

TEXAS

G O V E R N M E N T



Politics and Economics

3

IM QUAILE HILL ★ KENNETH R. MLADENKA

 **Third Edition** 

TEXAS GOVERNMENT

Politics and Economics

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Preface



This new edition of *Texas Government: Politics and Economics* maintains the central themes that guided its predecessors. We begin with a consideration of how economic forces and debates over current economic concerns affect state and local governments. We argue that economic concerns are of particular relevance in Texas today, shaping the politics and policies of the state more than any other force. The interplay of economics and politics is one of the major themes of the book.

The character of the state's population is another factor that greatly influences Texas politics. Chapter 2 explores the history of population growth in the state, recent patterns of urbanization and suburbanization, the likely future of population growth, and the unique social and economic positions of the state's three major ethnic groups. These population characteristics determine a number of the state's major policy concerns, and we refer to them throughout the book.

Among these population-based concerns, the political consequences of urbanization get particular attention. Compared to other texts on Texas government, this book offers relatively lengthy and thorough discussions of the political consequences of that process, the governing of the state's large metropolitan areas, and the various entities of local government that are on the front lines of the latter effort. And we are preoccupied with these matters because of their centrality for so many of the state's policy problems.

At the same time, a state's population is more than just numbers of people, whether it is the number living in cities versus small towns, the number in poverty, the number in each major ethnic group, and so on. Individuals and identifiable groups of Texans have particular attitudes toward government and the role they wish it to have in their state. They have what is called in Chapter 3 distinctive *political cultures*. Thus that chapter discusses such attitudes held by major groups of Texans, and it explains how those attitudes influence the politics of the state.

The effects of political culture can be seen in many different areas of the state's political life; we return to this matter in other chapters of this book.

We are conscious, as well, of how the past determines much of the future. We discuss the history of the major political institutions and processes in the state. As one example, the state's political culture could be very quickly summarized without elaboration. But to understand how that particular culture arose and how it might be evolving, one must know some of the history of migration to the state and the different historical experiences of major groups of migrants. We discuss those matters to give the reader a richer sense of how culture is important for politics. Similarly, the state's constitution, adopted in 1876, has a powerful influence on the character of contemporary state government. We explain that influence in Chapter 4, but we do so in the context of a discussion of why the constitution was written as it was. By knowing the motivations of the authors of the constitution, we can better understand how and why it affects state government today. These examples illustrate how one can often understand present-day political realities far better if he or she knows their history. We give great weight and consideration to history throughout the book.

We are concerned with the quality of the democratic process in the state. Every Texan knows that this state and this nation are democracies. But what, indeed, is the role of the general public in the making of state and local government policy? What are the major avenues by which democracy is supposedly ensured? How well do those avenues function in Texas? Are some Texans, or groups of Texans, more politically powerful than others? We address these questions in virtually every chapter.

This third edition of *Texas Government* also profits from the inclusion of an especially large amount of new material. A number of chapters have been almost wholly rewritten. All of them have been subjected to thorough updating to take into account recent political events and scholarship. Equally important, there is a considerable amount of new material on specific, contemporary political and policy problems. We discuss at some length the decline of the crude oil and natural gas industries and the political consequences of that decline, the rise of the Republican Party in the state, the role of Political Action Committees (PACs) in recent state politics, the increasingly prominent role of state and federal courts in policy decisions, efforts to revise the state tax system, and the Texas lottery. We have added most of this material to offer more examples of current, everyday political affairs that illustrate the general themes of this book.

Other changes from earlier editions are also worthy of note. We have considerably expanded the discussion of the executive branch of state government, and that revision draws upon the work of the Texas Performance Review carried out by the state comptroller in 1991. We have also considerably revised the order and content of the chapters on urbanization and local government. In particular, there is a good deal of new material and detail on the structures and policies of

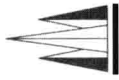
cities, counties, special districts, and school districts. And the final chapter now offers a deliberate summary and conclusion for the entire book. That chapter includes, as well, some prognostications for the political future of the state.

We are now particularly conscious of how this book has evolved because of the advice and comments of a host of other professors of Texas government—going back even to the first edition. We are pleased to acknowledge here the assistance of all those individuals. For the first edition they included Carl Burney, San Jacinto College; Jill Clark, University of Texas at Arlington; David Fairbanks, University of Houston–Downtown; Michael Flavin, Midwestern State University; William Hoffman, Del Mar College; Lucille Meisner-Dukes, El Paso Community College; Lynette Perkins, University of St. Thomas; Wayne Pryor, Brazosport College; Roland Smith, Texas Tech University; and M. T. Waddell, Galveston College.

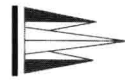
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Chapter 1

The Political Economy of Texas

Old images die hard. There are many who believe that Texas is still rural and agrarian, that government plays a small role in the affairs of the state, that oil continues to dominate, and that the economy is neither industrialized nor diversified. They would be wrong on all counts. Most Texans live in urban areas, and great numbers live in huge cities. Few Texans remain to farm the land and raise cattle. The wide-open spaces are still there, but the people have moved to the city. And though oil and agriculture are vital to the state's economy, other economic activities have assumed major significance. In fact, trade, manufacturing, and services such as finance, insurance, and transportation account for a majority of the economic activity in the state. Texas is now one of the most industrialized states in the country. In addition, the computer has emerged to challenge the cow and the oil well as one of the state's dominant economic symbols. The silicon chip, invented by an engineer employed by Texas Instruments, promises to revolutionize the economy of the nation as well as the state.

These economic changes have fundamentally transformed the state's governments. The great cities require a vast array of public services that are unnecessary in rural and small-town areas. The industrial economy, too, spawns a variety of new demands for governmental activity. Business regulation and promotion, the control of environmental pollution, and the provision of a host of public services necessary for industry and commerce are just a few examples of how government must respond to the modern economy. To meet those expectations, the size and scope of government have increased dramatically. As but one indicator of that expansion, Texas state and local governments employ more than a million workers today.

As the preceding examples suggest, the character of the economy has considerable influence on the political life of the state. In general, the nature and evolving fortunes of the principal industries of the state, the amount and distribution of wealth, and the general health and direction of the economy determine the level of resources available to government and the nature of many policy

problems with which government must contend. **The distribution of economic resources** also profoundly affects the social and economic status of individual Texans, and it shapes their political attitudes and demands on government as a result.

The importance of these matters for politics has been long recognized. The study of such relations is often called the study of **political economy**. Because Texas is in a period of unusual economic change, the political economy of the state is closely linked to a number of topics to be raised in subsequent chapters of this book. Many Texans are at least somewhat aware of the connections between the economy and the political life of the state. Yet many of those people often base their opinions on outdated stereotypes about the character of the Texas economy—much like those listed at the beginning of this chapter. Those stereotypes, in other words, arise out of what the economy used to be rather than what it is today.

At the turn of the present century Texas had an economy based overwhelmingly on agriculture. Some 70 percent of the work force was employed in that sector. Employment in manufacturing, in trade, and in anything comparable to today's technical and professional fields was modest. Relatively early in the century, however, the oil and natural gas industries began to boom, leading to the development of the manufacturing sector. Many Texans probably assume that agriculture and the oil and gas industries are still the backbone of the state's economy. The traditional symbols of that economy have been cattle, cotton, and oil wells. Yet there has already been considerable movement toward a more diversified economic system. Such movement is still proceeding at a relatively rapid pace.

The Current Character of the Texas Economy

As we will explain in more detail shortly, the state's economy is in a period of dramatic change that will have a number of important political consequences. But some enduring characteristics of the economy deserve mention first. Texas has one of the largest, and therefore most important, economies of any of the fifty American states. The size of a state's economy is measured by its **gross state product**, the **total monetary value of all the goods and services produced in the state in a given year**. By that measure Texas has the third largest state economy in the United States, behind only California and New York (U.S. Bureau of the Census, 1991:439).

In addition, the economy of the state is now rather diversified, contrary to the stereotypes mentioned above. It is true that the state is still a leader in agriculture and in the oil and gas industries. As examples, Texas is second only to California in gross farm income, is first in the nation in the monetary value of cattle and calf production, and leads the nation in the value of crude oil production. (But we will shortly have more to say about the declining contribution

of such industries to the overall state economy.) Other figures indicate the diversification of the economy. The character of the Texas work force, for example, has changed tremendously in the last half century (Table 1-1). Not only have agriculture, forestry, and fishing declined to a minuscule proportion of overall employment, but today aggregate employment is also well divided among a number of industrial categories. Many different forms of business contribute in significant magnitudes to the health of the economy. Of special note has been the growth of the manufacturing, finance, insurance, real estate, professional services, and government sectors.

Other data illustrate the relative importance of these growing economic sectors. Texas has the seventh largest state work force in manufacturing, and it has the second highest state volume of manufacturing shipments by dollar value (U.S. Bureau of the Census, 1991:746). In still another category—retail trade—Texas has the third largest dollar volume in the nation (U.S. Bureau of the Census, 1991:774). Finally, like all of the nation, Texas has been experiencing in the 1980s and 1990s an especially high rate of growth in employment in the various service industries.

| The Declining Importance of the Oil and Gas Industries |

Through a good portion of the twentieth century, crude oil and natural gas were remarkably important to the economy of Texas. Those natural resources influenced a host of specific industries, from the actual drilling and extraction operations to refining industries, transportation via pipelines and trucking, wholesale and retail

Table 1-1 | Composition of Texas employment by industry, 1940 and 1990

Industry	1940 (%)	1990 (%)
Agriculture, forestry, and fishing	30.4	1.3
Mining	2.9	2.6
Construction	5.3	4.9
Manufacturing	9.9	14.3
Transportation, communications, and utilities	6.6	5.8
Wholesale and retail trade	18.1	24.8
Finance, insurance, and real estate	2.7	6.0
Domestic and related services	14.1	1.4
Professional and other services	6.5	21.8
Government	2.4	17.0
Not reported	1.3	—

Sources: Office of the Governor (1982); Texas Employment Commission (1990).

trade, and the construction industry, which produced facilities for all the preceding ones. Government was greatly affected as well. Representatives of the oil and gas industries had considerable political clout because of the importance of those industries to the state economy. And taxes on oil and gas production—along with the various sales and business taxes paid by the related industries noted above—amounted to a sizable proportion of all state and local government revenues.

Yet the sun is setting on those industries—or at least on their former importance—largely because of international forces beyond the control of the state or the industries. In 1985 the Organization of Petroleum Exporting Countries (OPEC) abandoned its production and price controls, and in response to the expanded production that followed, the market prices of crude oil and natural gas plummeted. The industries associated with oil and gas were thrown into recession, along with the entire state of Texas. Many exploration, refining, and marketing firms went out of business. The sharply lower market prices of oil and gas even made it economically infeasible to drill for or refine many known reservoirs of those resources.

To exacerbate matters, the state's reserves of oil and gas are inevitably being depleted. The number of barrels of crude oil produced in the state has been in decline for the last twenty years, and natural gas production has been declining since the early 1980s. Texas is simply running out of these natural resources, regardless of what price they might command in the market.

As a result of these trends the political clout of the oil and gas industries is also declining. State and local governments are forced to court other industries—like the high-tech ones discussed below—to replace the economic activity, jobs, and associated benefits that oil and gas once produced. Thus other kinds of firms and industries now enjoy considerable attention from government officials, and they compete on unusually favorable terms with oil and gas representatives to influence government policy.

An especially good indicator of the declining political importance of the oil and gas industries can be found in state tax revenue data (Table 1-2). The severance taxes imposed on oil and gas production are based on the market value of oil and

Table 1-2 | State tax revenues from Texas oil and gas production, 1975–1990

Oil and Gas Production Tax Revenues	1975	1980	1985	1990
Total (in millions)	\$665	\$1,215	\$2,163	\$1,084
As percentage of total indigenous state revenues ^a	16.0	15.1	15.8	6.2

^aExcluding federal aid.

Sources: Comptroller of Public Accounts (1991a) and earlier volumes.

gas, so the total tax received declines when either the market price or the quantity of gas or oil produced declines. The tax data provide vivid evidence on the declining importance of the two industries. The dollar amount of state tax revenues from those sources has declined by more than half since 1985, as has the percentage of total revenues.

Local governments have lost equally significant tax revenues with the decline of these industries. The decline in the market value of oil and gas reserves reduces local property tax revenues levied on those reserves, and declining sales of refined oil and gas products reduce sales tax revenues to both state and local governments. Thus the data in Table 1-2 indicate the likely general percentage, but not the total dollar amount, of government revenues lost.

| The Prominence of High-Tech Industries |

Many business and government leaders in Texas have wished to lure high-technology industries to the state. Such businesses are thought to be attractive for a variety of reasons, and they are believed by many to be the wave of the future. Because of that prominence, it is important to consider the character of high-tech development in some detail.

One might ask initially just what is meant by the term **high tech**. A useful explanation is offered by Harry Hurt (1984:134–135):

*The term usually refers to the vast array of businesses that all rely upon the same essential element: the silicon chip. Makers of **semiconductors, micro-processors**, and most forms of **computer hardware and software** obviously fall into this category. Other businesses termed high tech include producers of **telecommunications devices, automatic bank tellers, fiber optics and character-recognition equipment, aerospace guidance systems, and certain types of medical instruments and industrial robots.***

But the term *high tech* also refers to **various industries that are just beginning to emerge into prominence**. Biotechnology, for example, holds extraordinary promise. Examples of biotechnological advances include the development of “biochips” that might be used to create computers with living organisms, the use of microscopic germs to clean up oil spills and detect toxic wastes, and the production of grains that can resist drought, insects, and disease as well as create their own fertilizer. San Antonio is already advertising itself as a major center for biotechnology research and development.

The commercial use of outer space is another emerging industry. Many of the conditions on earth that enormously complicate manufacturing processes—gravity, atmospheric pressure, vibration, convection currents—are absent in space.