



Responsible Recovery Agenda Strengthens the Texas Model

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Background

Given the [economic situation](#), with many unemployed Texans struggling from business closures due to the COVID-19 pandemic, government restrictions, and following recent power outages, the Legislature should consider less spending, taxing, and regulating so Texans have more opportunities to prosper.

How Has the Texas Model Performed Relative to Comparable States?

| Measure | U.S. | Texas | Florida | California | New York |
|---|-------------------------------|--------------|--------------|--------------|--------------|
| Economic Freedom of North America (2020) | 6th (World) | 4th | 2nd | 47th | 50th |
| State Business Tax Climate Index (2020) | -- | 11th | 4th | 49th | 48th |
| State Economic Outlook Rankings (2020) | | 15th | 7th | 46th | 50th |
| State & Local Spending Per Capita (2020) | -- | 31st | 45th | 4th | 2nd |
| State & Local Tax Burden (2021) | -- | 47th | 43rd | 8th | 1st |
| Avg. U-3 Unemployment Rate (2000-19) | 6.1% | 5.6% | 6.0% | 7.2% | 6.0% |
| Avg. Labor Force Participation Rate (2000-19) | 64.6% | 65.7% | 61.2% | 64.2% | 61.9% |
| Avg. Emp-Pop 25-54 year old Ratio (2000-19) | 77.8% | 77.4% | 77.7% | 75.5% | 76.3% |
| Avg. Top 10% Income Shares (2000-18) | 48.2% | 47.4% | 56.2% | 50.5% | 57.2% |
| Supplemental Poverty Measure (2017-19) | 12.5% | 13.7% | 15.4% | 17.2% | 14.4% |

Notes: Dates are for publication year or data per measure. Data shaded in blue indicate "best" and in red indicate "worst" per category by state.

How Has Texas's Labor Market Done Pre- and Post-COVID?

| Measure | June 2009 | February 2018 | February 2020 | April 2020 | February 2021 |
|--------------------------------|-----------|---------------|---------------|------------|---------------|
| Labor Force Participation Rate | 66.4% | 64.0% | 64.0% | 60.2% | 62.2% |
| Employment-Population Rate | 61.1% | 61.4% | 61.6% | 52.4% | 57.9% |
| Unemployment Rate (U3) | 8.0% | 4.0% | 3.7% | 12.9% | 6.9% |
| Private Sector Employment | 8.5M | 10.4M | 11.0M | 9.6M | 10.4M |

Data compare: 1) June 2009—Dated trough of last U.S. recession, 2) Feb. 2018—Near current private sector employment, 3) Feb. 2020—Dated peak of the last U.S. expansion, 4) Apr. 2020—Recent lows for most labor market data, and 5) Feb. 2021—Latest data available.

The Texas economy continues to recover since the steep downturn in 2020 with large contractions of [6.2% in Q1](#) and [29% in Q2](#). The partial reopening of most non-essential businesses helped inflation-adjusted economic growth expand by [29.7% in Q3](#) and [7.5% in Q4](#). The result is a 3.5% contraction in 2020—the first annual decline since 2009. Tailwinds look strong in 2021 if government removes restrictions and follows responsible fiscal policy.

Recommendations

The [Texas Model](#) should be maintained and strengthened to give individuals and businesses more freedom to thrive and earn a living so that Texans can regain and expand their prosperity and withstand the high likelihood of burdensome federal policies. This includes:

- Remaining open without state and local restrictions on business capacity.
- Following the Foundation's [Responsible Recovery Agenda](#):
- [Pass a Conservative Texas Budget](#) below \$246.8 billion, which [introduced base budgets follow](#).
 - [Reduce government spending](#) and [use the Rainy Day Fund responsibly](#).
 - [Reduce regulatory burdens](#) as during the pandemic.
 - [Cut taxes on businesses](#) and [property](#), like [school M&O](#), and [let Chapter 313 expire](#).