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The Texas Model

The Lone Star State speeds up its recovery with pro-business policies.

Texas already looms large in its own imagination. Its elevated self-image didn't need this: More than half of the net new jobs in the U.S. during the past 12 months were created in the Lone Star State.

According to the Bureau of Labor Statistics, 214,000 net new jobs were created in the United States from August 2009 to August 2010. Texas created 119,000 jobs during the same period. If every state in the country had performed as well, we'd have created about 1.5 million jobs nationally during the past year, and maybe "stimulus" wouldn't be such a dirty word.

What does Austin know that Washington doesn't? At its simplest: Don't overtax and -spend, keep regulations to a minimum, avoid letting unions and trial lawyers run riot, and display an enormous neon sign saying, "Open for Business."

At bottom, the struggle between national Republicans and Democrats is over whether the country will adopt a version of the Texas model, or of the Michigan, New York, or California model. Will government allow the private sector to thrive, or stifle growth with its hyperactivity and favoritism for anti-business interests? If migration were a referendum, the Texas model would be winning in a rout — more than 1,300 people a day moved there between their 2007 and 2008 tax filings, according to Internal Revenue Service data.

It's not as though Texas has been exempt from the Great Recession. Its unemployment rate is 8.3 percent — high, though beneath the national rate of 9.6 percent. It faces a recession-driven shortfall of roughly \$15 billion for its next two-year budget, a significant challenge to its low-tax ways. But it has weathered the storm better than the nation, and better than its mammoth competitor on the West Coast.

A new Texas Public Policy Foundation report notes that Texas experienced a decline of 2.3 percent from its peak employment, while the nation declined 5.7 percent and California 8.7 percent. During the past 12 months, California nearly canceled out Texas's job creation all by itself, losing 112,000 net jobs. Its unemployment rate is above 12 percent.

Texas is a model of governmental restraint. In 2008, state and local expenditures were 25.5 percent of GDP in California, 22.8 in the U.S., and 17.3 in Texas. Back in 1987, levels of spending were roughly similar in these places. The recessions of 1991 and 2001 spiked spending everywhere, but each time Texas fought to bring it down to pre-recession levels. “Because of this policy decision,” the Texas Public Policy Foundation report notes, “Texas’ 2008 spending burden remained slightly below its 1987 levels — a major accomplishment.”

Less spending means lower taxes. Texas doesn’t have an income tax — in contrast to California’s highly progressive income tax — and it is among the 10 lowest-tax states in the country. Its regulatory burden is low across the board, and it’s a right-to-work state that enacted significant tort reform in the middle of the last decade.

It is true that Texas enjoys bountiful oil and natural-gas reserves, but its attitude toward those resources is what’s most important — “if you got ’em, use ’em.” If only the Obama administration’s Department of the Interior agreed. The state long ago defied the stereotype of an economy entirely dependent on bumptious oilmen. In Dallas–Fort Worth, Houston, San Antonio, and Austin, it has four diverse, thriving metropolitan areas featuring robust high-tech and manufacturing sectors.

In Texas in recent decades, the watchwords have been prudence and stability in the course of nurturing a pro-business environment, while California has undergone a self-immolation that Pres. Barack Obama wants to replay nationally. Joel Kotkin writes of California in *City Journal*, “During the second half of the twentieth century, the state shifted from an older progressivism, which emphasized infrastructure investment and business growth, to a newer version, which views the private sector much the way the Huns viewed a city — as something to be sacked and plundered.”

With predictable results. For policymakers wanting to restart the American jobs machine, forget the Alamo. Keep in mind the Texas model.

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