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## The Lone Star Jobs Surge

### **The Texas model added 37% of all net U.S. jobs since the recovery began.**

Richard Fisher, the president of the Federal Reserve Bank of Dallas, dropped by our offices this week and relayed a remarkable fact: Some 37% of all net new American jobs since the recovery began were created in Texas. Mr. Fisher's study is a lesson in what works in economic policy—and it is worth pondering in the current 1.8% growth moment.

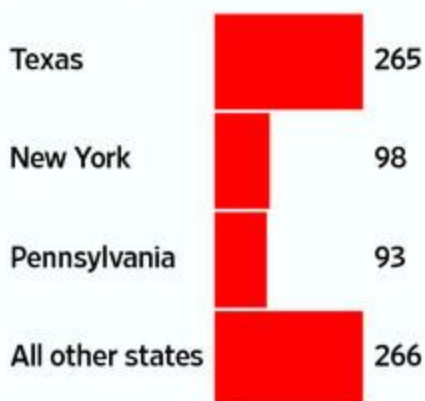
Using Bureau of Labor Statistics (BLS) data, Dallas Fed economists looked at state-by-state employment changes since June 2009, when the recession ended. Texas added 265,300 net jobs, out of the 722,200 nationwide, and by far outpaced every other state. New York was second with 98,200, Pennsylvania added 93,000, and it falls off from there. Nine states created fewer than 10,000 jobs, while Maine, Hawaii, Delaware and Wyoming created fewer than 1,000. Eighteen states have lost jobs since the recovery began.

The data are even more notable because they're calculated on a "sum of states" basis, which the BLS does not use because they can have sampling errors. Using straight nonfarm payroll employment, Texas accounts for 45% of net U.S. job creation. Modesty is not typically considered a Texas virtue, but the results speak for themselves.

Texas is also among the few states that are home to more jobs than when the recession began in December 2007. The others are North Dakota, Alaska and the District of Columbia. If that last one sounds like an outlier at first, remember the government boom of the Obama era, which has helped loft D.C. payrolls 18,000 jobs above the pre-crisis status quo. Even so, Texas is up 30,800.

## The Texas Example

Net new jobs since the recession ended in June 2009, through April 2011, in thousands



Source: Federal Reserve Bank of Dallas

What explains this Lone Star success? Texas is a big state, but its population of 24.7 million isn't that much bigger than the Empire State, about 19.5 million. California is a large state too—36.9 million—and yet it's down 11,400 jobs. Mr. Fisher argues that Texas is doing so well relative to other states precisely because it has rejected the economic model that now prevails in Washington, and we'll second that notion.

Mr. Fisher notes that all states labor under the same Fed monetary policy and interest rates and federal regulation, but all states have not performed equally well. Texas stands out for its free market and business-friendly climate.

Capital—both human and investment—is highly mobile, and it migrates all the time to the places where the opportunities are larger and the burdens are lower. Texas has no state income tax. Its regulatory conditions are contained and flexible. It is fiscally responsible and government is small. Its right-to-work law doesn't impose unions on businesses or employees. It is open to global trade and competition: Houston, San Antonio and El Paso are entrepôts for commerce, especially in the wake of the North American Free Trade Agreement.

Based on his conversations with CEOs and other business leaders, Mr. Fisher says one of Texas's huge competitive advantages is its ongoing reform of the tort system, which has driven litigation costs to record lows. He also cited a rule in place since 1998 in the backwash of the S&L debacle that limits mortgage borrowing to 80% of the appraised value of a home. Like a minimum down payment, this reduces overleveraging and means Texas wasn't hurt as badly by the housing crash as other states.

Texan construction employment has contracted by 2.3% since the end of the recession, along with manufacturing (a 1.8% decline) and information (-8.4%). But growth in other areas has surpassed these losses. Professional and business services accounted for 22.9% of the total jobs added, health care for 30.5% and trade and energy for 10.6%.

**The Texas economy has grown on average by 3.3% a year over the last two decades, compared with 2.6% for the U.S. overall. Yet the core impulse of Obamanomics is to make America less like Texas and more like California, with more government, more unions, more central planning, higher taxes. That the former added 37% of new U.S. jobs suggests what an historic mistake this has been.**

Courtesy of JB Goodwin