

Texas Public Policy Foundation

Keeping Texas Competitive

A Legislator's Guide to the Issues 2013-2014



Economic Freedom, Texas-style

The Issue

At the Texas Public Policy Foundation, we have been doing a lot of research recently on what we call “Economic Development: Texas-style.” What we mean by this is that rather than rely on government payouts to businesses, government spending, or government programs to keep the economy growing, Texas tends to rely on economic freedom.

Economic freedom doesn't get much press these days, and it gets even less attention from our courts and legislatures. This shouldn't be the case, though, because economic freedom is the most fundamental of all of our freedoms. What good is freedom of speech, assembly, or petition if our property, money, and ability to work are taken away from us?

The results of Texas' focus on economic freedom speak for themselves. Texas has created more jobs in the last 10 years than all of the other states combined. The five largest cities in Texas rank in the top seven nationally—out of 66—when it comes to job growth.

One way is in lower government spending. Texas government spends much less as a percentage of the private economy than the U.S. or our largest competitor, California. The reason for this is that when the spending burden has begun to grow—usually during a recession, Texas policymakers have stepped up to the plate and brought it under control.

Next, it follows that if a state keeps its spending low, its taxes will be low as well. Indeed, that is the case here in Texas; low taxes are the second way in which Texas fosters economic growth through economic freedom. Texas ranks 43rd in state tax collections at \$1,646 per capita. One reason for this is that we don't have a state income tax.

Finally, Texas promotes economic freedom through a focus on protecting private property rights. There are two parts to this: stopping the government from taking our property through eminent domain, and stopping the government from limiting our ability to use our property through land-use restrictions and economic regulation. In both, we do better than most.

To sum it all up, Texas is the national leader in economic freedom because we spend less, tax less, and regulate less.

But we need to remain vigilant. Texas' spending burden has begun to increase again, and we are facing what looks to be a \$4 billion plus budget deficit in 2013 and \$10 billion plus shortfall in 2014-15. Calls for new revenue are coursing through the political debate. Plus, Texas still allows cities too much leeway when it comes to imposing regulations on property owners.

The Facts

- Texas has created more jobs in the last 10 years than all of the other states combined.
- The five largest cities in Texas rank in the top seven nationally—out of 66—when it comes to job growth.
- Supply-side economist Dr. Art Laffer ranks Texas as having the third best state economic performance—and first among the most populous 44 states—in the last 10 years.

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- Challenges to keeping our economic lead lie ahead: we are facing what looks to be a \$4 billion plus budget deficit in 2013 and \$10 billion plus shortfall in 2014-15.

Recommendations

- Texas does not need any new revenue in its effort to balance the budget in 2014-15. Texas shouldn't raise taxes to keep up with increased government spending; instead, the growth in government must be reduced to keep spending within available revenue.
- Get government spending on education, medical care, and welfare under control by increasing consumer choice, promoting economic growth in order to reduce the need for much of this spending, and letting the competition work in all of these systems to increase efficiencies and reduce costs.
- Reduce the overregulation, unnecessary programs, and subsidies to businesses and consumers that cost Texans billions of dollars each year while reducing economic growth.
- Implement Tax and Expenditure Limitations so that state and local spending from all sources increase only by the sum of population growth plus inflation or the growth in gross state product or personal income, whichever is less.
- Amend the Texas Real Private Property Rights Preservation Act to cover regulatory takings of property by cities.

Resources

Texas' 2012-13 Budget: The Good, the Bad, and the Ugly by The Honorable Talmadge Heflin and James Quintero, Texas Public Policy Foundation (Mar. 2012).

The Texas Model: Texas v. U.S. Unemployment Rate Update by James Quintero, Texas Public Policy Foundation (Feb. 2012).

Economic Freedom, Texas Style by Bill Peacock, Texas Public Policy Foundation (Dec. 2010).

Regulatory Takings: The Next Step in Protecting Property Rights in Texas by Ryan Brannan, Jay Wiley, and Bill Peacock, Texas Public Policy Foundation (July 2010).

Economic Development: Texas Style by Bill Peacock, Texas Public Policy Foundation (Mar. 2010).

