavid presented his testimony."<sup>25</sup> The judge claimed that the billions poured into the region "will be to little or no avail" unless the Appalachian Regional Commission is continued. "Give us more latitude," he went on, "in solving our economic problems by permitting us to build on our natural resource strengths and to diversify our economy where it is possible." Another witness parroted the ARC line, stating that:<sup>26</sup>

We have demonstrated with the Appalachian approach that there is great, untapped resource[s] in each state that can be brought

to bear on problems of a local nature. After all a local problem and a state problem is really a federal problem and in the ARC approach, we have a way of putting it all together.

The energy crisis and the Arab oil embargo allowed elected officials to insist that coal roads were a matter of "national security." National security is always a good line.

West Virginia's governor, Arch A. Moore Jr., claimed that "if the nation is to have the coal it requires, we must get these services and facilities [i.e., roads, sewer lines, hospitals, schools, housing] out where the mines and the miners are. . . Highways and roads are necessary to take services to the people or people to services and jobs."<sup>27</sup>

Kentucky's governor, Julian M. Carroll, declared that "as Appalachian Kentucky feels the stimulus of increased coal production, we are even more keenly aware of the area's need for housing, for a range of public facilities and delivery systems for health care, and for diversification of employment."<sup>28</sup> Senator Walter D. Huddleston, D-Ky., of the Senate Economic Development subcommittee, stated that:<sup>29</sup>

In Eastern Kentucky we have the largest number of low income counties of any Appalachian state. But with ARC assistance, we have been catching up. And now with the Nation depending upon our coal, we must depend on ARC and the federal government to help us with some of the special problems we will face as a result of that dependence.

Again the program remained the same, only the excuses for continued funding changed. This was a case of *deja vu*. "As has become the fashion," the *Courier-Journal* reported, "powerful senators and congressmen sang the praises of an agency that has spent more than five billion dollars in state and federal money since it was set up ten years ago."<sup>30</sup>

As part of the energy crisis gambit, the ARC sought permission to enter "the business of reviving, repairing, and even subsidizing the operation of mountain region railroads" declaring that of the 5,000 miles of light density railroads dropped with Con Rail, 1,200 miles were abandoned without adequate allowance being made "for recent and future coal developments in Appalachia."<sup>31</sup> That attempt failed, as did one trying to raise the federal share of road funding from 70% to 90%.<sup>32</sup>

Later, in April 1975, Kentucky's Governor Julian M. Carroll, ARC state chairperson, hosted an Appalachian governors' meeting at Frankfort, Ky. He urged a "permanent posture of full openness and cooperation" with the Appalachian Regional Commission. He asked rhetorically:<sup>33</sup>

How else can we demonstrate our good faith and the continuing worth of this program into which we are asking Congress and the President to breathe new life? . . . We have done much with the Appalachian Regional Development Act in its ten-year life. But we have only scratched the surface.

Kentucky-born John D. Whisman came to Jackson, Ky., and used the new vocational education building as a backdrop for a speech pronouncing his conviction that with ARC funding "we will do more in the next four years than in the past ten and we have done more in the past ten than in the past fifty."<sup>34</sup>

This was ARC's Kentucky month. For the first time in a decade a regularly scheduled monthly ARC meeting was held there. Also, in late April, some

40 federal-state development commission members traipsed through Eastern Kentucky on a whirlwind day-long tour. Stops were made at Lees Junior College, Berea College, the Breathitt County Area Vocational School, and the Campton Community Center.<sup>35</sup> At the latter locality, Kentucky's ARC representative, Dr. Charles F. Haywood, interacted with infant and pre-school children. This Kentucky Infant and Pre-School project was one of 46 in Eastern Kentucky.<sup>36</sup>

In May 1975 the ARC doled out \$230,400 for construction cost overruns for four Eastern Kentucky vocational school buildings due allegedly to "inflationary factors." The Russell Area Vocational Educational Education Center in Greenup County accounted for \$120,000 of the total and the Magoffin County High School Vocational Education Center for an additional \$80,000.<sup>37</sup> In the same month, West Virginia's Commerce Commissioner Ralph Albertazzie spoke out at the West Virginia Industrial Development Institute held at Morris Harvey College, extolling ARC's highway and industrial park development plans. According to Albertazzie, in cities of less than 30,000 inhabitants, industrial parks have helped double employment. He emphasized the building of roads, stating that "the important thing we've got to do right now is complete our highway systems [because highways] spur growth that's phenomenal."<sup>38</sup>

In June a power struggle within ARC between Donald W. Whitehead and John D. Whisman went public. Both figures "presented resolutions to the commission that would, in effect, undercut the other's role." Whisman acknowledged that "the tension is there. It is not going to go away."<sup>39</sup> It was Whisman who, in 1959, had sold Governor Bert Combs, an Eastern Kentucky native, the idea of a planning commission for the area. Boasted Whisman, "I walked in and out of the White House, like the federal co-chairman probably wishes he could today."<sup>40</sup> Donald W. Whitehead made the best possible case for gubernatorial interest in ARC. But he ignored the facts when he brazenly claimed that a "key element" in ARC's success "has been the attention and participation of the governors." By early June Donald W. Whitehead was forced to admit that the governors were inactive partners. Kentucky's Governor Julian M. Carroll hastily called a New Orleans meeting of governors. Senators Jennings Randolph and Howard Baker, chairman and vice-chairman of the Senate Public Works Committee, were growing impatient. Howard Baker characterized the ARC as a "conveyor belt" for the delivery of federal funds while Randolph believed that decisions by state officials were made at the "lower echelons." Yet when it came down to "yea" or "nay," both men favored continuing the agency. Senator Jennings Randolph stated that:<sup>41</sup>

While I am a believer in the concept and goals of the Appalachian program, I also recognize there have been deficiencies in its organization and execution. The program has been criticized and we are going to come to grips with this criticism and see what changes should be made.

A memorandum from ARC's Management Committee to the Appalachian governors gives some idea as to what Senator Randolph referred:<sup>42</sup>

It is essential that the ARC program be based on the initiative of the Governors. There has been no expression from Appalachian Governors on some of the key provisions made known only after the senate make-up on July 8.

Donald W. Whitehead admitted that though the Appalachian Regional Commission was promoted as an exercise in regional planning, "our basic experience has been [in] processing applications. We're fledglings at dealing with large policy ideas."<sup>43</sup>

Kentucky's Senator Wendell H. Ford raised the matter of locating ARC's offices in Appalachia as intended by law. He informed Jennings Randolph that:<sup>44</sup>

I am not sure their headquarters at 1666 Connecticut Avenue is the best vantage point for understanding the needs of the Appalachian people and region. [Moving to Appalachia] would involve the commission in the day-to-day experience of Appalachian life; it would allow the commission to draw upon the talent bank of educated and skilled Appalachians for its staff needs.

Kentucky's other senator, Walter D. Huddleston, a member of the Senate Appropriations subcommittee that handles ARC appropriations, gloried in the agency, claiming that the ARC:<sup>45</sup>

has helped all of Appalachia reduce the gap between that region and the rest of the nation in terms of jobs, income, education and other measures of economic and social progress.

The parade of witnesses led one observer to comment: "As has become their fashion, powerful senators and congressmen sang the praises of an agency that has spent more than five billion in state and federal money since it was set up ten years ago."<sup>46</sup>

The New Orleans meeting of the governors led to a call for a similar Washington, D.C., meeting. In the interim, a bill prolonging the life of ARC went to Congress. This was not passed before the old authority for the ARC expired: the agency functioned under a continuing resolution. In the Senate both Jennings Randolph<sup>47</sup> and Howard Baker supported language:<sup>48</sup>

that would require a quorum of governors be present for all "policy" matters, forbid delegation of the governor's role to aides, and give the ARC federal chairman sole authority to fund projects.

The interplay among the proponents of the ARC during the tense July days is obvious from the surviving correspondence within the Julian M. Carroll papers. On the 16th Jennings Randolph wired the governor "that the Senate passed the bill this afternoon." He added, "I look forward to counseling with you as we continue our efforts to strengthen the economy and build a firm base for progress in Appalachia." The next day Mississippi's Governor William Waller sent telegrams to Shapp of Pennsylvania and Carroll of Kentucky (the three comprised ARC's Management Committee) inviting them to meet with Senators Randolph and Baker July 22 at 2 p.m. The urgency of the meeting was undersigned by the plaintive line, "it is of great importance for you to attend this meeting prior to the legislation going to conference." Senator Wendell Ford, D.-Ky., touched base with his governor, telling Carroll that the reason he did not attempt to exercise quorum requirements for governors at ARC was quite bluntly "because it would have been soundly defeated." Carroll responded that he had "found similar attitudes prevalent" in meetings with Randolph and Baker. Julian Carroll sent a letter, originally drafted by Dee Akers, to Senator Randolph July 25, declaring "your assurance that it is not your intention in the new Appalachian Regional Commission legislation to require perfect attendance

of the governors at ARC meetings is most helpful to me." That elected the August 4 response that Carroll's was a "thoughtful letter."<sup>49</sup> Nine of the 13 ARC state governors sent a letter protesting what they called the "restrictive" and "unworkable" changes. They agreed, however, that governors should:<sup>50</sup>

assume our full burden of responsibilities for the ARC federal-state partnership; but we do not think it is appropriate for the federal government to tell us how to handle those responsibilities.

The governors pledged to attend two ARC meetings annually. They supported the bill that would extend the life of the agency for four years (as opposed to the Senate bill's two years). John D. Whisman drafted the letter. His power would be slashed if the Senate version prevailed.<sup>51</sup>

The governors' commitment to ARC proved to be a matter of lip service. The Appalachian Regional Commission was much embarrassed when *none* of the governors appeared at the scheduled ARC meeting. The ARC cut their losses by calling for a Disneyland meeting the following Sunday. As this coincided with the Southern Governors Conference, the bureaucrats reasoned that a majority of the governors would attend. The strategy worked as seven (Gannett News Service) or eight (Associated Press) governors appeared. But instead of seven hours being set aside, as had been scheduled in Washington, D.C., the governors could only find two hours' time.<sup>52</sup> After all, there were other attractions in the Magic Kingdom.

Nonetheless, the governors agreed to a spend it or lose it approach to appropriated allocations. The agency had taken some heat regarding unspent funds leading Governor William Waller, D.-Md., to opine "I think we are in trouble with Congress now for dilly-dallying on this issue in the past."<sup>53</sup> A \$100,000 Bi-centennial Guidebook to Appalachia, the cost to be equally shared by the ARC and unspecified government sponsor, was authorized. In overblown rhetoric, the ARC declared that the guide "could be an important step toward developing among tourists an 'Appalachian consciousness'."<sup>54</sup> Governor Arch A. Moore Jr., R.-W.Va., declared that he was most eager for approval for \$37 million in early highway funds. He did not stay for the Southern Governors Conference. As he put it, "I got what I came for. Now I'm going home."<sup>55</sup>

Nearly two months passed before any congressional action occurred. The House of Representatives had passed a bill extending the life of the Appalachian Regional Commission for four years in May while the Senate passed a restrictive bill with but a two-year extension in July. A conference to work out differences was not called until November. A widely held view was that Robert E. Jones, D.-Ala., author of the House bill and chairman of the Public Works and Transportation Committee, held the bill hostage until both houses came close to agreement on a \$5 billion local public works bill. Indeed Jones did insist that speedy passage of the two bills would:<sup>56</sup>

send a clear signal to the White House and to all the American people that this Congress is determined to break the spirit of unemployment that is still spreading hardship and distress throughout the nation after months and years of unfilled promises by the administration.

Other games were also being played. Seven very much smaller regional commissions saw an opportunity to cling to ARC's coattails. With the support of Senate Appropriations Committee Chairperson John McClellan,

D.-Ark., the Ozarks, Old West, Upper Great Lakes, New England, Coastal Plains, Four Corners, and Pacific Northwest commissions sought to increase their funding and to seek independence from the Department of Commerce.<sup>57</sup> Though the addition of 31 states to the bill would garner additional support in Congress, senators had been warned that the "Office of Management and Budget has indicated it will recommend a veto if the expansion of the other agencies is left in."

The Senate kept the provision requiring a quorum of Appalachian governors "to be present before any policy decision, approval of development plans or allocation of funds can be made." Appalachian governors opposed the move, citing difficulty in attending such meetings.<sup>58</sup> Early in December 1975 conferees did some horse trading. The House got the four-year extension of the ARC and the Senate got the requirement for governors to be present and also the inclusion of the seven smaller regional commissions. One ARC official noted that the odds of a Gerald Ford veto were 50-50.<sup>59</sup>

There was one piece of pork-barrel politics in the bill so blatant that the Louisville *Courier-Journal* devoted an editorial to the prestidigitations of Rep. Joe L. Evins, D.-Tenn., chairman of the public works subcommittee of the House Appropriations Committee. Under ARC the states, not Congress, were to choose projects to be funded.

But the June bill included \$2.5 million for a mountain crafts center somewhere in Appalachia and \$4.7 million for the completion of "long-delayed" access roads in East Tennessee and in Tupelo, Miss. The Tennessee road turned out to be in Congressman Evins' home town, the Mississippi road in Jamie L. Whitten's district. The Democratic Whitten just happened to be a powerful member of the Appropriations Committee. The arts and crafts center puzzled ARC staffers, as no such request had been submitted. It turned out that Governor Ray Blanton, D.-Tenn., had asked Evins to "earmark" funds, hoping that the appropriations would be made off the top, and thus not be taken from Tennessee's slice.

The Senate refused this pork-barrel request, fearing that such an opening would lead to numerous special interest abuses. Also, it was illegal to fund such a commercial facility. But Bob E. Jones, D.-Ala., chairman of the House Public Works Committee, came to the rescue. Funds were added for "the stimulation and development of the indigenous arts and crafts of the region." This add-on was placed in a section exempt from the prohibitions against spending monies in competition with the private sector. All this was discussed in secret, with the press and public excluded on the basis of "national security" (allegedly, Nuclear Regulatory Commission matters were under consideration).<sup>60</sup>

The bill with the arts and crafts center in it went to the President with the blessing of Tennessee's Senator Howard Baker and Jennings Randolph, Chairman of the Senate Public Works Committee. Randolph gave the bill a sendoff, declaring that:<sup>61</sup>

This legislation will mean much for the people of Appalachia and other regions of the country with similar problems. The Appalachian experiment is now ten years old. The passage of this extension will launch the second decade of this unique and successful effort.

The legislation would have increased highway expenditures by \$840 million through 1981 and non-highway expenditures by \$640 million through 1979. In addition, the conference report expanded the ARC's role in the field of

housing, authorized several reports (out-migration, physical hazards), and encouraged rural transportation demonstration projects. On New Year's Eve, Gerald R. Ford signed the bill into law.

It is worth noting, per the Evins power play, that not all of the politicking was done from inside ARC. Indeed, Colman McCarthy of the *Washington Post* penned a sympathetic portrait of ARC's problems. According to this account, critics saw the federal government as too large and too indistinct a target to stir people up. On the other hand the ARC can be:<sup>62</sup>

attacked as a political controlled organization dominated by a road-building mentality and insensitive to the needs of citizens in the isolated parts of the mountains. Supporting evidence is easily found for such charges, but often ARC's critics condemn it for not curing ills for which it was never given medicine. . .

It is a trembling way of life. If ARC officials go too far—by speaking boldly, for example, against strip mining or absentee land ownership—then they get heat from those governors who are obedient to the energy companies.

Likewise "the White House hovers over the ARC with its political interests." In addition, there are sometimes unreasonable guidelines. A mountain community asked for funds for a *used* four-wheeler as an ambulance, but HEW required a fully equipped brand new ambulance, one that would never make it up to the head of the hollow! Yet the Appalachian Regional Commission was the agency taking the heat.

The year 1976 was a year of change. The ARC was now operating under legislation requiring the presence of seven of the 13 governors at ARC meetings. John D. Whisman lost power as a result, and, prodded on by Kentucky's Governor Julian M. Carroll, resigned from the commission. Milton J. Shapp of Pennsylvania, who was typed by *The Washington Star's* Jack Germond as being "about as charismatic as a head cold,"<sup>63</sup> became the ARC's new states' co-chairman. Later in the year this Pennsylvanian with a solid liberal record would become an extremely dark horse presidential candidate.

Shapp had promoted the ARC when it was in its infancy, and why not, since Pennsylvania obtained more money from it than any other state. Shapp praised Gerald R. Ford's signing the extension bill, declaring that:<sup>64</sup>

The Appalachian program is especially important to the continued development of the region and that of the Nation. The ARC investments in Appalachia have helped to stimulate the development of the Region, without which the revival of the coal industry, so vital to our national goal of energy independence, could not have taken place.

With funding assured, ARC's Executive Director Harry Teter Jr. put aside any pretense of the commission being interested in moving its offices to some central Appalachian locality. He claims this lack of interest was because the signed bill did not contain such a provision. Thus the idea was "probably dead." He added that because the ARC has "to deal with so many federal agencies and congressmen a stronger case can be made "for keeping it there" than for moving it."<sup>65</sup>

Likewise with a new lease on life, the ARC could ignore criticism "that it was spending too much of its resources on building roads."<sup>66</sup> That is the remarkable characteristic about the Appalachian Regional Commission. No



matter what the new thrusts of the moment are, it all winds down to road building. Smoothly, Co-chairman Donald W. Whitehead blames Gerald R. Ford, claiming that the President forced us to "choose priorities and choose highways." He added that "the Arabs have done us a great favor in Appalachia," for with great coal resources the "present energy situation represents the best and last chance for Appalachia to break out" of its cycle of poverty.<sup>67</sup> For those who remembered how Eastern Kentucky had been written off by the ARC but a few years earlier, such a statement rang hollow.

The agency's reprieve failed to bring tranquility. The top assistant to Federal Co-chairman Donald W. Whitehead resigned. Rumor had it that Orville Lerch intended to return to Pennsylvania to run for a Congressional seat,<sup>68</sup> though it is possible that Lerch may have realized that support for Whitehead was slipping and that it was far better to retire before your boss's fall.

The widening gulf between Whisman and Whitehead increased the strategic importance of the position vacated by Lerch. The contenders were Gary Curran of the ARC's Congressional liaison office, who claimed to have the support of Kentucky's Carl D. Perkins, chair of the House Education Committee, as well as Kentucky's two Senators; and Tennessean Joe Magill, whose backers included Howard Baker, the ranking minority member on the Senate Public Works Committee, the committee that would approve the nomination. Joe Magill, a conservative activist, had sought unsuccessfully a third term as county judge of Anderson County, Tennessee.<sup>69</sup>

The jockeying for Lerch's position proved to be symptomatic of what was happening within ARC. A month later, in May 1976, Kentucky's powerful Governor, Julian M. Carroll, attempted publicly to pressure John D. Whisman into resigning, an object that he had been pursuing in private for a year. In Senate testimony Carroll labelled his fellow Kentuckian as "an extremely talented fellow," but he added, Whisman's effectiveness "has been almost completely destroyed" inasmuch as he "no longer has the strong relationship with Congress he once possessed." In short, Carroll's suggestion to Whisman was "to be looking for a job."<sup>70</sup> Whisman was incensed by the attack, and declared that his "job has been done well, not poorly." He claimed "a life-time investment in the Appalachian program" and that he did not want to resign to "blind pressure."<sup>71</sup>

Whisman withstood the pressures for some months, but with key responsibilities eliminated and with the growing importance of the governors, he bowed to the inevitable, resigning effective September 1.<sup>72</sup> He was hurt not only by the loss of his job, but also by his belief that the ARC's "very existence is in jeopardy" by the new relationship between governors and the agency. Whisman believed "that Whitehead believes the governors themselves should personally undertake" the work of the ARC and upon that the two men split.<sup>73</sup>

Whisman's replacement was not announced until the following March. Leonard E. Schwartz, a New Yorker who had been Governor Hugh L. Carey's director of research during Carey's 1974 gubernatorial campaign, was selected. Carey had chosen Schwartz as deputy director of this transition team and from there Schwartz worked himself up to deputy secretary of state of New York. Schwartz declared prosaically:<sup>74</sup>

I'm extremely proud to have the opportunity to serve the Appalachian Governors, because I believe that the ARC program is a

national model for development and it is a privilege for me to be part of this effort.

Whisman's belief that actual involvement of the Appalachian governors was not in the best interest of the ARC was shared by states' co-chairman, Pennsylvania's Governor Milton J. Shapp. He deemed the provision requiring a quorum of governors for action "assinine."<sup>75</sup> And to give further credence to his viewpoint, the peevish Shapp left the June ARC meeting after an hour, causing his colleagues to sit in stunned silence, powerless. They had lost their quorum. Shapp's view was neither universal nor correct. Indeed, West Virginia's Governor Arch A. Moore Jr. stated that:<sup>76</sup>

I was in Congress when ARC was created and I think Congress envisioned that the governors would take an interest in the commission. If the governors cease to be interested, maybe Congress will too.

At midyear the Appalachian Regional Commission grew concerned at the level of success Ronald Reagan had made in his attempt to unseat Ford for the presidential nomination. Reagan promised to abolish ARC. But Donald W. Whitehead had a plan: hire the conservative American Enterprise Institute to evaluate the commission, to prove that the ARC was cost-effective. Since consultants, whether pollsters or evaluators, lean over backwards to please those footing the bill, such a strategy was brilliant.<sup>77</sup>

But Appalachia's governors, at their June 1976 meeting, derided the effort. Alabama's representative R.C. "Red" Bamberg remarked snidely, "You can evaluate it through a windshield," while Georgia's Governor George Busbee questioned the hiring of a California outfit connected with Stanford University when Appalachian based consulting firms were available.<sup>78</sup> The question of the need for an AEI study appeared to be moot once Reagan fell short, losing to Gerald R. Ford. Little did they realize that Reagan would win it all in 1980.

As soon as Jimmy Carter won the 1976 presidential election, the Appalachian Regional Commission voted to request a meeting with the former Georgia governor. The commission was optimistic, for:<sup>79</sup>

They felt he would be especially knowledgeable on and sympathetic to the area's problems, having once served as a member of the ARC as governor of Georgia.

In addition, Jimmy Carter stood for coal against nuclear generating plants, a position applauded by most Appalachian governors. Julian M. Carroll of Kentucky had supported the candidacy of Jimmy Carter when the Georgian was still a long shot. Carroll used the White Sulphur Springs meeting of the Appalachian Regional Commission to push an energy program. He declared in part that:<sup>80</sup>

Appalachia may well be sitting on the brink of an economic explosion. . . The Appalachian Regional Commission can respond to the nation's growing energy shortages through coordination of specific planning. . .

We are told that we will have to at least double our production of coal within the next ten years, but our transportation systems will not support the movement of that much coal unless the federal government will recognize that coal transportation is a national problem. The ARC will prove Congress' investment will pay rich

dividends to the rest of the nation. We can solve the nation's energy problems with our coal.

Julian M. Carroll reminded his sympathetic audience that he had been the first governor to oppose the licensing of nuclear power plants in neighboring states. He added that "We in Appalachia must point out to the nation the dangers of nuclear dreams for our energy solutions." He added, rhetorically, "Are we again going to place ourselves at the mercy of another country's energy price whims?"<sup>81</sup>

Energy was not the only item the Appalachian politicians were eyeing. Earlier in the year, representatives of North Carolina and Pennsylvania attempted to get a part of the action that Congressman Evins of Tennessee had initiated—money for "the stimulation and development of the indigenous crafts of the region." ARC staffer Francis Moravitz fell into line proclaiming that "we think Congressman Evins has identified a legitimate need,"<sup>82</sup> adding that "we're looking at the legislation as an opportunity to do things over a 4½ year period."<sup>83</sup> Another bi-centennial maneuver was a \$54,000 grant to Kentucky's Development Cabinet.<sup>84</sup>

To clarify the responsibility of the Development Cabinet and the Area Development District in economic development and to establish program procedures in that area.

The intention appears to have been to strengthen state-ARC ties and hence increase the flow of ARC funding to the Bluegrass State.

Late in the year, in a questionable move, ARC federal co-chairman Donald H. Whitehead and his alternate, former Birmingham Mayor George G. Seibels Jr., sent out an ARC press release to the media in Alabama urging state voters to "solidly support the passage" of a state constitutional amendment permitting the sale of \$25 million of bonds for bridges along the proposed "Tennessee-Tombigbee Waterway."

The release bore the name of Amy J. Hardy, news and public affairs director of ARC. She denied writing it and added that the ARC is prohibited from involvement in local elections. Donald H. Whitehead, on the other hand, declared that:<sup>85</sup>

I am not under the Hatch Act. That is, I have a legal right to enter into political debate and make my views known on political issues. And if it is a technical violation to have sent out this press release. . . as I'm advised it may very well be, then I'll be perfectly happy to reimburse the federal government for the amount of the postage.

Possibly the Tennessee-Tombigbee Waterway release was at the root of it; more probably powers in Washington and in the state capitals wanted to finish rooting out the old guard. In any event, during the winter of 1976-1977 Leonard E. Schwartz of New York replaced John D. Whisman while Robert W. Scott (North Carolina's governor from 1969 to 1973) replaced Donald H. Whitehead of Massachusetts, a 1969 Nixon appointee. Rumor was that North Carolina's politicians had complained to Jimmy Carter that the "administration was not giving sufficient patronage positions" to deserving Democrats and Carter caved in.<sup>86</sup> Scott's appointment did not go smoothly as talk of the ex-governor being Carter's choice surfaced in the press early in April, though the appointment was not actually made for nearly two months.<sup>87</sup> The story was that the united front of West Virginia's two Senators placed obstacles in Scott's path, but Carter prevailed in the end.

The new co-chairman called his position “a challenging assignment that I accept with enthusiasm,” and said that “the federal-state partnership is a sound concept [which] I strongly endorse. The Appalachian Regional Development Act is an excellent example of this principle. . .” Donald H. Whitehead was a trooper to the last, declaring that:<sup>88</sup>

As a former Appalachian governor, Governor Scott can contribute very useful insights and an informed point of view to ARC policy. He'll find the Commission has the strong support of the Congress, the governor, and the people of the region.

Late in the year, ARC personnel were attacked from an unexpected quarter. The Memphis, Tenn., *Commercial Appeal* trained its guns on the travel expenses of the Volunteer State's governor, Ray Blanton. Unwisely, the governor issued an edict declaring that he would not reply to negative questions asked by reporters whose past accounts of the governor failed to include positive aspects. Tennessee's newsmen reacted, predictably, with righteous indignation. The reporters dug deeper and sniffed around with increased zeal.

From telephone bills relating to Governor Ray Blanton's office, it appeared that approximately \$300 had been expended for telephone conversations between the Office of the Governor and ARC staffer Karen S. Flint. The calls were to both her office and her apartment. Harry Teter Jr. executive director of the Appalachian Regional Commission, acknowledged that Ms. Flint had been hired upon the recommendation of Blanton's office. He feared that revelations might have an “adverse effect on the commission” and—should that be so—the woman must go.<sup>89</sup>

But for the most part, it was business as usual at the ARC—seeking funds and spending them. In April 1977 three Appalachian governors testified before Congress seeking increased funding. ARC states co-chairman, Maryland governor Marvin Mandel, led off, proclaiming that:<sup>90</sup>

The Region with the help of ARC has shown tremendous improvement. Every dollar spent by ARC has gone far to provide for the long enduring prosperity of the Appalachian Region.

Tennessee's Governor Ray Blanton had sent ex-Congressman Joe Evins, the man who had successfully “earmarked” funds for a craft center, in his stead. Evins called the ARC:<sup>91</sup>

The finest example of a partnership I have seen in the nation. The impact of the ARC has been great; it has been wholesome. The funds spent by the Commission in the coming years will affect the quality of life of the people of the region for decades.

Kentucky's Governor Julian M. Carroll, spoke of the nation's need for greater use of coal and its impact. Indeed:<sup>92</sup>

A substantial amount of this coal must come from Appalachia. This will create the need for additional housing, health services, schools, community facilities and means of transportation. No agency in the nation is more equipped to handle these problems than the ARC. The structure already established within ARC is uniquely capable of dealing not only with the central problem of energy development, but also with the multiplicity of associated community service problems it will create.

Julian M. Carroll was deeply committed to coal, as was President Jimmy Carter. According to Lawrence Gibson, an inter-governmental relations

specialist whose report on federal regional councils (including ARC) was to be on Jimmy Carter's desk in late May 1977, "The President's energy plan will have a dramatic impact upon the Appalachian region."<sup>93</sup>

A pro-ARC story that emphasized community level projects, with a Mac Harris byline, appeared in at least several Eastern Kentucky papers in May. In it Kentucky Development Secretary William L. Short was quoted as indicating correctly that:<sup>94</sup>

Without ARC money most of our eastern Kentucky communities would have no chance of raising the money to meet the matching fund requirements for federal grants. . . The ARC setup allows a community to decide its own needs, with the State insuring that the local projects meet the criteria for its development program.

Short's executive assistant, Wilburn J. Pratt, stated it succinctly: "ARC acts as a lever to secure other funds."<sup>95</sup>

Ever opportunistic, the ARC tapped Jimmy Carter's interest in energy. In March 1977 the governors resolved to accelerate their energy-related activities. Two months later Lawrence Gibson, "an intergovernmental relations specialist" looking into regional councils, was fitting that thrust into his report. Among his comments were:<sup>96</sup>

We're interested in ARC, and we need to make it work. ARC is not a principle focus [of the study. However,] The President's energy plan will have a dramatic impact on the Appalachian region. ARC should work to make that impact positive, rather than negative. The White House plans to work with ARC on those impacts. If we find that ARC's current structures and programs are capable of responding, great. But if we find problems, then it becomes necessary [to look elsewhere].

At the May ARC meeting held in Atlanta, Governors Julian Carroll of Kentucky, Ray Blanton of Tennessee, Mills Goodwin of Virginia, and John D. Rockefeller IV of West Virginia requested and received \$200 thousand to be matched by \$25 thousand for analyzing "the total nature and extent of the flood damage and to plan for the redevelopment of the area" impacted by April floods. Somewhere between \$143 thousand and \$180 thousand was earmarked for two secretaries and four administrators to be housed at Pikeville College.<sup>97</sup> Governor Carroll declared:<sup>98</sup>

No other agency is equipped to administer this kind of comprehensive recovery program. We are pleased that the offices will be in Pikeville because it is centrally located and accessible to the other three states.

Pikeville College also received a portion of an \$88,119 ARC grant:<sup>99</sup>

To collect, analyze, store and deliver information concerning coal mining and mine reclamation for the Eastern Kentucky coal industry.

This was a joint project of University of Kentucky's Institute for Mining and Minerals Research and Pikeville College (\$34,160 and \$13,289 put up respectively by the two colleges). In this year, Kentucky's Morehead State University established an Appalachian Development Center and inaugurated a development oriented president, Morris L. Norfleet.<sup>100</sup> The Appalachian Development Center at Morehead was not funded by ARC.

Greater attention to energy and a growing concern for adequate housing may have led to West Virginia's Governor's Conference on Housing. Among ideas coming from resource papers, reports, and the conference were:<sup>101</sup>

Concentrating federal and state money in growth areas would have several direct benefits.

Those growth areas selected should be areas where the investment of public money will benefit the greatest number of people and will initiate an upward spiral in economic and residential growth.

Some tax or monetary incentive should be provided to the coal operator to compensate for the additional cost of developing the operation and utilizing the overburden in such a manner as to facilitate the ultimate development of housing on the site.

[Haulroads and utility connections and] things of that nature could be developed in such a manner as to support the ultimate development of housing.

To compensate the strip mine operator for these additional costs, it was suggested that perhaps a reduction in either business and occupation tax or coal severance tax could be provided.

Towards the end of 1977, ARC faced a problem from the northeast, caused—ironically—by Carter's call for a national energy policy. A bill was introduced by Senator "Scoop" Jackson, D.-Wash., allegedly as a favor to New York's governor, Hugh Carey. New York is in ARC, but economically and climatically is part of the frostbelt—a coal user, not a producer.

That bill would set up ENCONO, the Energy Corporation of the Northeast, which could guarantee loans up to 15 times of ENCONO's assets. Such money would aid industrial corporations seeking to convert from oil to coal. Other qualified borrowers would include coal haulers and mining company projects that would increase production. Brad Johnson of ENCONO believed that the new corporation could work with ARC; together, the agencies could rejuvenate the northeast's economy as well as meet the section's energy shortage.

Within the ARC, some saw this energy authority as an invasion of the Appalachian Regional Commission's turf and rushed forward a \$25 thousand study to be done by Development and Resources Corporation, a New York City based firm that worked "closely with the Coalition of Northeast Governors" in setting forth the ENCONO plan. A dissident within ARC argued that the report:

Involved nothing more than reviewing information already available to the commission.

Was awarded not because the ARC needed the information, but in order to diffuse the political pressure on the ARC to help set up a regional corporation.

The dissident's conclusion was that "their report is pretty much a charade." In rebuttal, ARC's Executive Director Harry Feter declared that:

The contract was geared to stimulate coal in places like Eastern Kentucky and was not geared to setting up specifically a regional corporation. Any inferences beyond that would be unfair.

[Political pressure was not a factor; he himself was responsible for signing the contract] and I wouldn't put my name to anything that comes out of any coercion.

Hugh Montgomery, director of ARC's energy division, proclaimed the contract not politically motivated, stating that the firm "had a long history of expertise" regarding regional corporations. "We wanted them to look at a wide variety of options, amongst which was the regional corporation plan."<sup>102</sup>

The year 1978 was one of twistings and turnings. Robert Scott, federal co-chairman of ARC, stated to attendees of the first annual Appalachian Studies Conference held at Berea College that coalfield clinics and small farming landowners were matters of concern to the ARC. Due to the coal strike, clinics and area hospitals are "now threatened with ruin." Not only that, but health care personnel "who are so hard to get [to come to Appalachia] in the first place" might quit. He planned to grow more assertive in getting the White House to end the crippling coal strike. He pledged \$2 million in ARC emergency funding for health care if HEW and the Department of Commerce each matched that amount. He declared that:<sup>103</sup>

We are particularly concerned that the clinics and hospitals stay open. We have to make a stronger effort to convey to those involved in the negotiations the importance of all these human services to all the citizens of the region, not just the miners.

As a new direction, Scott declared that the ARC was interested in "the needs of the small landowners of Appalachia, the farmers and woodlot owners." Scott stated that:<sup>104</sup>

I do not believe we can make every small farm self-sufficient, but there is some way to maximize the opportunities for income. We need to create a situation where these people do not have to leave home.

In April "A plan for a national system of regional commissions—sort of wall-to-wall Appalachian Regional Commission," was rolled out in Washington. Such regional commissions would be weak by ARC standards, yet provide useful allies in future survival fights in Congress. The official purpose of the "Balanced Growth and Regional Development Act of 1978" was:<sup>105</sup>

To promote balanced economic and social development through an orderly, efficient, and desirable public works investment program that provides the physical infrastructure for sustained growth and improvement of essential public services.

The parallels between ARC and the proposed additional regional commissions were numerous, from using ADD districts to making governors the key to each commission. Such parallels gave the Whitesburg, Ky., *Mountain Eagle* another opportunity to take swipes at what it perceived as imperfections in the ARC structure:

Though the bill says the governing board of the districts should reflect "such area characteristics" as minorities, no specific goals or measures are outlined to assure broad citizen representation.

However, the bill does say that a majority of the board of each district must be elected local officials. A major complaint about ARC's development districts is that they do not reflect or actively encourage the involvement of citizens in district affairs. The presence of local officials—who are not elected by people to development district boards—tends to assure a form of government-by-backslap, development district critics say.

The new bill says that "public participation in the development of the goals, objectives, and priorities of states and development districts shall be provided for, encouraged and assisted." Guidelines "to assure full opportunity" for such participation are left for each commission and member states to determine.

In July 1978 Harry Teter was eased out of his \$47,500 executive directorship. This led to negative publicity for the ARC regarding consulting contracts of former ARC top brass. According to one report:<sup>106</sup>

At the Appalachian Regional Commission (ARC), some officials get paid more by the ARC after they're dismissed than they earned when they worked there.

Henry Teter Jr., . . . left the ARC this week after five years as executive director at a salary of \$47,500. Teter will get \$35,000 over the next six months for putting together a report on "how changes came about" at the ARC during his tenure.

Teter, who was pressured by a majority of the ARC member-states into resigning, frankly described his consulting fee as "a kind of severance contract." He promises nevertheless to deliver a serious report. . .

The first federal co-chairman, John Sweeney, who served at ARC from 1965-66, formed a consulting firm when he left and got contracts from the agency worth \$74,875 to advise it on housing and manpower training programs.

His successor, Pat Fleming, who worked for the ARC from 1967-69, received \$34,875 in consulting fees to assist with Appalachia-related legislation.

And when John Whisman, the longtime states' representative at the ARC, was forced out of office in a power struggle two years ago, he took with him a \$34,806.22 contract with the states to put together a nine-month study on regional commissions.

Today, Whisman's report sits in boxes in the states' office at ARC. The present federal co-chairman, former North Carolina Governor Robert W. Scott, has never even seen it.

Meanwhile, a search committee composed of governors of North Carolina, Kentucky, and Georgia plus federal co-chairman Robert W. Scott worked towards selection of Teter's replacement. A recommendation was scheduled for the November, Asheville, N.C., ARC meeting.<sup>107</sup>

In mid-August, federal co-chairman Robert W. Scott spoke at Knoxville, Tenn., to the TVA chapter of the National Management Association calling for studies of the hydroelectric potential of existing small dams. Declared Scott:<sup>108</sup>

There are hundreds of small dams throughout the region, many of which have hydroelectric energy possibilities. It seems logical in the light of the nation's energy needs that we should identify those sites and determine if they can be economically used to generate electricity.

New York State has already evaluated and ranked its own sites, and the town of Highlands, N.C., has, on its own, made a preliminary determination that its municipal hydroelectric plant, abandoned in 1960, can feasibly be reactivated to supply a major portion of its energy needs.



The beauty of this project is that Appalachia's water resources will be used at home instead of being exported like coal. It doesn't disturb the environment because the dams are already there, and it reduces the pressure on the major power suppliers in meeting the demands of Appalachia's expanding communities.

Hospitals, small landowners, and dams were but some of the thrusts of ARC in 1978. Reflecting both the growing linkage with institutions of higher education and the rising awareness of the political importance of women, the ARC provided a \$54,630 one year grant to the one and a half year old Council on Appalachian Women, quartered at Mars Hill College, Mars Hill, N.C.<sup>109</sup>

And when the ARC met at Asheville in mid-November, the "thrust" was in still another direction. The UPI account was headlined "Youth Called Key to Solving Appalachian Problems." The meeting's theme was "Raising a New Generation in Appalachia." Robert W. Scott noted that six million people in Appalachia were under the age of 18 and that:<sup>110</sup>

If we are going to solve the nagging problems of the region we have got to start with the young. We have got to raise a new generation.

On the other hand, Jack H. Watson Jr., special assistant to President Carter for intergovernmental affairs, and Vice President Walter Mondale both made presentations that did not concentrate on the "New Generation" theme. In Watson's view:<sup>111</sup>

What we need most now is not more money and more programs, but rather to make sure that the programs we have work and they facilitate rather than impede local initiative. We need to target our resources to the areas that need them most and leverage the far greater resources of the private sector to the greatest possible extent.

Watson spoke of Carter's commitment to cut red tape for water and sewer, rural housing, and transportation projects. In a campaign-like flourish, Watson declared that:<sup>112</sup>

All of these efforts which are designed to help the people in rural and small town America—and especially the most vulnerable ones among them—the poor and the very young and the very old, flow from a promise Jimmy Carter made to the American people when he ran for president. He said he would make government work better. And that means, in part, taking the resources we have and using them well.

Watson also declared that "we must all be involved in the fight against inflation," for failure there would result in failure everywhere. Mondale praised the ARC but focused upon inflation:<sup>113</sup>

If we don't lick inflation, it will destroy all that we've talked about here. High inflation will eventually destroy our ability to work. If permitted to go on long enough, it will undermine our nation's morality.

No mention was made of whom the next executive director of ARC might be. The conference was long on rhetoric and generalization, short on specifics. This led Terry Arone, a mother out of Knoxville, to declare angrily:<sup>114</sup>

Despite the rosy rhetoric of ARC's low rate of failures and serious talk of the ARC child development program serving as a model for the rest of the country, time has run out for many day care centers.

Not all of the concern over Appalachia economic development was at the national level. In Kentucky, a speech by Terry McBrayer of Greenup County (a FIVCO county) coupled with another by a central Kentuckian caused the West Liberty *Licking Valley Courier* to carry an editorial titled "Bluegrass Representative Wants Another 'Study' of the Mountains."<sup>115</sup> It is noteworthy that Terry McBrayer was or would soon become Julian Carroll's hand-picked candidate for governor. The fear was not only of politics but also that the "help" proffered would run true to form, "helping" themselves to the resources of Eastern Kentucky. The editorial read as follows:

Commerce Commissioner Terry McBrayer, speaking at a hearing before the Governor's Economic Development Authority, said he had asked that a district office of the Commerce Commission be set up in Eastern Kentucky, but that his request had not been funded in the budget.

McBrayer said that with lack of flat land, water and sewer services in the mountains, it is difficult to get industry to locate in Eastern Kentucky.

State Development Secretary William Short said that the lack of flat land does enter into the picture, also "lack of sophisticated community facilities." But Short said the possibilities of creating level land in the course of strip-mining and highway building should be studied.

Kentucky House Appropriations and Revenue Committee Chairman Representative Joe Clark of Danville said that the State needs a comprehensive plan for development of Eastern Kentucky, adding that "the demand by coal counties for the return of 50 percent of coal severance taxes is "inconsistent with the needs to be done." He told McBrayer that a comprehensive plan for the region should be made.

So, look for another study of the Mountains to add to the scores made over the past half century—few, if any, help—and most of them dangerous to the region, as was the Bechtel Corporation's White Paper No. 2 on the potential for coal and water resources, made in 1970.

This report recommended that mountain people be moved out of rural areas into perimeter towns, all streams dammed up for water storage and hydro-electric generation, and all coal removed; then turn the region into a national playground.

Senator Clark may know what is good for his Bluegrass region, but his demand for another "study" of the mountains is a means of shifting responsibility and defeating the proposal for the return of coal severance taxes to the counties where the coal is extracted and is most needed.

Within 10 days, Bud Perry of the Paintsville *Herald* was out with his own editorial claiming that the choice of an Inez-Ulysses road over other alternatives was political. According to Perry:<sup>116</sup>

It would be interesting to hear the commissioner's [Terry McBrayer's] opinion of the developmental prospects for the road. . .since development and diversification for Eastern Kentucky has been a consistent theme of his tenure. The corridor consultants who first proposed the Inez-Ulysses route as one of three possible corridors saw it as having limited residential and commercial potential, with coal mining as the main opportunity for parts away from settled areas. The Auxier route was considered best for coal movement, and the Paintsville route for regional development.

Quite frankly, we suspect that Greenup County's Mr. McBrayer would see the benefits more in politics than in industry. Boyd and Lawrence counties strongly supported the Ulysses route. . .and for a probable Democratic contender for governor, as McBrayer is, the road decision certainly offers vote potential from those counties, if nothing else.

Former Judge James Witten expresses confidence, in a letter in this issue, that an east-west corridor remains an excellent prospect. He also argues that two ADD boards were interested in the Route 40 corridors, and that FIVCO, the area development district north of us, was unanimous in recommending the Ulysses route. Quite true but hardly surprising since the Ulysses route was the only one coming to FIVCO territory. It would be far more surprising had FIVCO offered support for either of the southern corridors preferred by Big Sandy. . .

We've lost no faith in regionalism, or the area development concept, because of this road decision. Regionalism works. And we've lost no faith in the future of Paintsville. That future doesn't depend upon any one road. We're simply angry that the Big Sandy was ignored. . .and curious as to why. . .

[We have a strong] suspicion that politics, coal interests and private interests made the decision to build the Ulysses road, in preference to two other corridors far more beneficial to the Big Sandy, and to Kentucky's transportation system.

Late in the year, members of Kentucky's Development Cabinet pushed for full hearted support for the Appalachian Regional Commission, fearing that it might be targeted for extinction. Wilbur Pratt, deputy secretary of Kentucky's development cabinet, warned that:<sup>117</sup>

If we don't get what we want this time, it will be too late. Job diversification has worked but we still don't have what we need, and are still dependent on coal in Eastern Kentucky. We all know what needs to be done. I don't think we need to devise new programs, but we may need to be innovative in what we do.

In late December, William L. Short, Kentucky's development secretary, pushed housing and spoke of greater citizen participation. He added that:<sup>118</sup>

The intent of the ARC program is to provide for maximum input from the people of Eastern Kentucky in developing housing and other programs.

After asking the people of Eastern Kentucky what they thought their major problems were, the ARC decided on five major areas of investment: water, sewer, flood control, health and housing.

These five areas represent the essence of Kentucky's ARC investment strategy, which is to fund projects which will support jobs in Eastern Kentucky.

The year 1979 began with a *Courier-Journal* article by Howard Fineman entitled "Appalachia: Still a special case or target for the budget cutters?"<sup>119</sup> The coal boom, coupled with high employment in frost belt cities to which Appalachian people had fled seeking work, resulted in a re-migration back to the hills. ARC's emphasis on road building increased the importance of coal, though ARC was intended to help diversify the economy. One Kentucky state worker declared angrily, "They haven't done anything to use the incredible natural wealth there to diversify the economy." An aide to Kentucky Congressman Carl D. Perkins glossed over the problem caused by Appalachia's per capita wealth increasing substantially since 1965 when compared with national norms. Declared David Whalen:<sup>120</sup>

There's a patina of affluence now. But it covers what is still a region of poverty. You've still got a single-industry economy—coal.

Jonathan Linkous, an ARC economic analyst, took the view that the gains of the past 14 years were extremely fragile, depending on welfare payments and the boom and bust coal economy. One scenario, chillingly like what to some extent later happened under Ronald Reagan, was presented by an ARC staffer:<sup>121</sup>

If Congress tightens the tap on "transfer payments" and if the bottom drops out of the Appalachian coal market, economic catastrophe could result. Central Appalachia then "would be right back where it started, if not worse off than before."

The ARC, geared up for its first dragout since 1975, for the bill authorizing the continuance of the ARC would expire September 30, 1979. John Whisman persuaded non-ARC states' governors to push for full funding and then bring their less well funded regional commissions up to that level. A new "mid-south" commission was created in January, a step seen by some as an attempt to garner additional congressional support. Attempting to spike criticism that the commission was not securing matching state and local funds, various measures were taken that were unpopular locally.

In Greenup County, Ky., the Fiscal Court voted to get out of the KYOVA Interstate Planning Commission, which it joined in 1977 after prodding by Carl D. Perkins and officials of Worthington. With KYOVA membership at \$3,000, a disgruntled Irving Fannin declared, "We've paid out \$6,000 and nothing's been accomplished." FIVCO raised Greenup County's "contribution from the \$454 rate in effect since 1968 to \$6,824.54," and that created resentment. State Rep. Ron Cyrus supported the increase, declaring that through FIVCO a number of projects had been funded. He added:<sup>122</sup>

They need the increase. We've got to protect these services as best we can. In the future this would benefit the county and us as chosen leaders.

The Fiscal Court passed over the matter of the FIVCO assessment.

To the south, at Jenny Wiley State Park, the Big Sandy Area Development District meeting (BSADD) had S. Earl Campbell Jr., director of the division of Local Affairs in the Department for Local Government, as a speaker. The bureaucrat believed he was bringing good news when he:<sup>123</sup>

Advised that the ADD could “get in on the ground floor” of Section 8 public housing if it develops a housing opportunity plan (HOP) for the Department of Housing and Urban Development.

Instead of a sympathetic hearing, the speaker found himself in the middle of a firefight. As George Wolfford reported it in the *Ashland Daily Independent*:<sup>124</sup>

Pike County Judge Wayne Rutherford, recalling his personal stand against a regional housing authority, reminded [his listeners that] the one adopted by the district had never gone into action. He called HOP “another foot in the door to do away with local housing authority.”

Pikeville Mayor W.C. Hambley said the need was for more allocation, not more planning. “HUD has never financed over 10 percent of the need here.”

Hambley later brought his current sore spot to light when he revealed how the state had lumped together Big Sandy and FIV-CO ADDs to set labor rates for work on public projects.

He cited figures showing state rates would double federal standards and said that drove prices up, pricing Pikeville completely out of a major federal housing project. [He added,] “I think that was obnoxious as hell and I’ll tell the governor he ought to be able to do something about it.”

Campbell told directors adoption of HOP was a local matter requiring 50 percent of a region’s jurisdiction with 75 percent of the population. A final note was added when someone pointed out Pike County alone would probably not participate, thereby removing more than enough population to kill a HOP.

Next on the firing line, as it turned out, was commissioner of the Bureau of Health Services, who spoke about multi-county health districts. The proposal elicited little support. Indeed, Pike County Judge Wayne Rutherford criticized the idea roundly. According to the *Ashland Daily Independent*:<sup>125</sup>

Slaten pointed out current funding trends favor private medicine, not public. . . . counties can afford jointly what they cannot afford alone. “Up to 10 years ago few programs were offered by counties, but complexity has grown and single counties cannot afford to hire physicians, specialists, and staff.”

He added that fiscal courts have an annual option to withdraw and county health board members administer local taxes and serve on the district board.

Rutherford, who admitted he felt constantly opposed to everything brought up, said the local health tax in Pike County is “the only one people don’t march on the courthouse about.” He credited his county with having “a good and large health department.” “It’ll be over my dead body when the commonwealth comes into Pike County and takes over the local health department.”

He decried efforts at regionalization for purposes of gaining funds. “You dangle the carrot, and unless we go along, the carrot, or money, is not available.” He accused the state of “stripping local health departments,” but Slaten challenged the statement and the two men talked about changes that had been made, and

in each instance determined it had been done by some agency other than health service.

A day later the Ashland *Independent* blasted another ADD District, FIVCO. In this case FIVCO claimed that everyone in Boyd County would benefit from a \$2.7 million Big Sandy Water District project that would serve southern Boyd County only. What irritated Ashlanders was that, rather than extending the existing Ashland system, an entirely new one was proposed. In addition, the project was a Boyd County Fiscal Court project reviewed and approved by FIVCO, not a FIVCO project per se.<sup>126</sup>

Despite such negative publicity, the ADD Districts, state governments, and the ARC pushed for more. The Gateway ADD furnished area newspapers with a series of articles telling of the wonders it accomplished. This irritated the Mount Sterling *Advocate* so much that an editorial appeared entitled "A Bragging Outfit."<sup>127</sup>

We knew that the Russians invented the automobile, airplane, baseball, mumbly-peg, and established a colony on the moon in 1937, but until reading the 1978 annual report of the Gateway Area Development District we were not aware that this government agency was responsible for solving the problems of transportation, housing and energy shortages, river and stream pollution, air stagnation, health needs and a good life for senior citizens in the counties of Montgomery, Menifee, Bath, Morgan, and Rowan.

These monumental accomplishments were achieved by spending only \$1,503,675 of your tax money during a four-year period in operating expenses to assist in spending \$35,931,188 more of your tax money. And expenditures of GADD for 1978 were a mere pittance, only \$425,931.33, including \$180,584.66 for salaries, \$28,859.57 for travel, and \$236,487.10 for "indirect" and "other" expenses.

Employees of GADD are so pumped up with their own sense of importance that they have started a national campaign (with your tax money) to get favorable publicity. Now if they would admit their contribution to inflation they certainly would get that publicity.

H.W. Greene (Editor)

Towards the end of March and beginning of April, some Eastern Kentucky papers carried a lengthy pro-ARC article, presumably written by the agency.<sup>128</sup> Also in April, Kentucky's Development Secretary William Short let it be known that some 200 projects costing in excess of \$35 million had been submitted to it. Short claimed that the public had the opportunity to participate in planning the mix of funded projects through forums, hearings, and committee meetings. Among the views stated by William Short were the following:<sup>129</sup>

Kentucky's ARC program has focused from its beginnings on the economic development of Eastern Kentucky, first through highway construction, and in more recent years through the expansion and diversification of job opportunities in Appalachian Kentucky.

[The ARC package] continues to emphasize an approach centering on enterprise development by focusing on community facilities, housing, health and child care development.

By taking short-term actions, we are achieving long-term goals. It's a tremendously involved process but thus far it seems to be working. Eastern Kentuckians are better off economically today than they have ever been. We think this is due in part to our work with the ARC.

The Appalachian Regional Commission wished to serve as a national model for a system of regional commissions to cost \$2 billion annually. Given the size of the budget, the confederation of regional commissions could command sufficient Congressional clout to become invincible. A General Accounting Office report shattered that dream. Among the damaging conclusions reached were:<sup>130</sup>

- Between 1965 and 1975, Maryland and South Carolina—both with problems generally less severe than others in the region—received the highest [ARC] average per capita investment. . . [while] West Virginia and Tennessee, with relatively severe development programs “received some of the least Appalachian Regional Commission assistance.”
- The states' share of eligible project costs declined from an average of 17 percent between 1966 and 1970 to an average of less than 10 percent between 1971 and 1975.
- Nearly 42 percent of the commission's supplemental funds were being used to replace federal money that was no longer available.
- Substandard housing, low income, widespread poverty and inadequate education levels still plague the heart of Appalachia . . . [And] these problems will work against that area's “becoming self-sufficient without sustained federal aid for years or even decades.”
- Extensive emigration of the Appalachian work force and an unemployment rate far above the national average—two key problems that justified creation of the commission—no longer exist in much of the region.

Federal co-chairman Robert W. Scott stated, in rebuttal, that the GAO report “reflects a simplistic and highly theoretical view of regional development planning. A balanced report would recognize the strengths of the commission's joint decision-making process and federal-state partnership.” The former governor may not have believed his own gobbledegook, for within the same month he resigned. His decision might have been triggered by a Senate committee review critical of his work. Some had claimed that Scott “was more often on the road or at home than he was in the capital.” Officially, he left to run again for governor of North Carolina.

For more than three months, and at a time when the future of ARC was unclear, William E. Albers filled in as acting co-chairman. Earlier in the year ARC literature listed two “primary goals” of ARC:

- Creating a “self-sustaining economy” in Appalachia, one with rising incomes, a full range of job choices and a “better standard of living.”
- Bringing the “health and skills” of the people there up to national standards.

Critics used federal figures to show that “transfer payments”—pensions unemployment insurance, etc.—were the second leading source of income; that coal increased from 9.7% to 17.2% of the area's income be-

tween 1970 and 1975, at a time when ARC was supposed to be diversifying the economy!<sup>131</sup> Oddly enough, at the annual ARC meeting, the emphasis was on King Coal. New York State Energy Commissioner James Larocca favored tax breaks and subsidies for converting oil-fired utility plants to coal consuming plants while a report spoke of the impact upon coal haul roads of a 25% increase in Appalachian coal production by 1985.<sup>132</sup>

In October 1979 Jimmy Carter's choice for federal co-chairman of the ARC was announced.<sup>133</sup> Al Smith of Kentucky, whose Russellville weekly had supported Carter early, had thrice been disappointed as candidate for TVA board member. There is much more to Al Smith than that. Affable, articulate, open, jovial, well-informed, politically savvy; Al Smith was best known in the Commonwealth for hosting the TV show "Comment on Kentucky" where crack newspaper reporters such as the late Sy Ramsey would evaluate the happenings of the past week.<sup>134</sup>

Once approved, Al Smith tackled the task at hand with characteristic energy. ARC appeared to be a bureaucracy that had lost direction, a bureaucracy with low morale. Al Smith not only listened to critics, but also often agreed with them, sometimes going so far as to do something about it. He was disturbed that only 13 of 120 staff people were from Appalachia and that at the higher echelons the percentage was still less. Al Smith was reported as agreeing implicitly with the criticism:<sup>135</sup>

That the agency has often fallen into a growth-at-any-cost philosophy. That, they say, has left unstudied and unquestioned the role of outside companies who view the region as little more than an energy-producing colony.

Al Smith's humor had not left him. In April he quipped that "The ARC does everything the federal government does except it doesn't have an army." That one line and his declaration that "I've been here 16 weeks and I'm absolutely convinced the ARC has a vital role to play in service to the people of Appalachia and really to the nation" helped take the sting out of the fact that an ARC meeting had been cancelled for lack of quorum.

He compared Washington, D.C., to the local Kentucky scene, viz:<sup>136</sup>

Congress is exactly like the fiscal court back home in Logan County. The big question every week is who gets the gravel. [The job as planner, developer, promoter, reminded Smith of newspapering in Logan County]. It's fantastic. Here, I've been setting in Main Street in Russellville for twenty-two years doing this (the same kind of thing) for free.

At the ADD level, however, there was growing disgruntlement, caused by the decline of non-highway funding. The schism within FIVCO became public when a move was made to break up the five county Northeastern Kentucky health group. County judges vented their feelings as follows:<sup>137</sup>

David Blair (Elliot County)—You either yield to Boyd County or you don't get anything. It's worse than a dictatorship, really.

George Hall (Boyd County)—We're putting 75% of the funds into the thing, and then they out-vote us and tell us they don't have the money to repair our health center.

J.J. Jordan (Lawrence County)—Everything was all right until this damn squabble started. We won't lose nothing by not being in the district.

In Gateway (GADD) a move to oust Executive Director Jim Templeton



failed. In what was probably an unrelated move, within two months five employees were fired as an "economy measure."<sup>138</sup>

In the Big Sandy (BSADD) Executive Director Joe McCuley attacked an organization called Chase Options, which he accused of seeing themselves as the:

Self-approved saviors of the poor people of Eastern Kentucky. Elected officials are given the legal right and responsibility to make certain decisions, which affect the welfare of the citizens. This right is not to be usurped by a fanatical group who see themselves as being "far more concerned about the people" than those who have been chosen to govern.

An issue was a \$3 million grant to *remove* the town of Beauty, Martin County, out of the flood plain. The action upset the inhabitants who felt aggrieved. As the saga unfolded, more and more funny business was uncovered and finally the project was dropped entirely.

The waspish Inez *Martin Countian* editorialized:<sup>139</sup>

Though consultant Will Lender has insisted that HUD carefully monitors the implementation of grants, he has difficulty recalling the last time a community participation monitor from HUD actually visited Martin County.

In fact, it seems that responsibility for implementing grants such as the Beauty relocation project, for making decisions concerning whom and what community should be "targeted" and where each of those millions of dollars HUD has handed out will go rests solely with the Martin County Housing Agency.

One resident wondered out loud at the first public hearing if this housing agency was qualified to administer such a sum of money.

Several glaring misrepresentations in the Beauty grant should set a lot to people to wondering.

It seems that HUD regulations allow housing agencies to give themselves bonus points for doing such admirable things as hiring minorities and assisting low and moderate income families.

The more points an agency gives itself, the better its chances to get a good grade, to get the big bucks.

Naturally, HUD decides how many points you get for each little extra effort you make.

Well, it seems that the Martin County Housing Agency has given itself some highly questionable, possibly fraudulent, pats on the back.

- 20 points rest at least partially on the merits of the Dempsey project and 76 approved units that were funded in 1979. None of these projects is a reality. In fact the Dempsey project, by Will Lender's admission, has run into numerous stumbling blocks.

- 20 points for large family housing assistance again rests largely on the merits of approved projects none of which are even in the construction phase.

- 20 points for achieving housing assistance goals again rests mainly on the merit of public housing that has never been constructed at the Dempsey site and the Horn site.

- 20 points for the enforcement of a fair housing ordinance. The housing agency's argument rests mainly on the creation of a

“Human Rights Commission” composed of Dr. Bonifacio Aranas and Dr. E. Param. Both doctors were on hand at last week’s public hearing to protest being used by the housing agency. The grant indicates that the commission “has met to establish guidelines and to disseminate information to the various realtors and coal companies in Martin County,” but both physicians say they never met.

- 25 bonus points were claimed by the housing agency for awarding a percentage of its contracts to minorities that exceeds the percentage of minorities living in Martin County. They say that five contracts have been awarded to minority contractors, but only a Mexican rehabilitation contractor, a Jerry Alaniz, is named.

- 25 points, finally, were awarded the housing agency by the housing agency for its outstanding percentage of minority employees in a county where few minorities reside. It seems that housing agency employee Diana Davis is an “American Cherokee Indian.” Diana Davis is the daughter of Alice Webb, also a housing agency employee and the niece of Pauline Smith whom we all by now know is the director. The housing agency surely should have outlined this strong American Indian lineage in its argument for these bonus points. Then again, why didn’t the Housing Agency brag about all the other Cherokee Indians employed by the county from the Kirk family?

These are only the bonus points! Stay tuned for more!

The election of 1980 brought into office Ronald Reagan, who in 1976 had targeted ARC for extinction. The eight lesser regional commissions that had piggy-backed on ARC lived on borrowed time and accepted the seemingly inevitable demise of their agency. ARC did not.

The ARC was a perfect chameleon, blending in with the coloration of the political milieu of the moment. The ARC was packaged to be in step with the beat of Reaganomics. In Al Smith’s view:<sup>140</sup>

Whether they choose to see it (the ARC) as some sort of “do-good” experimentation that is a war-on-poverty king of operation or whether they see it as a maturing, sophisticated kind of economic-development tool, which I think it is [will determine the fate of ARC].

Thus ARC became a “jobs-creating” agency “compatible with Reagan’s campaign themes of moving power out of Washington to local and state governments and relying on private business to create jobs.”

Earlier in September 1980, Al Smith won over a majority of the governors to support Governor Lamar Alexander, R.-Tenn., for state co-chairman as “a form of insurance” in case Reagan won. Smith’s position was shrewd, but not without irony. According to some accounts, his failure to be appointed to the board of TVA stemmed from the fact that a Republican governor sat in the Tennessee statehouse. Evidently Al Smith gained some mastery of one of the techniques of political survival from that untoward incident.

Despite having a Republican as state co-chairman, many knowing ones predicted a quick end to ARC. Such ARC watchers saw in Ronald Reagan’s request that Al Smith stay on (as opposed to filling the slot with a Republican) a sign that the ARC was to be axed. Another sign of decline appeared when Carter’s preliminary budget of \$352 million (up from \$339 million for fiscal year 1981) was reduced to \$340 million previous to

Reagan's inauguration. The entire cut was in the non-road section of the budget.

In February 1981 David Stockman produced his budget report. ARC's non-road funding was abolished, and by 1982 or 1983 road funds were to be transferred to another agency. Though Al Smith remained uncharacteristically silent, an unidentified ARC staffer said of this bolt from the blue:<sup>141</sup>

My reading on that is that they really don't know very much about ARC. They don't understand how ARC works. They don't understand that ARC is, in effect, giving control to the states and localities.

But the Reagan administration may have understood the work of the ARC better than the agency would admit. In a devastating statement, the Office of Management and Budget declared that "changes in the economic and social well-being of Appalachia cannot be tied to the impact of ARC's grants." Indeed ARC's impact upon quality of life "is not identifiable."

The ARC's rebuttal was: "Substantial and visible progress is being made in reversing decades of neglect. However, special needs remain." Should ARC be abolished, "more than seven hundred Appalachian communities will suffer unfairly."<sup>142</sup>

The ARC anticipated aid from Tennessee's Senator Howard Baker and Governor Lamar Alexander. The agency was shocked when Baker declared that ARC:<sup>143</sup>

Has outlived its time. . .ARC was a good idea when President Kennedy proposed it. . .a good idea when it was continued by President Nixon, and it served a good purpose in the past, but I think it is not relevant to these times, and I will support his (Reagan's) request to eliminate it.

The week following, Governor Alexander rocked the agency, declaring of ARC:

I hate to see it go because it's my favorite program. But if it's the price we have to pay to get the economy straightened out, I'm in favor of substantial reductions and even phasing out of the ARC.

What had happened? Earlier in the month, the Republican governor had been a staunch supporter of ARC.<sup>144</sup>

One can argue that ARC's road building fixation and its love affair with growth-area concept were in part responsible for its fix. Had a larger percent of the monies been spent in the Leslie counties of the region, there might have been dramatic before and after contrasts. But money thrown at an Atlanta or a Knoxville or given over to road building is far more difficult to evaluate as to the effectiveness of those dollars in making a difference. Indeed the most effective grass roots rebuttal as to whether or not ARC money had been a waste was made by John L. Bruner II, assistant director of the London, Ky., based Cumberland Valley Area Development District. His solution was to cut aid for Urban Mass Transit deeper, but the effectiveness of his presentation lay in his listing Laurel County projects:<sup>145</sup>

During its sixteen year history, ARC has financed, through grants, the following benefits to Laurel County:

- Marymount Hospital—\$175,000 initial grant and then \$400,000 in cost overrun grants without which the project could not have been.
- Vocational Education—The county vocational school and equipment has received \$441,000; the State Vocational Technical School, \$960,000. Without these funds there would

be no vocational school in Laurel County.

- Roads—Access road to American Greeting Plant, \$42,000; 90 percent of the financing for the construction of the Russell Dyche Memorial Highway.
- Sue Bennett College—\$28,000 for educational equipment.
- Airport—\$122,000 to support the latest development of the London-Corbin Airport.
- Utilities—\$585,000 to London for water and sewer improvements; \$255,000 to Wood Creek Water District for improvements.
- Library—\$39,000 to the Laurel County Library for construction.
- Communications—\$12,445 to establish the emergency radio communications network for the hospital.
- Home Health and Mental Health—\$32,000 to support these activities.

In almost all of these instances there would be no project without ARC. As stated, this program is scheduled to end and contrary to implications, there is nothing to replace it.

Yet in political terms, as opposed to the needs of the region, spending money in the growth areas may have been the height of shrewdness. For in survivalship, the key is to have powerful friends in high places. As a rule, the impoverished lack clout and often are inarticulate. On the other hand, the ARC could mobilize those “poverty middlemen,” the federal, state, and local beneficiaries of the pork barrel dispensary.

The Appalachian Regional Commission released spending statistics. Between 1965 and 1980 the agency had expended \$440 million for highways and \$154.7 million for development projects in Kentucky. Carl D. Perkins’ 7th C.D. accounted for \$49.3 million, while Tim Lee Carter’s 5th C.D. accounted for an additional \$48.4 million. Statistics contained in the *Almanac of American Politics 1980* indicated that while (for Kentucky) 12% of the families had incomes in excess of \$15,000 in 1970 dollars, only 6% in the 5th or 7th C.D.s were that well off. The Kentucky figure for family incomes less than \$3,000 was 18%, but in the 5th and 7th C.D.s the comparable statistics were 33% and 28%, respectively. The same pattern was repeated respecting years of education. The statewide median was 9.9; the 5th and 7th reported 8.5 and 8.7. The lowest of any of the other five congressional districts was 9.8!<sup>146</sup>

Responding to the calls for aid from ARC, elected officials and bureaucrats spoke out. Pulaski County Judge-Exec. Jacob Garner, a self-described conservative Republican, was all for budget cuts elsewhere, but as for the ARC he complained:<sup>147</sup>

What gripes me is why they are taking a program like ARC that is doing a good job when we are giving away millions in foreign aid to OPEC and they’re raising the price of oil on us every day.

David Salisbury, director of FIVCO (a northeastern Kentucky ADD district), responded directly to the charge that ARC’s impact could not be measured by declaring:<sup>148</sup>

It depends on what kind of yardstick you use to measure with and I don’t think they’re using the right yardstick.

I think ARC’s impact can be measured in more housing and a better standard of living. Every program has its weaknesses. But it

has taken 200 years for Appalachia to get into such bad shape and changing that is going to take a long time.

Knox County Judge-Executive Don Bingham, with a proposal in the ARC pipeline to fund a \$155,000 waterline project, believed that ARC has been "really important to Eastern Kentucky." It was his stated belief that, yes:

We need some cuts in government spending. But when you talk about something that is vital to city and county government, you may create more problems than you correct.

Kentucky's Ralph Coldiron, director of finance for the Department of Regional and Community Development, released a list of Kentucky projects that had been approved earlier in the week at a Washington, D.C., ARC meeting. He added that should Ronald Reagan get his way, Kentucky stood to lose some \$11.8 million in Appalachian Regional funding.<sup>149</sup>

Former Kentucky Governor Julian M. Carroll, speaking before the Gateway Area Development District's annual meeting, declared that the proposed elimination of ARC threatened "the existence of the area development districts." Warming to his subject, he praised GADD and stated his view that "Moderation is the key. It's hard enough to live too high, but it is also bad to suffer the opposite though over-reaction."<sup>150</sup>

Al Smith requested a face-to-face meeting with the President. Smith and other ARC staffers appeared before a House appropriations subcommittee to describe the grim consequence and the distress that would follow the proposed cut. The Appropriation Committee chairman, James Whitten, D.-Mass., and subcommittee chairman Tom Bevill, D.-Ala., both represented districts within the Appalachian Regional Commission's region. Both praised the ARC. Not all comments were friendly. John Myers, R.-Ind., said that his state had progressed without the help of ARC and that it was his opinion that the ARC had had plenty of time already to cure Appalachia's ills.

Kentucky's John Y. Brown gave an inspired speech before the House Public Works Committee's subcommittee on economic development, telling his responsive audience that "if they want to learn something about cutting, let them come down there [to Kentucky, which I run like a business] and we'll show them." He saw that ARC needs three to five more years. "What you're doing here is walking away from people who can't help themselves." Of David Stockman, Brown snapped, "I don't care how brilliant he is, he's still a 34-year-old young man."<sup>151</sup>

On June 2, 1981, as a result of full mobilization by interested parties, a Congressional compromise was reached. Non-highway funding for the ARC would be at the \$70 million level (far below the original \$110 million proposal and less than the trimmed down \$85 million dollar figure that reached Congress) but far more favorable than the zero funding Ronald Reagan sought.

Senator Walter "Dee" Huddleston, D.-Ky., was one of the relieved congressmen. He issued a news release declaring:

Those of us who have been strong supporters of ARC have reconciled ourself [sic] to the direction in which we are going, but we have tried to impress upon our colleagues the impact this will have on the special problems of Appalachia.

Al Smith, with his usual openness and candor, gave credit for ARC's survival to where he believed it was due:

In this first year of the Reagan administration; the vote in Congress to keep the ARC alive through the current year can be at-

tributed to Henry Krevor more than any other individual. It was Krevor who rallied the thirteen Appalachian governors, including four Republicans, into a resolution of support for the ARC, who called all the chips in the House of Representatives, and who kept hope alive in the demoralized development districts.

Smith, who had recently purchased the London *Sentinel-Echo*, and who was preparing to leave Washington, commented upon a recent "The Battle for Appalachia" 12-part series that had appeared in the Louisville *Courier-Journal*.<sup>152</sup> Among his comments (which were headlined "Report Card on ARC") were the following:<sup>153</sup>

The report card on the Appalachian Regional Commission stands up very well against my personal knowledge of the commission as its federal co-chairman for a year and a half.

I think the series conveyed my conviction that the majority of grassroots leaders in the mountains feel that ARC and its related federal agencies—particularly HUD and Farmers Home Administration—have made a difference, that SOMEBODY has to do "bricks and mortar" projects and that ARC was it. Not many mountain people of my acquaintance view the proposed killing of the ARC with serenity. I believe the series reflects this.

Because it is the only government agency with "Appalachian" in its title, ARC collects some of the curses that should be hurled in other directions—at the rugged terrain, at the accumulated debris of generations of exploitation to which ARC is a relative newcomer as a problem solver.

Smith also reflected on some of the architects of the Appalachian Regional Commission:<sup>154</sup>

**John D. Whisman** As a kind of guru in the theory of regionalism he has his moments, even hours, of not being very intelligible. Then there are other encounters in which his perceptions about Appalachia are brilliant and lucidly argued. Before I went to Washington, my reading of the ARC clips in the *Courier-Journal* files presented Whisman in a discouraging light. But former Governor [Bert] Combs suggested that John is still a valuable resource. Combs was right.

**Henry Krevor and Don Whitehead** When the roll is called up yonder on the battle for Appalachia, two of the sooty saints may be a couple of lawyers who grew up on the streets of Boston. Henry Krevor, the executive director of the ARC and a Democrat, is just a little over five feet tall. But he is one of the toughest bureaucratic fighters in Washington. Don Whitehead, a Republican, is tall, genial, and portly, and he has been a fighter, too. Both men qualify for the scorn that is heaped on ARC's staff by those who say, falsely, I think, that one should be from the region to have the power that they have held. As the *Courier-Journal* series indicated, Whitehead's defiance of White House aides H.R. Haldeman and John Erlichman is credited with helping to save the ARC in the Nixon Administration.

Henry Krevor believed that time was on ARC's side. He declared that:<sup>155</sup>

The longer we have enough time to have an effective program, the longer we have to convince the Reagan administration. . .that we are probably the best program in town.

An ARC staffer suggested optimistically that things would work out for the ARC as it had the year before. Then the Senate would not fund ARC and “so it was up to the House to get us back in the budget” which it did.<sup>156</sup> Indeed the conference committee on July 22 agreed to fund ARC at the \$215 million level (\$165 million for highways). ARC’s Ann Anderson declared somewhat jubilantly, “we are still afloat.”<sup>157</sup>

Less than a month later, the ARC governors met at Atlantic City, N.J., and set up a Management Committee to supervise the preparation of a three to five year “finish up program.” The committee consisted of governors James A. Rhodes, R.-Ohio, Lamar Alexander, R.-Tenn., William F. Winter, D.-Miss., John D. Rockefeller IV, D.-W.Va., John Y. Brown Jr., D.-Ky. At the same meeting, John Y. Brown Jr. was elected states’ co-chairman of the ARC. Al Smith, federal co-chairman, expressed the wisdom of the move as follows:<sup>158</sup>

I think that Brown’s profile as a business-oriented, conservative Democrat should enable him to win an audience with the Reagan Administration when the critical decisions about Appalachia are made.

Governor Brown had been a strong proponent of ARC; his wife Phyllis George had managed to arrange a special meeting with David Stockman when Reagan was intent upon eliminating the Appalachian Regional Commission. Mrs. Brown was a director of the Appalachian Community Service Network. Governor Brown declared that:<sup>159</sup>

Even though I may be better known for tight budgets and leaner bureaucracies, I am convinced that for the near future, at least, the ARC can best contribute to a stronger economy in Appalachia and a stronger role for the states in our federal system.

A pro-business profile became increasingly important for the survival of the agency. Indeed, in 1982, Strat Douthat would report of a hearing:

Rockefeller and Brown, both with high-powered business backgrounds, appeared at a subcommittee hearing. . .to dispute the administration’s contention that private enterprise can fill the shoes of the ARC.

In the fall of 1981 there was intense White House pressure to cut budgets even deeper. This came at a time when the House favored \$215 million for ARC vs. the Senate’s \$150 million.

Even as they braced for further budget cuts, there was turmoil within the ARC. Al Smith, federal co-chairman, who had anticipated leaving his post with the coming of the Republicans, had been asked to stay on, first by the Reagan transition team, later by governors who feared what would happen to ARC in its critical battle for survival, and finally by John Y. Brown who believed Smith was needed at the helm even after the agency was saved. Finally Al Smith resigned October 30, 1981, effective November 30, 1981.<sup>160</sup> But with the firing of Henry Krevor, pressure was brought to bear to keep Smith on until a replacement was found. The *Courier-Journal* aptly headed an article on the tribulations of the man who wanted to leave Washington for newspapering in London, Ky., “Federal Job Hangs on to Al Smith.”<sup>161</sup>

The Krevor firing occurred after a heated four-hour closed meeting of the Appalachian governors. Both Henry Krevor and the ARC staff were taken

aback by the decision. In October Krevor was voted a \$5,000 bonus in addition to his tip of the federal pay scale \$50,115 salary. But Krevor complained that his bonus failed to match the bonuses Reagan had given to numerous other federal executives. Hans Myer, states' alternate for Maryland, found Krevor's attitude hard to accept when, in his state, government workers were receiving no raises and when many states were cutting back on the number of their employees. Nor was that all. Some noted that Krevor had worked for six months under contract which allowed him to draw about \$21,000 per year in retirement benefits for earlier government service in addition to his salary. A story in the *Baltimore Sun* the day before his November 10, 1981, firing alleged that in the eight years after he left ARC in 1969, Krevor made \$312,500 as a legal consultant to ARC.<sup>162</sup>

The timing might suggest, to the cynical, a leak. Yet it appears that the tone Henry Krevor set may have been responsible for his unexpected, unsought exit. According to Mike Brown's *Courier-Journal* account:

Krevor is known as a headstrong, sometimes-abrasive person. And recently, according to ARC personnel, his independence had rankled people both in Washington and out in the states.

The decision, though swift, was not made without a searching analysis of the impact the loss of Krevor would have upon "virtually every element of the ARC's programs and planning." In the end, the governors agreed "that Krevor's firing would lend 'more harmony' to the agency's efforts to survive." Deputy executive-director Francis Moravitz was made acting director. The belief was that Moravitz's "quieter personality" would allow the new director to "work harmoniously and effectively within the commission process." Al Smith could have vetoed Krevor's dismissal, but did not. Smith described Henry Krevor as a "hard-charging, brilliant advocate for the region" who had fought for the ARC since its infancy. He compared the firing to "pulling a battle-weary field commander off the front line."<sup>163</sup>

Ironically, Henry Krevor's plan for the survival of ARC was accepted. By setting aside 30% of the proposed non-highway budget for the next five years for use in Appalachia's 50 or 60 poorest counties, the ARC anticipated taking the sting out of years of constant criticism that the ARC was more interested in the pork-barrel than in the poor. The rationale was that:

The financial and technical resources for even the most basic public services, to meet their most critical needs, especially to ease water and water-disposal problems [could be tapped in no other manner].

Of the 60 counties, 18 were in Eastern Kentucky—Bath, Carter, Clay, Clinton, Jackson, Knott, Lawrence, Lee, Lewis, Lincoln, McCreary, Magoffin, Menifee, Morgan, Owsley, Powell, Russell, and Wolfe. The survival plan called for the completion of 583 of ARC's uncompleted 1,474 miles of Appalachian highways. The funded segments would be chosen:

On the basis of such factors as traffic volume, use for coal transportation and importance to economic development.

The non-highway program would extend five years into the future and the highway program eight years, with the hope that a less hostile administration would enter the White House in January 1985!

Even as ARC was building a stronger defense perimeter, editorial shells were falling upon the agency from Appalachia. In December 1981,<sup>164</sup> the Ashland, Ky., *Independent* headed an article: **With Deficit Soaring, Con-**



**tinuation of ARC is Difficult to Justify.** The editorial said, in part:

Has the Appalachian Regional Commission outlived its usefulness? With the Office of Management and Budget now projecting a record \$109 billion for the 1982 fiscal year, the answer is yes. While the ARC still could serve a useful role in helping alleviate poverty in its 13-state region, it has lost its cost-effectiveness. In a time when serious budget cuts must be enacted to prevent an unacceptable deficit, the ARC must go . . .

Many of the problems the ARC set out to attack in 1965—poor educational facilities, poor highways and few employment opportunities—still exist in many parts of the region today, but ARC officials brag that conditions have improved throughout the region because of ARC's efforts. We agree.

But the ARC was never meant to be a permanent program. It was established to meet a specific need in a relatively small section of the country. If that need has not been met after 16 years, one must wonder if it ever will be. In these times of massive federal deficits, it is difficult to justify the continuation of any program that benefits only a small portion of the country . . .

Our heart tells us that we should support the phase-out plan proposed by the ARC. We're selfish enough to want federal funds to help complete projects we need. But when we continue to see larger and larger federal deficit projections, logic tells us that the ARC should die a quick death.

Approximately a month later, the Lexington *Herald* published an editorial entitled: **The ARC: A Bureaucracy Tries to Justify Its Existence.**<sup>165</sup> The paper's argument was based in part on a sociological study of urban financial agencies. The *Herald* sought to apply Marshall Meyer's findings to the Appalachian Regional Commission. Those findings were that a bureaucracy's:

performance keeps getting worse and worse, but they keep growing as they find new ways to justify their existence. Meyer's conclusion was that any bureaucracy which survives for five years becomes almost impossible to eliminate.

The editorial concluded that ARC should be abolished, stating that:

Now that its existence is threatened, the ARC promises to do better. It will do what it was supposed to do in the first place—concentrate on the poorer areas and on economic development—if it can only have another three-to-five years and another few billion tax dollars. The proper reply to such a request would seem to be that if the agency didn't worry about its original purpose in its first 17 years of its life, it doesn't deserve an opportunity to waste more public money.

Al Smith, former federal co-chairman of the ARC, had responded angrily to a similar 1981 Lexington *Herald* blast against the ARC. In his London, Ky., *Sentinel-Echo*, Al Smith responded again, declaring that "if the first editorial made me mad, the second editorial made me madder than hell!"<sup>166</sup> In both rebuttals, Smith pointed out that Lexington receives great sums of state and federal aid through:

Tax incentives for capital investment—tax credits for depreciation and interest expense, corporate legal fees, tobacco sub-

sidies, write-offs for the race horse industry, federal assistance for airport development and other transportation improvements, convention centers and arenas for urban renewal and other investments that stimulate profits for Lexington banks, real estate speculators, utilities, law firms, service businesses and newspapers.

Public policy has also supported investments of tax money in the Lexington area for the growth of the University of Kentucky, including the medical school. . .

Earlier he had declared that there was wide support in Appalachia for the ARC. Indeed he had:<sup>167</sup>

Not yet met a leader with any following in this area who wants to go it alone, without help, or doesn't want more roads, and more water and sewer lines, airports, schools, health centers, flood control, and pollution abatement.

More than 150 years of neglect and dependence upon a handful of resources cannot be cured in 15 years.

In his first rebuttal Al Smith had asserted that:<sup>168</sup>

People mining coal need the water and sewer systems, the training programs and the highways that help get coal out. The ARC also tries to encourage reinvestment of coal dollars in the development of Eastern Kentucky—something which history tells us doesn't happen automatically. Indeed too many coal dollars have gone to Lexington to support a lifestyle that historically has put very little back into the rural regions of the state.

Smith added that before ARC the people of Appalachia were getting only 60% of the national average in terms of per capita federal dollars and that even with ARC and other agencies, the current figure was still only 85% of the norm.

Al Smith's second rebuttal declared that in Carl D. Perkins' 7th C.D. alone, some \$307 million had been funded for Appalachian highways and an additional \$55 million on 250 assorted non-highway projects. With funding at that level for his district, it is no wonder that Carl D. Perkins, D.-Ky., felt that dismantling ARC would take away the "area fund." The invincible Perkins (his freshman term was in 1948) declared that the demise of the Appalachian Regional Commission would paralyze:<sup>169</sup>

An enormous power cell (that could) spark a burgeoning American economy in the decades to come. [Thus] I cannot agree that the time has come to wind down the work of the ARC program or to make any radical outback in the original design.

[The ARC in Eastern Kentucky] has been responsible for the establishment of vocational schools and hospitals where none existed before. It has assisted in providing water systems to serve the tremendous housing needs of our people.

[Yet] the unmet needs are jarringly present. . . Today there are still major unmet human needs in the area of health and housing.

The Appalachian Regional Commission in 1982 faced the same formidable opponent it had in 1981, Ronald Reagan. The President had chopped the ARC budget in half in 1981 and stuck to his belief that the ARC should be axed altogether.

How does an agency handle such a formidable challenge? For starters the bureaucracy tried to mend political fences, favoring Jean Sullivan, for a decade Alabama's Republican national committeewoman, as a replacement for Al Smith. A self-described part-time consultant on political affairs, to which she added forcefully that "I'm not a part-time Republican," she might appease women who were looking at Reagan with a jaundiced view and appease party regulars as well. She ran a strong race for the Alabama Senate in 1976 and lost by but 92 votes. She promised to study the ARC and to provide the Reagan administration with an "objective report." Al Smith, whose vacated post she would take, said, "she's fine, because she's development oriented."<sup>170</sup> Seemingly, the plan was unbeatable. But the strategists had not counted upon ultraconservative Senator Jeremiah (a woman's place is in the home) Denton, R.-Ala., who had tangled with Jean Sullivan, the progressive from Selma.<sup>171</sup> He blocked Sullivan's appointment, and not until September would a selection of Al Smith's replacement be made.<sup>172</sup>

ARC strategists organized a plan to suggest that the Appalachian Regional Commission was truly interested in phasing itself out within three to eight years. \$2.27 billion were earmarked for upgrading coal-haul highways, just a fraction of the \$7 billion that it would cost to complete all the proposed Appalachian highways. The ARC report declared of the \$7 billion figure: "We cannot expect this level of funding [thus] only the highest priority highway sections" of the Appalachian Highway system are scheduled for completion in the eighties.<sup>173</sup> A covering letter to Congressmen declared that:<sup>174</sup>

Much remains to be done before this vast region reaches national averages in terms of income, health care, housing and employment. A premature time limit on the work of ARC will leave an unfinished agenda, which causes us great concern.

The ARC plan also included special aid for the 60 poorest counties and monies for health care projects in 82 counties. This would help the agency's chances of survival, for Congress was the body that must pass legislation by September 30 or ARC would expire. ARC staffers were concerned, but they had been on death row before. They knew how to handle the appeals process.

First there was a January 19, 1982, House subcommittee on economic development hearing at Huntington, W.Va., where the traditional big guns dominated press reports. John D. Rockefeller IV and John Y. Brown Jr., governors of West Virginia and Kentucky respectively, indicated that:<sup>175</sup>

Many Appalachian companies are actually controlled from outside the region, and said the private sector would be unwilling to step in and pick up the tab for completion of water and sewer projects, much less the regional corridor highway system.

They said those are the types of projects that usually must be completed before industry will even consider locating in an area.

Thanks to an ARC land ownership study that was released in 1981<sup>176</sup> and which made a big splash in area newspapers (and which later was published by the University Press of Kentucky as **Who Owns Appalachia? Land-ownership and Its Impact**), the role of outsiders was indisputable. Likewise the standing of the two governors as businessmen was undeniable.

West Virginia's Rockefeller requested the committee to help. As he phrased it, "We want you to walk that last mile with us. We need your sup-

port for the phase-out plan.” Kentucky’s Brown added that the proposal would:

Provide for an orderly completion of ARC efforts now in progress, solidify the gains made in the last fifteen years and enable the region to continue progress toward national economic standards.

Kentucky’s John Y. Brown also sent up a trial balloon, suggesting that a private non-profit development foundation be established to “help offset the loss of ARC and other funds” in the future.<sup>177</sup>

With the exception of Al Smith’s London (Ky.) *Sentinel-Echo*, journalists were content to pay homage only to the high and the mighty. But to Smith, It Was the Little Guys Who Told the Real Story at the ARC Hearing. Charles House, who covered the story, filed a long report, the following excerpts of which represent highlights:<sup>178</sup>

When a governor or senator talks of down-home problems in the mountains (from which they do not hail) the speech may or may not be greeted with yawns.

But Dwayne Yost, of Manchester, is like E.F. Hutton: when he speaks people listen. Because Rev. Yost, who came to Clay County 22 years ago to do something about his concern for Appalachian poor, is a very believable man.

So much so that last year he was one of only two recipients nationwide of the prestigious Rockefeller Foundation Award, a \$10,000 token of appreciation for Yost’s selfless work in securing decent housing for the poor in neighboring Clay and Jackson counties.

Yost is a serious man. But, in his slightly nasal voice with just a touch of natural quiver, he is also the personification of sincerity. And it comes across.

“The tragic myth that the government spends billions and billions in subsidies for low income housing each year needs to be laid to rest. Billions have been spent from tax revenues for housing, but not for the poor.”

Yost explained that most housing subsidies are granted indirectly through income tax deductions. According to Yost, the principal deduction is for interest on mortgages which can be claimed by all homeowners.

He said it is estimated that for fiscal 1981, only \$4.2 billion of all federal housing expenditures will be used to aid people with household incomes below \$5,000. Another \$4.5 billion will aid those with incomes between \$5,000 and \$20,000, he said.

But \$21.2 billion, or 71.2 percent of all assisted and indirect housing expenditures made by the government during 1981, will aid people with incomes above \$20,000. . .

He said the money should go to cover the cost of site development, which would provide for safe drinking water, waste disposal systems, and roads. The money should also be used to finance simple, but adequate houses, which low income families can afford, he said.

The money could also be used to develop on-the-job training programs which will help low-income people learn carpentry skills but at the same time, get more houses built, according to Yost.

He said when dollars have been available, his Kentucky Mountain Housing Corporation has been able to show that something can be done to help low-income families get better housing.

“But if the Federal government continues to phase out every agency that has been supporting the construction of low-income housing (such as the ARC) housing conditions in central Appalachia will only continue to get worse, especially for the poor.”

Equally effective was another resident of the region, a native of Harlan, a Yale Medical School graduate, namely:

Maureen Flannery, an attractive young doctor with a pronounced human touch who brought her infant son with her to the August proceedings.

Ms. Flannery is a product of a New England college and medical school but was born in Harlan and returned to her roots after she completed her family practice residency in northern Illinois in 1979.

She currently practices at the Homeplace Clinic in Ary, in Perry County. She told the committee of the importance of the ARC's goal of making primary health care available within thirty minutes driving distance of all Appalachians.

“If you have a sick baby up one of these hollers (she pronounces it the mountain way), Homeplace sure is a lot closer than Hazard Hospital.”

She said the ARC had essentially met its health care goals in Perry and Knott counties but that in neighboring Owsley and Wolfe counties, much work remained to be done. . .

She told the committee that another ARC goal, of reducing the infant mortality rate in Appalachia, had not yet been reached. “Despite dramatic improvement in health care in the region as a whole, it is appalling that there remain 32 counties in Appalachia with infant mortality rates 50 percent higher than the national average.”

She said that with federal cutbacks in maternal and infant care programs, “it is unlikely that the 32 Appalachian counties with excess infant mortality will be able to develop programs (to combat the deaths) without ARC assistance.”

Besides holding hearings, the Congressional subcommittee toured ARC funded facilities—the Highland Regional Medical Center, Highlands Terrace elderly housing project, Cliffside public housing, David Community Development Corporation—and traveled over the Mountain Parkway and US 23.<sup>179</sup>

Early in February 1982 the Reagan budget came out with no Appalachian Regional Commission funding. There was \$80 million in highway funds for Appalachia but that expenditure was placed within the Department of Transportation and taken out of the highway trust fund beginning with 1983 and terminating in 1986. According to Pamela Glass of the Ottaway News Service:<sup>180</sup>

Reagan is assigning the Commerce Department with the responsibility of putting the finishing touches on the ARC's obituary.

Of course the Appalachian Regional Commission was battle-wise, and began mustering its army of supporters. The February push for the ARC

was the result of a variety of activities, everything from an Al Smith speech to FIVCO (a northeastern Kentucky ADD district) to an exclusive under \$5,000 bash by Kentucky's jet-setting Governor John Y. Brown at the Fairfax. Al Smith told his audience that the ARC is "not well now, but still alive." And with that opening statement the former ARC federal co-chairman launched into a pep talk, highlights of which included the following:<sup>181</sup>

- Each ARC dollar spent has shaken three or four more dollars from the tree.
- The illiteracy rate is down. The infant mortality rate is down. The poverty rate is down.
- The roads are the heart and soul of this. There are all kinds of new jobs that have been built along these roads. I'm convinced that in the Seventh District of Kentucky there are jobs that would not have been there without the roads.
- [The region is] short of capital, short of schools, short of medical facilities, short of roads.
- Despite the positive sides of the ARC, it is highly unlikely that the people of 37 states will support a program for 13 unless the 13 makes plans to pick up the slack.

The message was for FIVCO to use its influence now if it wished to continue receiving ARC funding.

In Washington, D.C., notables including David Stockman, Averell Harriman, Robert Strauss, ARC News Correspondent Barry Dunsmore, the ambassador from Portugal, Al Smith, John Sherman Cooper, ARC governors, and selected Congressmen were invited to a party to honor Appalachia's anti-poverty agency. Mint juleps, bourbon balls, and Kentucky ham were much in evidence. As Louisville *Courier-Journal* staffer Mike Brown quipped, "There was no poverty, Appalachian or otherwise," in sight.

Governor Brown candidly explained the purpose of the party. "We want the influence-makers up here to know about the ARC, so they won't give up on it." Of the jarring contrast between the poverty ARC is supposed to alleviate and the lavish surroundings, John Y. Brown, was again out front with an answer, providing one of his better one-liners: "You have to have it at a nice place to get people to come. You can't do down to McDonald's." The governor's wife, Phyllis George, was doubtless responsible for the party favors—a honey dipper or a whiskbroom made by Berea College students. Berea was also represented by Minnie Bates Yancey who demonstrated yarn-spinning (the variety not practiced by politicians) while the McClain Family Band provided down-home music. Expenses were covered "by the Kentucky Economic Development Corporation, the non-government, non-profit organization set up to promote economic development" in Kentucky.<sup>182</sup>

The morning after the bash, the Appalachian governors met in Washington. The Reagan buzzword that they picked up on was "New Federalism." Declared West Virginia's John D. Rockefeller IV:<sup>183</sup>

This program has been shown to work better than any other program. There is nothing that reflects the New Federalism with more efficiency than this program, as far as people are concerned.

The Appalachian Regional Commission developed a new twist as well—the creation of the Appalachian Development Foundation with a federal

charter. Rush Dosier, an attorney in Kentucky Governor John Y. Brown Jr.'s office, explained the need:<sup>184</sup>

As the ARC winds down over the next five years, the foundation would be building up. We need to develop an endowment and build up contracts with the private sector and the government. There will be a cross-over five years down the line when the non-highway money for the ARC ends.

The concept is consistent with the president's voluntarism approach.

As usual, the ARC was trying to sell itself as being cut from the cloth of the President's philosophy. One need add that this was a hand tailored job. Rush Dosier added that the foundation "would be organized similar to the Red Cross or Boy Scouts of America."<sup>185</sup>

Senator Jennings Randolph, D.-W.Va., expressed optimism regarding ARC's chances for survival, declaring that:<sup>186</sup>

This is not a new experience. In other years, other administrations have decided that ARC was perhaps not too important. We knew they were wrong, and the Congress repeatedly rejected that philosophy. We did so again last year, and I am confident that we will do so in 1982.

In March 1982 Al Smith testified before the Senate Committee on Environment and Public Works. Somewhat later John Y. Brown Jr. rallied other Appalachian governors, telling them that the Appalachian Region still receives only 84% of the national average of per capita federal spending. The Kentucky governor called the ARC proposal:<sup>187</sup>

A realistic approach. . . If other agencies had cut back like we have already we wouldn't have such a severe deficit today.

This is a program that is realistic and fully justified and I think we need to make the strong argument that this is not a relief program or welfare program; it is an investment.

Reagan watchers felt that though the ARC escaped execution in 1981, it just barely escaped; the obstacles the beleaguered agency faced in 1982 were even greater. According to sources close to the Reagan White House:<sup>188</sup>

The Reagan administration, with strong backing in the Senate, says it will refuse to sign any measure that seeks to reauthorize the program.

The White House argues that the president's economic recovery program will eliminate the need for the ARC because it will stimulate economic growth and development through increased investment, job creation and improved productivity. The administration also says regional development is the responsibility of state and local governments, not Uncle Sam.

The ARC position, as articulated by John Y. Brown Jr., was that "all we're asking for is a chance to finish up the program. It provides for an orderly transition. . . and provides both time and dollar limits on all ARC activities."

The Kentucky governor was unable to attend Washington, D.C., hearings of the Senate Subcommittee on Environment and Public Works, but did send along a prepared statement in which he pushed the foundation. According to the governor:<sup>189</sup>

The foundation will raise funds from individuals and corporations, particularly those who have benefitted from coal and other resources of the region. The foundation will help offset the loss of ARC and other funds over the years and remain after ARC to foster Appalachian development.

Al Smith labelled "the foundation. . . a bridge between the private sector and the public sector."<sup>190</sup>

Upon Al Smith's recommendation, the two Kentuckians who had proved so effective at the Huntington, W.Va., hearing took the morning Piedmont flight to Washington, D.C.,—Dr. Maureen Flannery of Homeplace in Perry County and Duane Yost of Clay County.<sup>191</sup> They "presented graphic testimony on the need for ARC aid to 'distressed counties'." Dr. Flannery declared that:

It is an adage in public health that the development of sanitation, more than the discovery of antibiotics, led to the dramatic reduction in infectious diseases in the early 20th century. . . I live in one of the 'distress counties' (Perry) and I know what it is like to have to cart your garbage over an hour to the nearest landfill. . . I know what it means after drilling three wells to have to boil all our drinking and cooking water.

Dwayne Yost, head of the Kentucky Mountain Housing Development Corporation, told the Senators that:<sup>192</sup>

In the two counties of southeast Kentucky where I live and work (Clay and Jackson) 65 percent of all housing is officially substandard, and according to a study made by the Cumberland Valley Area Development District, only 29 percent of these homes are suitable for rehabilitation. That leaves an immediate need for 4,707 housing units in these two counties alone.

In response to this kind of need, Kentucky Mountain Housing Corporation was one of the first of more than ten different, non-profit housing corporations which have started across central Appalachia to help low income families get better housing. All together these groups have built more than 250 houses and made more than a thousand rehabs.

The object of these hearings was, of course, to help improve the chances of the survival of ARC. The distressed county gambit also helped back in the provinces, containing targeted counties. An example was northeastern Kentucky's FIVCO (Boyd, Carter, Elliot, Greenup, and other counties). As the level of non-highway funding declined, there was a parallel decline in the interest of government paying fees to ADD districts. This was particularly true of poorer counties that had been pushed from the trough by ARC's "growth center" mentality. At FIVCO in April 1982:<sup>193</sup>

Amid tension that blanketed the room like a dense fog, the FIVCO Board of Directors. . . allocated more than \$120,000 in Area Development Fund money to eight projects. . .

The projects funded represented 8/18 of the requests, and not one of the eight was funded at the full requested level. A request for \$2,000 from the National Association of Regional Councils towards expenses for an ARC meeting in Louisville was tabled<sup>194</sup>; a decision on funding the Eastern Kentucky Port Authority was tabled after some acrimonious comments, including, "You gave your money away last time. I just wondered if you were



going to do it again this time.” The caustic comment was caused when anticipated matching funds were not forthcoming. Boyd County Judge-Executive Paul Purvis read a letter from FIVCO informing him that yearly dues for the county were \$10,160.50 and the county was in arrears for three years. He was upset and asked:<sup>195</sup>

How can the board sit up here and let us get in arrears for more than \$30,000? Was any effort made to collect it?

David Salisbury, FIVCO’s executive director, stated that the previous fiscal court “never saw fit to go ahead and pay the assessment.” Mayor L.T. Groves of Flatwoods asked rhetorically, “Is it fair for cities to pay it and counties not to?” It came out that Boyd was not the only county not paying the assessment. The fact that Boyd County’s two requests were not funded added to the belief that FIVCO was oriented more towards helping cities than counties.<sup>196</sup>

Salisbury stated that by state law, all counties and cities within FIVCO must be members, “there’s no way they can drop out.” He added that:<sup>197</sup>

I can imagine their (Boyd County Fiscal Court) feeling bewildered at inheriting that kind of indebtedness. All the counties are facing the problem of not having the means to satisfy their obligations. But the answer to the problem is not to pull out and drop the whole thing. The answer is to sit down and work it out so the whole area benefits.

There soon followed a strong, thoughtful editorial in the Ashland, Ky., *Independent* headed **Reflection On FIVCO**:<sup>198</sup>

The decision of the Boyd Fiscal Court not to pay more than \$30,000 in back dues to the FIVCO Area Development District is a reflection of a lack of support by one of the local governments FIVCO is supposed to help.

If the previous fiscal court had been convinced FIVCO was providing an invaluable service to Boyd County, we suspect the \$30,481.50 in back dues would never have accumulated. And if the current commissioners saw a real value to the development district, they likely would have paid the back bill with little debate.

But the back bill was not paid largely because FIVCO has done a poor job of selling itself to the government leaders in Boyd and the other counties in the district who are behind in their annual payments. FIVCO received few endorsements when the back bill was discussed at last week’s fiscal court meeting.

Commissioner Clarence Jackson said the previous court did not want to pay the bill because FIVCO had charged for the help it had provided for a Westwood sewer line project. Commissioner Bill Scott surmised that the district was more for the cities than the counties. Commissioner John Greer just simply said there was no way he’d pay the back bill.

In its 15 years of existence, FIVCO has provided many services to the governmental agencies in Boyd, Greenup, Carter, Lawrence and Elliott counties. It has given technical assistance the individual counties and cities could not afford and has helped secure federal grants.

But FIVCO has never been fully accepted by governments it serves. The fear that the district is a move toward regional

government still persists, and most county officials have tended to look at problems from their own perspective rather than the district perspective.

An example of this narrow approach can be seen in the reaction to those projects receiving funding from the FIVCO board. The Eastern Kentucky Port Authority—the only funded project that could create jobs and benefit the entire region—was the most controversial. . . Officials from cities and counties denied funding complained about the district playing favorites.

With federal and state budgets being slashed, FIVCO has fought in Washington and Frankfort for the funds to carry on its work. Perhaps the district's executives would be wise to carry that effort to the local level. If the local governments can't be convinced of the value of FIVCO, one must question why it should continue to exist.

In November, partially due to the "distressed counties" program which made two FIVCO counties—Carter and Lawrence—eligible to compete with 16 other Kentucky counties for \$4.1 million, the atmosphere verged on cordiality. According to ARC spokesperson Bob Sokolowski, the "distressed counties" program was instituted because:<sup>199</sup>

Many of the communities in these counties lack even the most basic facilities. Part of the difficulties these counties have in providing essential services or attracting investment that would help build their tax base has come because in the past they were not eligible for ARC funds.

The finish up plan brings a significant change of direction to that development philosophy. Congress agreed with the governors that the Appalachian states and the federal government should join hands in an effort to provide basic services to the distressed counties in the finish-up program.

Meanwhile, the usual combination in Washington of bureaucratic muscle and Congressional support was brought to bear on the issue of continuing ARC. In early May such a measure cleared the House Economic Development Subcommittee by a voice vote. Hal Rogers, R.-Ky., whose 5th C.D. ranks 435th in years of average schooling completed, commented on ARC's chances, stating that:<sup>200</sup>

I hope it will get through the full committee—then our work is cut out for us on the floor. I haven't done a head count, but I would think we have a pretty good shot at it.

A similar bill in the Senate's Regional and Community Development Subcommittee fared poorly. Indeed Howard H. Baker, R.-Tenn., had been forced to favor the measure to keep it from dying entirely. ARC's Ann Anderson put the best light on Baker's desperate action, declaring that:<sup>201</sup>

Baker is now clearly on record as supporting the ARC finish-up program. Last year, he gave us no support at all. Republicans and Democrats are finding it politically easier (to support the current proposal) now that a timetable for phasing out ARC has been proposed.

Other sources indicated that Senator Baker had no intention to actively support the measure, though "the administration is not expected to active-

ly oppose ARC financing measures this year because of the phase-out plan.”

On May 11, 1982, the House Public Works and Transportation Committee sent a bill to the Budget Committee combining ARC requests and a measure tightening guidelines for eligibility for EDA (Economic Development Administration) monies. The thinking, according to Congressman Hal Rogers, was based on the belief that the inclusion of EDA would “get us support from outside the ARC area.”<sup>202</sup>

On May 27, 1982, the Senate Environment and Public Works Committee sent a one year extension bill to the whole Senate by an 11-4 vote. John Yago, aide to Senator Jennings Randolph, D.-W.Va., echoed the view of those who were fighting for the extension, “It’s not what he [Senator Randolph] wanted, but in these times you take what you can get.”<sup>203</sup> On June 9, 1982, the Senate passed the measure unanimously, leading a delighted Ann Anderson, ARC spokesperson, to comment:

We are happy because last year the Senate didn’t support ARC at all. It [the Senate measure] would keep things going as they were this year, but we would [also] go ahead and start the finish-up program.

Mike Ruehling, spokesperson for Senator Wendell Ford, added that:<sup>204</sup>

It was obvious in the Senate that the one-year bill was the only thing that was going to pass. We expect the governors’ proposal to fare considerably better in the House, and . . . the final version will definitely come out with more money than is contained in the Senate bill.

If the KRADD annual meeting was any indication, the summer of 1982 was a time for the ARC to drum up support within the ADD district community. Here, Michael R. Wenger, Kentucky’s Washington, D.C., based representative to ARC and former assistant to Governor John D. Rockefeller IV, preached the ARC gospel, declaring that the program was:<sup>205</sup>

The best program we have, and all have agreed except Reagan. [The ARC had survived because] we have something worthwhile . . . [and] because of the commitment of all of the thirteen governors in the Region, the determination of many leaders in Congress, and the willingness of thousands throughout the region to fight.

Two weeks later, on August 12, 1982, the House of Representatives, the one historically more friendly to the Appalachian Regional Commission, passed an eight year extension of the ARC by a 281-95 margin. The inclusion of the Economic Development Administration within the extension bill was considered a calculated risk—a tradeoff between a larger margin which might make Ronald Reagan think twice before vetoing the legislation and the inclusion of EDA which both the administration and Senate opposed, thus making the measure a more inviting target.<sup>206</sup>

In late December the Senate Appropriations Committee accepted an amendment by Walter “Dee” Huddleston, D.-Ky., 11-8, restoring the 1983 ARC funding level to the higher \$150 million House of Representatives figure. Huddleston argued that his version “will permit the vital role of job creation in our most distressed counties to continue in an orderly fashion.” The Kentuckian argued that the unamended Senate version’s \$82.8 million was far short of the area’s needs and “contrary to the orderly phase-out

plan already approved by both the House and the Senate.” Huddleston added that the unamended versions shift away from mob creation:

Was a particularly distressing recommendation coming at a time when both houses of Congress, and both parties, are trying to come up with a jobs program to ease the record unemployment across the country.

He added the by now pro forma argument regarding Appalachia, namely that:

While much progress has been made in this low income region, the remaining needs are staggering and beyond the ability of local and state governments to meet. It is appropriate to continue special assistance through the ARC.

In the end the ARC received its \$150 million funding, though its lifespan was extended for but a single year. But by now the ARC was used to living on Death Row.

In other notable ARC news of the year, Winifred A. Pizzano, 40, a Washington, D.C., lawyer and aide to House Minority Leader Bob Michel, R-Ill., (who Reagan had earlier appointed as deputy director of ACTION) was named as the new federal co-chairman of ARC.<sup>207</sup> A native of Pennsylvania, a graduate of the University of Pittsburgh, she had been a key health and human services official in Governor Richard Ogilvie's Illinois. Reagan also nominated Jacqueline Phillips of Maryland, as ARC Alternate Federal Co-chairman. The ARC governors selected Mississippi's William Winter as 1983 states co-chairman.<sup>208</sup>

By 1983 it became fairly obvious that the ARC was an agency on its way out. The Washington staff had been cut by 25%, the house publication, *Appalachia: The Journal of the Appalachian Regional Commission*, which in 1980 put out six issues of the bi-monthly containing 256 pages, published but three issues of 100 in 1983. One can also compare the statements of Al Smith, the former ARC federal co-chairperson with his replacement Winifred Pizzano. It was Smith's opinion that the Reagan administration didn't realize:<sup>209</sup>

The popularity of the program in the regions, even with Republican officeholders. The ARC had more of Reagan's rhetoric in it than Stockman realized. If it hadn't been viewed as a Great Society program it may have been a New Federalism program.

I didn't buy the idea that it should be targeted out, but I was obligated to present the views of the White House at these hearings. The congressmen then just asked me questions designed to elicit information that it would be wasteful and expensive to immediately terminate the program.

The 40-year-old Winifred Pizzano, who received her baptism of political fire as a 1964 Goldwater volunteer, declared that:<sup>210</sup>

I have the advantage of showing up about 18 months late. By the time I got here the staff had probably come to the conclusion that it was going to happen [i.e. the ARC would be shutting down].

It is difficult to figure out how long we are going to be here, and that makes planning sort of ominous. If the program is phased out, it should be done with a great deal of fairness, and we should work closely with the states.

When Reagan's 1984 budget was unveiled, it contained no non-highway money for ARC. Annual highway funding through the sunset year of 1986 was to be funded at \$80 million.<sup>211</sup>

Another annual Reagan vs. Congress clash was in the offing. As Pamela Glass of the Ottaway News Service put it, "Congress. . .has found the ARC to be a gold-mine for funneling federal dollars back home, [and thus] has balked at Reagan's attempts to eliminate the agency." According to the budget document, the Reagan budget:<sup>212</sup>

Reflects the administration's policy of relying on the private sector and state and local governments to provide stimulus for economic development.

The administration argued:

The president's economic recovery program will stimulate economic growth and development through increased investment, job creation and improved productivity.

The response was traditional—the gathering of the governors and bureaucratic poverty agency warriors. Rep. James Oberstar, D-Minn., subcommittee chairman of the House Public Works economic-development subcommittee, always friendly to the ARC, used his group as a sounding board for pro-ARC statements. West Virginia's Jay Rockefeller claimed that "What really has done the job was the mix of highway money and vocational and health program money." Kentucky's John Y. Brown Jr. declared that ARC:<sup>213</sup>

- Is not a welfare program, it's an economic development program.
- Appalachian people. . .don't have the beauty of flat roads and (many) facilities available to them. They are locked in by the very mountains that we are counting on for this nation to become energy independent.
- Whether or not Reagan supports it or not, we'll have to go to coal, and these are the people who will mine it.

The Lexington *Herald-Leader* two days later carried an editorial entitled, "It's time to let states deal with Appalachia's troubles," which read in part:<sup>214</sup>

*"I think I would enjoy running this mess up here. There's a lot of waste in federal government."*—Governor John Y. Brown Jr.

A few days after Kentucky's governor made that comment on his presidential aspirations, he went before a congressional subcommittee to plead for an extended life for the ARC. To those familiar with the ARC's workings over the last eighteen years, that may sound a little hypocritical.

It isn't, at least not from Brown's point of view. He has often expressed the opinion that the ARC is one of the good federal programs, one that is not wasteful. So Brown isn't being hypocritical; he may just be mistaken in his assessment of the ARC.

For the ARC's record includes a considerable amount of waste: pork-barrel projects that served no useful purpose in Appalachia, lucrative consulting contracts awarded to former commission employees, and the inevitable waste of funneling tax money through several layers of Washington bureaucracy just so a little of it can trickle down to the area it was intended to reach. . .

Out of last year's \$155 million ARC budget, Kentucky got \$18.6 million. More than \$12 million of that was earmarked for roads. Suppose that the ARC didn't exist and those federal tax dollars didn't get channeled down to Kentucky. Suppose instead that Kentucky accepted the responsibility for handling its own problems with its own resources.

Some would argue that Kentucky doesn't have the financial resources. But Kentucky has vast natural resources that are being exploited at little profit to state and local governments.

It wouldn't take much of an increase (maybe 0.2%) in the state's 4.5% severance tax to produce as much as the state received from the ARC last year. A reasonable severance tax or a reasonable tax on unmined minerals or some combination of both would produce many times that figure.

Federal programs like the ARC exist, and perpetuate themselves indefinitely, because state politicians, Brown included, find it politically easier to let that far-off and already hated federal government do what should be done at the state level. . .

After 18 years of ARC help, Appalachia is still poor. Its coalfields still have no diversified economy. And the states that must contend with its problems have no more idea how to handle those problems than they did in 1965.

Two years ago, when the ARC was under strong attack from the Reagan administration, Appalachian governors promised that the agency would do better, if only it was given a little more time and money. They asked for five years to finish ARC's work.

They are still asking for five years, but now it's five years from 1983. They are also asking to double the ARC budget next year. This litany of "five more years" for the ARC could go on forever, with no more to show for it than there is to show for the last 18 years.

It's time to turn the ARC's roads program (the most successful of all its programs) over to the federal Transportation Department (which is already doing most of the work, anyway.)

Congress should phase out the rest of the commission's activities, eliminating this unnecessary layer of bureaucracy and put the onus for Appalachia's problems where it belongs—with the states.

The editorial led to a response by John B. Stephenson, director of University of Kentucky's Appalachian Center, and within a year the new president of Berea College. He made two points:<sup>215</sup>

First, the states have been involved in addressing Appalachia's problems. One of the unique aspects of the ARC is that it is both a state and federal program, with state and federal co-chairmen and with state and federal planning, personnel and resource inputs. I think it has proved to be an effective way to coordinate regional development efforts, where the region in question cuts across numerous state jurisdictions. Even your editorial admits there have been "solid accomplishments would not have been achieved by the states alone."

Second, when the states were on their own, the region's problems were addressed neither effectively nor efficiently. Would

they do so in the future? Has Kentucky, for example, shown much willingness to follow your advice in increasing the severance tax or establishing a reasonable tax on unmined minerals? Has the General Assembly ever shown a willingness to resolve the problems created by the broadform deed? The resources to deal with these problems may lie within the state, but our willingness to use them adequately has never been evident.

Ironically, the 1984 General Assembly did pass broadform deed legislation, and the unmined mineral tax, though crushed in committee, was hotly contested.

Later in the month, R. Percy Elkins, executive director of the Kentucky River Area Development District (KRADD) wrote a capable answer to the Lexington *Herald-Leader's* anti-ARC editorial. It was Elkins' belief that:<sup>216</sup>

Because of ARC and other federal programs, great strides have been made during the past 15 years in providing the citizens of Appalachian Kentucky with modern highways, vocational schools, hospitals and health care, water and sewage treatment systems, solid waste disposal, improved housing and industrial sites. . .

The eight county Kentucky River Area Development District. . . had lost 40 percent of their population between 1950 and 1965 and had a poverty level of 53.1%. The per capita income in 1969 was \$1,293, only 41.5% of the national average. . .

In 1965 Appalachia had 8.5% of the nation's population, but received only 4.9% of the federal tax dollar. This capital-short, long-neglected region was falling farther behind. It was the region most in need of help, but getting the least. . .

ARC has enjoyed a strong bipartisan support both in Congress and the governor's offices, but this administration seems bent on eliminating the program. President Reagan recently requested \$110 million additional funds for El Salvador to provide weapons of war to those 2 million Central Americans, but he says "no" to the \$50 million requested to provide water and sewerage systems, health care and jobs to thousands of Appalachians throughout the 13-state region of 20 million Americans.

The Appalachian Regional Commission in April held a meeting entitled "Jobs and Skills for the Future," still another in a long line of programs to project a "with it" image, indicating that ARC is very much in tune with the problem of the hour, despite spending the bulk of its funds on roads. Vice President George Bush claimed a healthy economy was the region's only salvation, that a jobs bill would be effective "only to a limited degree."<sup>217</sup>

The speaker who received the most coverage was a senior consultant with Arthur D. Little, Inc., Ronald S. Jonash, who claimed that if industry believed the region had an available, trainable labor force, industries would locate in Appalachia. He indicated that the Appalachian economy was sensitive to high interest rates and foreign competition. In addition, he declared:

We need to be aware of the impacts of economic policies and respond to them; and we need to invest in the region's resources, in the technology, and most importantly in the human resources.

Such a talk might have been equally effective regarding Detroit or Las Vegas, Minneapolis or the wheat belt. The most thought provoking state-

ment was made by Pennsylvania State University economist Monroe Newman who emphasized the quality of government. "Let there be no doubt," he declared, "the quality of government is as important to economic development" as are other factors. Quietly, and without fanfare, Congress extended the Appalachian Regional Commission. This time there was no attempt to spread the news throughout the area, perhaps an indication that the bureaucracy believed that the lower the profile, the better the chances for continued life for the agency.<sup>218</sup>

The quality of local government was questioned in Jerry Hardt's "Observations By Hardt" column of the *Salyersville Kentucky Independent* of February 2, 1984, as follows:<sup>219</sup>

I find the following interesting and unfortunate. The Appalachian Regional Commission. . .has served to pump a lot of money into the region, mostly for highway development but also for other local development projects.

Most recently, ARC granted Magoffin County \$700,000 to be used with money from other agencies to develop a county water system. The following announcement appeared in a recent ARC newsletter:

*A \$700,000 ARC grant will help build a county-wide water system in Magoffin County, Kentucky, where 35% of the population lives below the poverty level. The governor has declared a state of emergency in the county due to the number of contaminated wells. The project will benefit 1,400 residents and an elementary school.*

What I find interesting about the announcement is the statement about the emergency declaration by the Governor. The Governor made this declaration in November 1982 after local residents made a public issue of the widespread water well contamination resulting from oil and gas drilling.

County officials have used the fact that there was an emergency here to the utmost in their efforts to obtain funding for the water project. And that's fine that they did, if it helped to get the project funded. What's ironic is that county officials did absolutely nothing to get this emergency declared or make the issue a public one. And they did nothing then and have done nothing since to try and get the illegal brine pollution stopped.

In fact, the fiscal court even denied a request to help citizens to fight this problem. Any leadership that has been shown in getting this problem recognized by proper authorities and the development of proper controls initiated have come from individual citizens rather than our elected leaders.

It's great that we have the county water project funded. But it's a disgrace that the source of so much water contamination has been allowed to continue. . .with the silent blessing of our local officials.

This observer guesses that at least until after the 1984 presidential election, the ARC will continue, for purposes of survival, to keep its profile low. As for what the ARC would say if the political climate were more favorable, articles by ARC States' Washington office representative Michael R. Wenger have appeared in Al Smith's London *Sentinel-Echol*; one, under the heading of "The ARC: A Model for Solving Problems," suggests the



outlines of the pro-ARC argument. Wenger speaks of Governor Richard Snelling (R.-Vt.) as follows:<sup>220</sup>

His view, shared by many, speaks directly to the very strengths of a governmental structure which already exists, which has proven its effectiveness, and which has survived despite the Administration's attempt to dismantle it, which has proven its effectiveness, and which has been called by Republican and Democratic governors alike "a shining example of how the system ought to work in this country." The structure is the Appalachian Regional Commission (ARC). It has application to the federalism debate and, specifically, to the issue of how to best provide food assistance.

The Reaganistic attributes, self-proclaimed, of this Great Society poverty program are once more touted. Declared ARC staffer Wenger:

It is so similar in its operation to the Reagan philosophy that one highly-placed Republican official has called it "essentially a Republican program. If it hadn't been a Great Society creation, we would have invented it."

Wenger followed this by the familiar grass roots support gambit, declaring that:

It has survived administration opposition precisely because of its success in building partnerships and accomplishing its goals. It has been able to generate grassroots support in the Appalachian region to a degree unique among government programs, and it has been able to hold the bipartisan interest of all the governors. It is no accident that the administration's announced intent in 1981 to close down the program immediately generated thousands of letters from grassroots supporters in the region, as well as statements, letters, phone calls and resolutions from the Governors (at the time nine Democrats and four Republicans) of the thirteen Appalachian states. It has generated similar bipartisan support in Congress. . .

Testimonials from one California Republican Congressman and a second non-Appalachian colleague were appended to strengthen the ARC's case. The Californian was quoted as declaring:

I am particularly impressed that ARC programs have emphasized private sector initiative and involvement and have depended in some degree on level and regional decision-making and action. . .The focus and philosophy of the ARC may well serve as a model for federal and non-federal relationships of other sorts.

The unidentified Congressman is quoted as declaring:

It's just been a great American success story. You have established an infrastructure institutionally that works. My God, why reinvent the wheel?

And thus, as we near the planned sunset of the ARC, the wheeling and dealing, the puffing and posturing, continue apace.

## Epilogue

In late February 1985 the ARC—by means of a \$150,000 gala prematurely marking the 20th anniversary of the ARC—hit the headlines after a long absence.<sup>221</sup>

The latest hubbub shows elements of both continuity and change. Gold, silver, and bronze medallions awarded reminded the Lexington *Herald-Leader* of events of last summer and led to a predictable editorial cleverly entitled “ARC Wins a Gold Medal in the Olympics of Waste.”<sup>222</sup> But this time—at least in the following two weeks there was no “I’m madder than hell” response in the London *Sentinel-Echo* by Al Smith. Indeed the fire appears to have gone out of the ARC—No revving up at the ADD level; indeed, an awards ceremony is symbolic of the end of a season. The ranks of the warriors are depleted—Carl D. Perkins by death, Jennings Randolph by retirement, and at a lesser level Walter “Dee” Huddleston by upset.

“We have managed to keep funds coming,” Huddleston, the unsuccessful Kentucky Senatorial candidate declared during the summer of 1984, “through the guise of phasing out, it may be the longest phase out in history.”<sup>223</sup> At the ceremony there was the usual something old, something new routine. The new wrinkle was the approval of \$1 million to help reduce the school dropout rate, the funds to be funded through the Appalachian Foundation which is to go to the private sector for matching funds.<sup>224</sup> The something old being, of course, the large sum expended on road building. In March the House Appropriations Subcommittee received a \$311 million ARC request for an “orderly phase out.”<sup>225</sup> If the difficulty of the farm belt congressmen is passing a farm package with their combined clout is any indication, the ARC gala was the agency’s last hurrah.

## Footnotes

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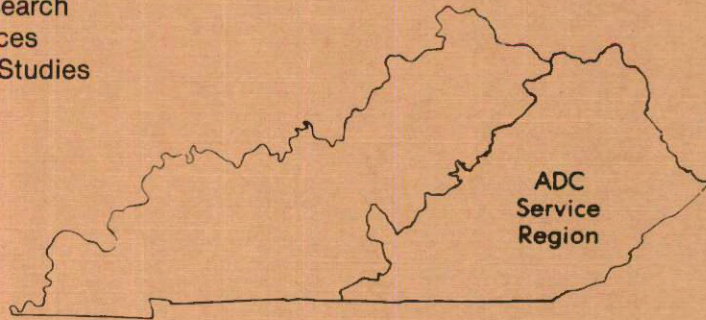
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217. Louisville *Courier-Journal*, April 14, 1983, AP, "ARC Forum Puts Focus on the Jobs of Future."
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219. Salyersville *Independent*, February 2, 1984, "So This Is the Way It's Done. . ."
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222. Lexington *Herald-Leader*, February 26, 1985.
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225. Lexington *Herald-Leader*, March 7, 1985, AP, "\$311 Million Phase-out Funds Urged For ARC."

The Appalachian Development Center was established in 1978 as Morehead State University's regional service arm. Committed to economic, social, and educational development in partnership with the people and institutions of Appalachian Kentucky, the center's major program areas are:

Business Development  
Regional Research  
Human Services  
Appalachian Studies



### **About the Author**

Stuart Seely Sprague has taught history at Morehead State University since 1968, including an Appalachian History course started in 1974. He has closely followed the activities of the Appalachian Regional Commission since its inception. In addition to frequent publications in scholarly journals, Dr. Sprague's column "Kentucky Yesterdays" appeared in numerous Eastern Kentucky newspapers during 1980. Currently he is preparing *Eastern Kentucky: A Pictorial History* for publication. Dr. Sprague received his B.A. and M.A.T. degrees from Yale University and his Ph.D. from New York University.

