



# THE BORDER ECONOMY

## Introduction by Mine Yücel

The Texas border community is a complex blend of U.S. and Mexican cultures, languages and customs, with a dynamic economy that flourishes amid the diversity. The Rio Grande defines the border, stretching 1,254 miles from El Paso in the west to Brownsville on the Gulf Coast (see map on page 35). Nearly 10 percent of the Texas population lives in the border communities of Brownsville, Del Rio, Eagle Pass, El Paso, Laredo and McAllen.

The border region's economy has followed the ups and downs of the Mexican and U.S. economies. Benefiting greatly from the decade-long U.S. expansion, the region witnessed tremendous growth in the 1990s, aided by NAFTA and despite the peso devaluation. Many challenges remain, however. This study details some of those challenges, examines how the area has fared in the current economic expansion and raises issues relevant to its economic development.

Historically, the border region has been the most economically disadvantaged area of Texas. Unemployment rates have hovered in the teens, with McAllen's joblessness running above 20 percent until recently. Per capita incomes are among the lowest in the nation, ranging from 38 percent of the U.S. per capita income in Eagle Pass to 60 percent in El Paso, compared with a state average of 94 percent. Government transfers account for a large share of border income, ranging from a fifth to a third of total per capita personal income. Educational

attainment is low: 32 percent of the adult population has less than a ninth-grade education and only 13 percent has completed college, compared with 13 percent and 20 percent, respectively, for the state. A high birth rate and immigration push population growth in border cities to 1.5 to 2.5 times the state average.

During the past several years, however, the border region has benefited from a 14-year expansion of the Texas economy, increased trade with a fast-growing Mexican economy and the maquiladora boom across the border. Unemployment rates in all border cities have fallen below 10 percent except in McAllen, which nonetheless saw a dramatic 10 percentage point decline in joblessness. The region's strong job growth has surpassed Texas' growth since 1999. This growth has brought better-paying jobs but also increased demands on infrastructure, housing and services. It also has brought into focus the need for a better-educated, higher-skilled workforce.

The articles presented here explore issues important to the border region's economy. Bill Gilmer documents job growth in the region and shows that wage gains have come from an improved industrial mix—a shift to higher-wage industries. However, he notes that wage growth, diluted by higher population growth, has only managed to keep up with the nation and hasn't been able to close the gap.

Taking a different view, Lori Taylor notes that wages along the border are

significantly lower than elsewhere in Texas. However, looking only at teachers and correcting for education and experience, she finds that border area wages are anything but low, reflecting skill scarcity. Tom Fullerton studies the effect of education on per capita income and shows that the high rate of high school dropouts depresses wages by about one-fourth of border area per capita income.

Keith Phillips, Toby Cook and Ariel Cisneros document the increased demands on infrastructure. Phillips looks at strains on roads and bridges and suggests that before more money is invested in transportation infrastructure, border policies and procedures need to be closely scrutinized to ensure the current infrastructure is used efficiently. Cook finds that housing has become more affordable in border cities because incomes have risen faster than home prices. Cisneros looks at a different housing market: colonias. He shows that although additional resources have improved the colonias, increased population growth has sustained their demand.

Bill Gruben and Lucinda Vargas look at the impact of maquiladoras and NAFTA. The fast-growing Mexican and U.S. economies have led to a maquiladora plant boom that coincided with NAFTA's passage. Gruben maintains that this timing was purely coincidental, while Vargas shows that the growth in maquiladora plants across the border has created better-than-average-paying jobs on the Texas side.

Growth on both sides of the border has not lessened illegal immigration. Although illegal immigration continues, Pia Orrenius shows that tougher enforcement is having a deterrent effect while bringing relatively high-paying jobs and lower crime rates to border cities.

The Texas border region is a unique, vibrant bicultural area that has grown and changed dramatically. These changes have come with many benefits and challenges. This research sheds light on some of these challenges to help us better understand the border region's path to future prosperity.

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