



The Texas Model: Texas and the Unemployment Rate

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“In June 2011, the Texas unemployment rate was 8.2 percent. That was less than unemployment in collapsed-bubble states like California and Florida, but it was slightly higher than the unemployment rate in New York, and significantly higher than the rate in Massachusetts.” –Paul Krugman, The New York Times, August 14, 2011

Critics of the Texas Model of government like Professor Krugman want to discount Texas’ record of job growth by noting that our unemployment rate is “slightly higher than the unemployment rate in New York, and significantly higher than the rate in Massachusetts.” And in fact Texas’ unemployment rate is 24th in the nation.

How can we reconcile Texas’ record of job creation with its middle-of-the-road unemployment rate? Here is the relevant data:

State	Unemployment Rate	Employment Change Jan. 2001 - June 2011*	% Change	Net Domestic Migration 2001-2010**
Texas	8.2%	1,200,300	12.74%	781,542
New York	8.0%	179,000	2.10%	-1,570,310
Massachusetts	7.6%	-34,400	-1.04%	-328,695

Source: *Bureau of Labor Statistics, U.S. Department of Labor; **Empire Center

First we see that Texas leads the nation in job creation since 2001 with over 1.2 million net new jobs. Nobody else comes close. In fact, without Texas, the U.S. would have lost 713,000 jobs over the last decade.

Krugman dismisses Texas’ extraordinary record of job growth by saying it is caused in large part by a “high rate of population growth [that] translates into above-average job growth.” In other words, Krugman says the secret to job creation is population growth. And Texas’ population has grown due to an “inward migration of Americans from other states, who are attracted to Texas by its warm weather and low cost of living, low housing costs in particular.”

Give him credit for one thing. Krugman is correct when he says that Texas’ population has increased because of an “inward migration of Americans.” But are we really to believe that 1.5 million New Yorkers have fled that state and headed south because they like the triple-digit summer we are experiencing? And that the 781,542 newcomers to Texas have somehow magically resulted in new jobs?

It’s a better bet that almost 1.9 million people have fled New York and Massachusetts over the last decade because they couldn’t find a job in those states, and that many of them came to Texas because there were jobs here for them because of our model of governance incorporating low taxes and spending, a predictable, low level of regulation, and a sound civil justice system—with minimal federal interference.

From this perspective, the Texas Miracle is that Texas’ unemployment rate is only 8.2% after a net inflow of 781,542 job seekers and their families have come here looking for work. Not to mention the demand for work created by international migration and normal population growth. While New York’s 8% unemployment rate come after 1.5 million people left the state.

The Texas Model has led to strong economic growth for our state, and it can do the same for the entire country. ☆

