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Veritas

A PUBLICATION OF THE TEXAS PUBLIC POLICY FOUNDATION



Taking on Forced Annexation
Point by Point

Liberty or Economic Growth?
Texas Can Have Both if We
Rely on the Free Market

2016 Policy Orientation
& Visionaries Meeting

Texas Public Policy
FOUNDATION



Veritas

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Cover photo: Jody Gibson (Dec. 2015)

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PRESIDENT'S MESSAGE

Dear friend,

In this issue of *Veritas*, please join me in reviewing the final events of a stunningly successful year for the Texas Public Policy Foundation, and in taking a glance ahead at what's to come in 2016!

This has been an historic year for the Foundation. In April, on San Jacinto Day, we celebrated the opening of our new headquarters in Austin—the Michael S. Stevens Building at 901 Congress Avenue. From inside the walls of this permanent home for liberty, our champions of freedom achieved a communications milestone when the Foundation's media reached an aggregate annual audience of over 1 billion views for the first time ever—an amazing reach for liberty, and comparable to that of a D.C. organization with 10 times our operating budget. Within just the past few months, we celebrated the launch of our new Center for the American Future's first lawsuit against the federal government, leveraging the power of the judiciary to restore liberty not just to Texas, but to the nation.

TPPF is a state-based think tank, and everything we do is fundamentally anchored in the fact that we are Texans. Here under the Lone Star, the spirit of the pioneers, of victorious San Jacinto, of a proud independent Texan Republic lives on. Texas is woven into the very fabric of our identity, and this state is always the first focus of our policy. But today, we know that the light of the Lone Star illuminates the other 49 united states, offering them a vision of what free-market prosperity and the fiercely loyal defense of liberty look like in action. And that is why we have seen our efforts grow on such a massive scale—we bring a message that the rest of the nation is longing to hear, a message that offers real, constructive alternatives to the statist ambitions and repressive government overreach forced on the American people by Washington, D.C.

That is why the theme of our 26th Anniversary Gala on November 6th was "Forging the American Future: Building Tomorrow in Texas Today." In this issue, you will see a brief review of this engaging and inspiring evening, on which nearly 250 friends of TPPF gathered in Dallas to

commemorate what we have achieved in more than a quarter-century of work for liberty, and to celebrate what we will be doing to continue advancing the Texas model of the American Dream in the years to come. Forging the American future in Texas isn't aspirational: it's actual. It's exactly what we are doing here, every day.

In these pages, you will also learn about two of the critical elements of our 2016 work preparing for the next legislative session. Our Policy Analyst, Allegra Hill, has a must-read piece on local governance—and how to get it right in Texas. And our Vice President of Research, Bill Peacock, has a look at corporate subsidies, an important economic policy concern. The research and work we do in 2016 lays the foundation for advancing liberty—and keeping Texas a model for the rest of America.

Early this month, we hosted two of our most important annual events. If you were able to attend the 2016 Policy Orientation for the Texas Legislature and the concurrent 2016 Visionaries Meeting, then you know how unique and important these events are. Together, they provided policymakers, legislative staff, our most generous donors, and other key stakeholders with an insider's overview of the major issues, challenges, and priorities facing our state in the year ahead.

The Texas Public Policy Foundation is a state think tank but, because of our unique success, we have gained a national relevance. As Texans, we're used to thinking big, and welcoming a challenge. And we can think of nothing we'd rather do than work to preserve liberty under the Lone Star, holding strong to the greatness of the American Dream as we know it.


Brooke Rollins
President and CEO



Veritas

Veritas is a publication of the Texas Public Policy Foundation, a 501(c)3 nonprofit, nonpartisan research institute. The Foundation's mission is to promote and defend liberty, personal responsibility, and free enterprise in Texas and the nation by educating and affecting policymakers and

the Texas public policy debate with academically sound research and outreach. Our goal is to lead the nation in public policy issues by using Texas as a model for reform.

TAKING ON FORCED ANNEXATION, POINT BY POINT

by Allegra Hill

Believe it or not, municipal conquest is legal under Texas law. For more than 100 years, home-rule cities have exercised the power to unilaterally expand their boundaries, inflicting their government, regulations, and taxes on new areas without giving affected property owners a say in the process. Houston conquered the still-bitter Kingwood area in 1996, Midlothian began its usurpation of approximately 3,500 acres in 2014, San Antonio is currently in the process of imposing its rule on 200,000 Bexar County residents, and Hudson Bend is bracing itself to be overtaken by Austin within the next several years.

How can this be? Why would the most liberty-minded state in the nation allow its local authorities to usurp power, and to impose their government on an increasing number of Texans? Proponents of forced annexation offer a variety of explanations for the process, none of which pass muster. In fact, their arguments simply reveal deeper levels of injustice, and demonstrate the dangers of an “ends-justifies-the-means” mentality. Let’s examine each argument point by point.

Argument made by forced annexation advocates, testifying before the Senate Interim Committee on Annexation in 1998:

The power of unilateral annexation enables a municipality to guide the development of land surrounding the city.

Response

First, cities’ desire to guide the development of neighboring areas does not explain why such areas should be denied participation in the process. If such guidance is necessary, then why wouldn’t outlying areas want city assistance? Furthermore, if the landowners surrounding a city do not desire city assistance in their growth, then why should a city be entitled to override that decision? The relevant land is outside city limits by definition, and those who decide to live there do so intentionally, choosing a certain way of life and governing structure. Thus, it is no justification to argue that unilateral annexation helps to guide development near the city—the argument simply restates cities’ desire to expand their boundaries.

DID YOU KNOW? Only four other states permit unilateral annexation comparable to that allowed by home-rule cities in Texas: Idaho, Indiana, Kansas, and Nebraska. While forced annexation advocates speak of the process as if it is a fundamental right, most cities in the country have been able to function and thrive without legal conquest.

Argument made by forced annexation advocates, as cited in *The Economist* in May 2015:

Unilateral annexation permits cities to share the benefits of growth in surrounding areas, without which the cities would languish. The failure to annex prosperous, surrounding areas was partially responsible for the economic problems in Detroit and St. Louis. If San Antonio had the same boundaries that it had in 1945, it would contain more poverty and unemployment than Newark, New Jersey.

Response

This argument gets it backwards. Texas cities are not doing better than Newark and Detroit because they can forcibly annex surrounding areas; they are doing better because in general—unlike Newark and Detroit—Texas cities do not force poverty-inducing taxes and regulations on their own residents.

If anything, annexation encourages cities to ignore the poverty within their existing boundaries. Forced annexation advocates are acknowledging that the intercity parts of many Texas municipalities are poverty-stricken, and—rather than proposing a policy solution to encourage prosperity—are telling cities to fake improvement by annexing more affluent outlying areas. While adding wealthy suburbs to the city’s tax base may temporarily improve certain economic indicators, it does nothing to address the underlying structural problems caused by big city governments stripping the private sector of the resources and ingenuity needed to spur economic growth.

The argument not only encourages cities to ignore the poverty sitting under their noses, but

motivates them to discriminate in terms of the areas they annex. It stands to reason that cities driven by economic statistics will favor annexing the more successful, wealthy, and in many instances socially-homogenous neighborhoods to improve their immediate fiscal position, leaving poorer residents to fend for themselves. More importantly, adding wealthy suburbs to the city’s tax base may temporarily improve certain economic indicators, but does nothing to address the underlying structural problems that cause big city governments like San Antonio and Detroit to absorb and waste taxpayer funds.

Argument made by forced annexation advocates, justifying the policy in Abilene’s Comprehensive Plan:

The power of unilateral annexation permits a city to maintain a strong economic base by extending its boundaries to bring in taxable properties and other resources required to finance municipal services.

Response

Cities have other, better methods of maintaining a strong economic tax base that do not involve an undermining of the democratic process. Cities can attract new businesses and new tax revenue by loosening regulations and lowering tax rates, i.e., adopting the Texas Model. To add icing to the cake, increasing economic activity within a city does not require cities to provide extended services, issue bonds, or take out debt. Cities often underestimate the costs associated with extending their services to newly-annexed areas. In fact, as cities annex more and more land, they tend to spend less per capita on services. Rather than creating efficiencies, the added territory simply strains and dilutes existing resources.

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The Texas Public Policy Foundation's Chuck DeVore leads a discussion on annexation reform with State Senator Donna Campbell, State Representative Dan Huberty, and Former U.S. Senator Phil Gramm. The discussion took place as a plenary session at the 2016 Policy Orientation, and was often interrupted with rounds of applause from the audience.

This point was illustrated recently when the San Antonio Police Officers Association came out in strong opposition against the City's aggressive annexation plans, arguing that the police department was already having trouble meeting current service demands. Mike Helle, president of the police union, even proclaimed, "I think it's [annexation's] a horrible idea. We're barely covering what we've got right now." It is easy to see how even the best laid annexation plans may not achieve the desired outcomes. There is simply no reason to use forced annexation when a more effective, less expensive policy alternative is available.

Argument made by forced annexation advocates in the Texas Municipal League:

Annexation is not a violation of property rights amounting to "taxation without representation" because, upon annexation, the law grants residents of an annexed area the power to vote in all matters relating to the city.

Response

Giving property owners a vote after annexation

does not resolve the property rights issue. Giving a property owner the right to participate in the process after a unilateral modification of his property rights does nothing to address the problem that the owner's property became subject to city jurisdiction without his consent.

Argument made by forced annexation advocates, justifying the policy in Nacogdoches' Annexation Plan:

Cities annex territory as a means of ensuring that residents and businesses outside a city's corporate limits who benefit from access to the city's facilities and services share the tax burden associated with constructing and maintaining those facilities and services.

Response

This argument ignores the fiscal contribution already made by people living outside the city limits. Shoppers who come into the city generally pay a local option sales tax on any goods or services purchased. Commuters filling up at the pump will pay a gas tax that helps pay for the roads and schools. Consumers needing

certain city services pay fees that help cover the cost of government facilities and operations. The list goes on.

Additionally, as previously noted, annexation usually doesn't mean that a city is recouping costs for already-provided services. Instead, annexation usually leads to a city taking on more costs. To illustrate this point, Texas law requires the annexing city to prepare a plan mapping out how the city will extend services to newly-annexed areas. A 2009 study by Mary Edwards and Yu Xiao revealed that cities often take out bonds to support the costs of extending services to newly-annexed areas. Bonds to extend services would not be necessary if the city were simply "recouping costs."

Argument made by forced annexation advocates, in their presentation at a Texas land use planning conference:

Texas cities and other local governments pay for more services that benefit the entire state, and unlike other states, Texas cities receive little state-generated revenue. If annexation authority were to be severely curtailed or eliminated, Texas would become the only state in the nation that denies both state financial assistance and annexation authority to its cities.

Response

At best, annexation allows a city to distribute the tax burden over a wider portion of the

state. If forced annexation advocates are truly concerned with taxing the beneficiaries of their services, then they should instead advocate for a flat sales tax in place of the property tax. In contrast to a property tax, a consumption-based tax would allow cities to capture more revenue from visitors who purchase and use city services.

Ultimately, all of the arguments proffered by forced annexation advocates share a common fatal flaw: they rely on the premise that the ends can justify the means. The advocates claim that the alleged benefits of annexation—maintaining a strong economic base, controlling growth, and sharing the cost of infrastructure—warrant the cities' imposition of power over property owners without a vote. However, even overlooking the dubious nature of annexation's alleged benefits, this argument doesn't pass muster.

The United States was built on both the concept of liberty, and on the crucial role of due process in maintaining our liberty. Our founding fathers broke from England chanting "taxation without representation," fundamentally objecting not only to the onerous tax, but also to the fact that they did not have a say in the processes of their government. Both liberty and the means of upholding liberty must be protected. This was true for the colonies, and it is just as true when it comes to annexation. No matter how well-intentioned cities claim to be, or how admirable their ends, it cannot justify municipal conquest. ★



Allegra Hill is a Policy Analyst in the Center for Local Governance. Prior to joining the Foundation, she practiced state tax law in Austin, challenging Texas tax assessments through the legal system. Before moving to Austin, Hill served as a prosecutor in the Wichita County District Attorney's Office, where she successfully tried and resolved hundreds of misdemeanor, juvenile, and mental health cases. She earned her undergraduate degree in economics from Northwestern University, before escaping the cold to attend Baylor Law School in her native Texas. She graduated *magna cum laude* from Baylor Law in 2013. Hill is a member of the Austin Bar Association, and serves as Publicity Co-Chair for the Travis County Women Lawyers' Association. She enjoys listening to audiobooks, doing jigsaw puzzles, taking roadtrips, writing computer programs, and debating theology.



26th ANNIVERSARY GALA

On Friday, November 6th, nearly 250 friends and supporters of the Texas Public Policy Foundation, including some of the most distinguished champions of liberty in the country, gathered to attend the Foundation's 26th Anniversary Gala at the George W. Bush Presidential Library and Museum in Dallas, Texas. The evening was a celebration of freedom, prosperity, and the spirit necessary to sustain both.

Legendary football coach Lou Holtz delivered a heartwarming keynote address, highlighting the importance of working as a team and a devoted family—lessons the Foundation family practice and embody every day. An array of other friends also offered their remarks, including Lt. Governor Dan Patrick, Attorney General Ken Paxton, State Representative Pat Fallon—who once played for Coach Holtz—and LTC Allen West, USA (Ret).

During the evening, several key friends and allies of the Foundation were publicly recognized for their achievements and contributions to freedom's cause. Doug Deason was honored as a Lone Star Champion for his incredible leadership to advance key nondisclosure reform in criminal justice policy this session, securing brighter futures for Texans striving to rejoin their communities after being convicted of minor offenses.

We also took the time to remember two dedicated patriots and dear friends we lost suddenly this year: Joe Mabee and Terence Murphree.

The Texas Public Policy Foundation's 26th Anniversary Gala gathered together in one room many loyal Texas patriots, happy warriors for the American Dream, which today finds its fullest expression in our Lone Star State. Here, in opposition to Washington's policies of control, waste, and irresponsibility, TPPF stands and mounts a defense of liberty, opportunity, limited government, fiscal responsibility, prosperity, and the American future. ★



LEFT TO RIGHT: TPPF President Brooke Rollins welcomes guests to the 26th Anniversary Gala. | Coach Lou Holtz autographs a program after his inspirational speech. | Guests enjoyed touring the nationally-acclaimed museum exhibits at the George W. Bush Presidential Library. | Lt. Col. Allen West (left) was one of the evening's many guest speakers. | From left, Texas Lt. Gov. Dan Patrick, Coach Lou Holtz, Susan Fallon, and Texas State Rep. Pat Fallon pose for a picture. As a former player for Coach Holtz, Rep. Fallon had the honor of introducing the Coach. | Angela Paxton, wife of Texas Attorney General Ken Paxton, treated guests to a rendition of the national anthem and some original music during the sponsor reception.

POLICY ORIENTATION

FOR THE TEXAS LEGISLATURE 2016

The Texas Public Policy Foundation hosted our 14th Annual Policy Orientation for the Texas Legislature at the Hilton Austin on January 6-8. Our flagship event always makes big news and sets the standard for liberty across the nation. This one, though, may have been our most important PO yet. Over the course of the three-day event, nearly 1,000 attendees and some of today's most courageous leaders for liberty came together to lay the groundwork for keeping America free in the 21st century.

Lieutenant Governor Dan Patrick, a dedicated advocate for education freedom, delivered a message every single policymaker in the Lone Star State needed to hear: he intends to champion the cause of education freedom again in the 2017 legislative session. This is a key issue on which TPPF was established 26 years ago, and Patrick's announcement offers a future of great hope to Texas parents, children, and teachers.

At our closing luncheon, Governor Greg Abbott delivered a courageous and history-making keynote address. The unveiling of the "Texas Plan" for an Article V Convention of States represents the boldest proposal for the reform of American governance since the 14th Amendment nearly 150 years ago. At a stroke, the Governor claimed the high ground for Constitutional reform that returns American life and government to the people. He placed the Lone Star State at the center of that endeavor—and he did it at our Policy Orientation. Truly, this Foundation is leading the way, and history will remember where it all began. You'll want to watch both of these addresses in full on our YouTube channel.

Concurrently, more than 120 of the Foundation's most generous patriots joined us from across the country for three days to attend Visionaries Meeting. This exclusive program occurs alongside Policy Orientation and offers our supporters a behind-the-scenes look at policy in Texas and beyond. After each keynote address, our Visionaries convened for a private, off-the-record Q&A session with the speaker in addition to private, off-site receptions and dinners with special guest speakers.

This was unquestionably the biggest Policy Orientation ever in terms of media with more than 2,300 unique livestream viewers and a record number of media hits—over 500 total—reaching an aggregate audience of 50.5 million, a 160% and a 221% increase over 2015, respectively. Governor Abbott's closing keynote was covered live by local news stations, and during the second day, our event hashtag—#TXPO2016—trended nationally in the top 50 on Twitter.

It is no accident that a good proportion of the 2016 Presidential field has delivered a keynote at our Policy Orientation some time over the past few years. Every January, Austin, Texas plays host to the future of liberty. It is that important. In saving Texas, we know that we are saving America. ★



LEFT TO RIGHT: Surprise guest Governor Rick Perry presents TPPF Brooke Rollins with a cap touting his new favorite slogan, "Make America like Texas." | Brooke wears the hat proudly during her opening remarks. | Keynote speaker Sgt. Dakota Meyer, the first living Marine in nearly 40 years to have been awarded the Medal of Honor, shares a laugh with Visionaries Meeting attendees. | Guests enjoyed a diverse and engaging lineup of keynote speakers. | Visionaries Meeting attendees were welcomed to TPPF's new headquarters building for a reception and tour. | Senate Education Chairman Larry Taylor and TPPF board member Stacy Hock discuss education policy on one of 25 panel discussions.



LEFT TO RIGHT: Former U.S. Senator Tom Coburn speaks at the Thursday breakfast session. | Visionary Donors received priority seating at our packed sessions. | Visionaries enjoyed a reception at the beautiful home of TPPF Board member Stacy Hock. | The Honorable Kent Grusendorf (far left) moderates a panel discussion on school choice with Nevada Lt. Gov. Mark Hutchison, Texas Lt. Gov. Dan Patrick, and former U.S. Senator Phil Gramm. | Texas Supreme Court Justice Don Willett addresses Visionaries at the Austin Country Club. | Texas Land Commissioner George P. Bush was one of the conference's many speakers.

LEFT TO RIGHT: Political commentator Ben Domenech, left, moderates a panel of representatives from the Rubio, Cruz, Bush, and Jindal Presidential campaigns. | Policy Orientation offers an unparalleled networking opportunity for attendees. | Policy Orientation received record media coverage, with news outlets from across the country present to film the event. | Governor Greg Abbott made Policy Orientation the platform from which to give one of the biggest speeches of his career thus far.

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Liberty or Economic Growth? Texas Can Have Both if We Rely on the Free Market

by Bill Peacock

Conservatives have long questioned whether welfare is the best way to help the least fortunate among us. This concern was highlighted in the 1995-96 welfare reform debate that led to a significant transformation of America's welfare system.

Perhaps nothing was more influential in shaping this debate than author Marvin Olasky's 1992 book, *The Tragedy of American Compassion*. In his book, Olasky made the case that America's welfare system born out of the Great Society had failed; not only because a lot of money was squandered with little results, but also because the system corrupted human souls and eroded our national character.

Olasky found that the culture of entitlement fostered by the welfare state eroded the traditional American virtues of seeking to better oneself and helping to better one's neighbor. Self-improvement morphed into dependency while charity gave way to complacency. Social mobility gave way to a seemingly permanent underclass that more and more has to turn to the government for help. Despite these obvi-

ous failings, however, the debate over welfare for the poor continues today as the Obama Administration has sought to expand governmental "compassion" by undermining some of the key reforms from the nineties.

More recently, a debate over a different type of welfare has taken hold. Today, conservatives are challenging whether what is often called "corporate welfare" achieves its stated goal of boosting economic growth. And, as in the case of traditional welfare, the debate extends beyond the effectiveness of corporate welfare to the impact it has on the principles on which this country was founded—particularly that of liberty.

Corporate welfare, also known as economic development, is widely used throughout Texas and the nation. From local tax abatements to the Export-Import Bank, governments provide billions of dollars each year in benefits to businesses in an attempt to improve the outcomes of the marketplace. In Texas alone, tax abatements, renewable energy subsidies, development incentives, and direct payments total more than \$2 billion annually.

“Since the beginning of the Great Recession, Texas has added 1.3 million jobs, far more than any other state and 39 percent of all non-farm U.S. jobs created during that time. Texas has also become the nation's top exporting state. Its \$289 billion in exports in 2014 accounted for more than 17 percent of the U.S. total. And Texas poverty rate for is second lowest among the 12 largest states.”

The most recent high profile debate over subsidies involved several Texans in Congress who took the lead in delaying the reauthorization of the Export-Import Bank. Their efforts were not appreciated by several Texas business groups that, in an attempt to keep the corporate subsidies flowing to their members, said opposition to the bank amounts to putting “politics ahead of economic progress and pay-rolls.”

Meanwhile, here at home there's also been a spirited debate about what to do with some of Texas' own economic development programs. The Texas Legislature recently abolished the state's Emerging Technology Fund and reduced funding for the Texas Enterprise Fund. Additionally, a recent announcement of almost \$150 million in property tax abatements for Facebook's new data center in Fort Worth—which will be powered by subsidized renewable energy—spurred a lively discussion.

Proponents of government economic development programs claim that they have a proven track record of growing the economy and creating high-paying jobs. While there are multiple responses to this claim, we can start by pointing out that Texas has proven there is even a better path to economic development—the Texas Model.

Texas is a national leader in relying on the free market to increase prosperity within its borders. The Texas Model is really simple: lower

taxes, less regulation, fewer frivolous lawsuits, and reduced reliance on the federal government. It's also very successful. The results speak for themselves, with Texas leading the nation in just about every economic category. Since the beginning of the Great Recession, Texas has added 1.3 million jobs, far more than any other state and 39 percent of all non-farm U.S. jobs created during that time. Texas has also become the nation's top exporting state. Its \$289 billion in exports in 2014 accounted for more than 17 percent of the U.S. total. And Texas' poverty rate is second lowest among the 12 largest states.

Texas isn't alone. States that cut taxes and return surpluses to taxpayers have much stronger economic growth than states that use government spending to grow an economy. From 2001 to 2011, the economies of states without an income tax grew 23 percent more than the average state, and 36 percent more than the states with the highest income tax rates. The benefits of the market approach hold true even when looking specifically at economic development spending; job growth in the states with the lowest per capita economic development spending averaged 5.5 percent from 2007 to 2014 while job growth in the states with the highest per capita economic spending averaged only 1.8 percent.

The evidence that the Texas Model outperforms corporate welfare is compelling. But it is also important to examine why corporate welfare can have some of the same corrosive

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Detroit's Poletown Neighborhood: Before and After

effects as welfare for individuals and fails to live up to the core American ideal of protecting “life, liberty, and the pursuit of happiness.”

If a large corporation used its expertise to break into the bank accounts of Texans and transfer millions of dollars into its own account, everyone would condemn this action as theft. Those who ordered and conducted the raids would be prosecuted and locked in jail. However, let the government take the money from Texans' bank accounts and then give it to the same company and it is called economic development.

The irony of this becomes even more obvious when examining many of Texas' so-called “consumer protection” laws. For instance, two motels in Texas faced civil actions from the state for raising their prices as people evacuated the coast in advance of Hurricane Ike. Similarly, in 2006 the state sought tens of millions of dollars in fines from TXU when it raised wholesale electricity prices a bit too high to suit regulators.

This results in a situation where on the one hand the government is prosecuting some businesses for raising prices in voluntary market transactions but on the other hand it is taking money from citizens and giving it to other businesses. In addition to this moral hazard, we have the example of what happened in Poletown in the name of economic development.



Poletown was a neighborhood in Detroit which took the name of the Polish immigrants that had at one time lived there. However, by the 1970s, it had become a predominantly black neighborhood. About that time development planners in Detroit came up with the idea to stem Detroit's ongoing economic decline by turning Poletown into a General Motors plant. They put the plan in motion, using eminent domain to force people out of their homes and businesses. Once the Michigan Supreme Court sided with the city in 1981, 4,200 residents in Poletown were displaced and 1,400 homes were destroyed. The Court's reversal of its *Poletown* decision 23 years later came too late to help the residents.

Texans, however, don't have to travel out of state to witness examples of technocratic economic development. The Dallas City Council decided in 2005 that Ross Avenue was much better suited for upscale apartments and condominiums than the numerous auto repair shops and used car lots that occupied it at that time. So the city re-zoned Ross Avenue, turning many of the existing businesses into “non-conforming uses.”

Overnight, businesses like Woodard Paint and Body Shop could no longer legally operate on Ross Avenue, despite the fact that in Woodard's case it had occupied its location since 1976. The Texas courts wouldn't help owner Allen Woodard, but he put up a political fight and at a cost of close to \$100,000 was able to operate on Ross Avenue longer than most of his neighbors. However, Woodard finally closed his doors last year, eight years after the Dallas City Council started its campaign against his business.

In all of these cases, we have politicians, planners, and businesses using the economic development process to benefit the parties involved with the rights of affected property owners, taxpayers, and workers being pushed aside. All for programs that are not as effective at boosting the economy as the actions of the market place.

A proper understanding of how economies work and grow is necessary to understand why government economic development programs are not as effective as the market. Economies flourish only because of the division of labor, which allows people to specialize. Because

of this, we no longer have to grow our own food, build our own houses, or make our own tools. But for specialization to work, we need a complex system of exchange. Factory workers can't eat tractors and farmers can't use corn cobs to plow their fields. The complexity of getting corn cobs to workers and tractors to farmers can't be accounted for in central planning.

Yet policymakers assume just the opposite when they endorse government economic development spending. They believe that either they or government planners can best determine what technology has the best chance of success, which jobs and products best supply society's needs, and where best to expend scarce supplies of capital. They believe that they just can't sit back and let the economy take care of itself; they have to take money and property from citizens in order to solve real problems in the real world. *continued >>*



Woodard Paint and Body: Before and After

Texas Economic Development Programs and Corporate Subsidies

| |
|--|
| Chapter 312 - Property Tax Abatement Act |
| Chapter 313 - Texas Economic Development Act |
| Chapter 311 - Tax Increment Financing Act |
| Chapter 11 - The Freeport and Goods in Transit Exemptions Development Corporation Act - Type A and B Economic Development Corporations |
| Chapter 377 - Municipal Development Districts |
| Chapter 387 - County Assistance Districts |
| Chapter 2303 - The Texas Enterprise Zone Program |
| Event Trust Funds |
| Chapter 380 - Economic Development Municipality Agreements |
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| Chapter 378 - Neighborhood Empowerment Zones |
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| Texas Moving Image Industry Incentive Program |
| Arts Organization Grants |
| Texas Enterprise Fund |
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| Industrial Revenue Bond Program |
| Texas Capital Fund Infrastructure Development Program |
| Texas Capital Fund Real Estate Development Program |
| Texas Enterprise Zone Program |
| Manufacturing Exemptions - Tangible Property |
| Manufacturing Exemptions - Natural Gas & Electricity |
| Value Limitation and Tax Credits (Texas Economic Development Act) |
| Freeport Exemptions |
| Pollution Control Equipment Incentive |
| Spaceport Trust Fund |
| CPRIT Product Development - Company Commercialization |
| Economic Development Bank |
| Commercialization Awards |
| Texas Historic Preservation Tax Credit Program |
| Agricultural Loan Guarantee Program |

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| Agricultural Interest Rate Reduction Program |
| Young Farmer Grant |
| Texas Equine Incentive Program |
| Parallel Pathways to Success Grant Program |
| Texas Oyster and Shrimp Program |
| Texas Wine Marketing Assistance Program |
| Texas Emissions Reduction Plan (TERP) |
| Housing Trust Fund |
| TWC Skills Development Fund |
| PUC Energy Efficiency Program |

This ivory tower approach to economic development stands in stark contrast to the ongoing economic development activities taking place each day in the real world. Millions of consumers are haggling over prices with hundreds of thousands of suppliers trying to determine which mix of jobs, products, and capital allocation will best help the economy grow. Regulators can't make sense of this all. What is needed to make this system work are entrepreneurs who place their own capital at risk while attempting to coordinate the allocation of our precious supplies of labor and capital. While they are not always successful, the information available to the millions of entrepreneurs operating in the marketplace is vastly superior to what is available to regulators. Add to this the fact that government economic development takes money away

from consumers and puts it into the hands of economic development planners, and it is easy to see why centralized economic planning is nothing but high stakes gambling with taxpayer money.

Texas is the national leader in increasing prosperity for its citizens. It has arrived at this point because it has relied on the free market model of economic development and protected the rights of its citizens while largely rejecting the government approach. Building upon this approach, Texas should reduce or eliminate current economic development programs, restrain growth in overall government spending and regulation, and reduce taxes. Relying on markets is the best way to promote liberty and boost the economy. ★



Bill Peacock is the vice president of research and the director of the Center for Economic Freedom at the Texas Public Policy Foundation. He has been with the Foundation since February 2005. Bill directs the research of the Foundation to ensure its accuracy, integrity, and application of free market principles to the issues facing Texas and the nation. His own research focuses on economic freedom and growth, property rights, civil justice, and regulatory issues. Bill has extensive experience in Texas government and policy on a variety of issues, including economic and regulatory policy, natural resources, public finance, and public education. His work has focused on identifying and reducing the harmful effects of regulations on the economy, businesses, and consumers.



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