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OIL COMPANIES SHOULD SUPPORT THE COMMUNITIES THEY'RE A PART OF. WE AGREE.



How Texas Is Dominating the Recession

By Derek Thompson



SAN ANTONIO -- No state is thriving in the wake of the Great Recession. But compared to the rest of the country, Texas is experiencing something like an economic boom.

Pick your category, and Texas dominates. Three of the top five most resilient major metro areas for employment are in Texas: McAllen at one, Austin at three, and San Antonio at five. El Paso and Houston make the top 15. How about state debt? Texas ranks fourth in the country. Texas cities claimed four of the top five spots in the Milken Institute's Best Performing Cities Index, four of the top ten of Forbes' "[Cities Where the Recession is Easing](#)," and another four spots in last year's [Top Ten in Homebuilding](#) (admittedly, a bit like winning a Warmest Ice Cube contest).

Talk to folks in Texas about their state's good fortune, and they'll also point out that the Lone Star State would be the 15th largest economy in the world if it were really alone, and that [64 Fortune 500 companies](#) call Texas home, more than any other state. For relish: more Americans are [moving into Texas](#) than any other state, and CNBC recently named it [Top State for Business](#) for the second time in three years.

What's going on? From conversations with San Antonio business people and economists in and outside of Texas, I've settled on four reasons.

1. A Late Start

Texas has fared better in this recession partly because it got a late start. Early 2008 was a period of high energy prices and Texas was seeing a quiet energy boom, said Keith Phillips, a senior economist at the Federal Reserve Bank of Dallas. The high-tech industry also provided a bit of a buffer. When energy prices finally did fall as the recession picked up steam, Texas declined, albeit slower than the national average, and it's bounced back faster. Phillips credit three factors for the faster rebound. First, energy is growing again, "with the rig count making up about half the losses that it suffered after the collapse of energy prices in mid-2008." Second, manufacturing is leading the recovery and Texas exports are strong. Third, the Lone Star consumer is in better shape to spend because home prices haven't plunged.

2. Stable Real Estate

Real estate executives and economists struggled to find one reason why the Texas economy largely avoided the real estate boom and bust, but a few theories emerged. First, San Antonio Mayor Julian Castro suggested that a reliance on property taxes in Texas (compared to California) might have dulled real estate appreciation. Second, the banks that survived the Savings and Loan crisis in the 1980s have mostly held onto conservative and un-exotic lending practices. Third, land and utilities are generally cheaper throughout Texas, which holds down the cost of the living. Fourth, besides Dallas, Texas' major cities have diversified away from the kind of real estate and financial services addiction that plagued CaliFLAriVada (that's CA, FL, AZ, NV), where the recession has been the most severe.

3. The Right Mix

Texas' major cities have picked some of the more stable industries: especially Houston as the nation's energy hub, Austin as an education and high-tech leader, and San Antonio as a rock of stability on the pillars of health care, education, and military spending. The Alamo City in particular has been perhaps the most resilient major city in the country. It is the only large metro area to place in the top ten of these key post-recession categories: lowest unemployment, lowest percent job loss since December 2007, and lowest decline in home prices.

4. Something About Texas

Maybe it's the lack of a state income or capital gains tax. Or the dearth of union workers. Or the plentiful labor supply on the border of Mexico, or the lower wages, or the stable and lean regulations. There's something about Texas that makes it the most popular place for business to do its business, as CEO Magazine and CNBC both found the last year. As Brooke Rollins, president of the Texas Public Policy Foundation, told me: "Our research shows that the more tax incentives and less regulation you have, and the less likely businesses are to get sued, the more likely it is they'll want to come and prosper in your state."

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<http://www.theatlantic.com/business/archive/2010/07/how-texas-is-dominating-the-recession/60721/>

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