



▶ *Texas is a dynamic economic laboratory in which growing pains are evident. Agile leadership is needed in Washington to help address the issues restraining activity here.*

**T**exas' economy is expansive, with greater growth in output, exports and job creation than the nation. Employment through the first 11 months of the year rose at a 3.6 percent annualized pace, compared with a 2.1 percent rate for the nation. That translates into 375,100 jobs added through November, more than during all of last year, when employment grew at a robust 2.7 percent.

Sam Houston, the Republic of Texas' first president in 1836 and later the new state's governor, had an abiding faith in Texas that he said lay in its abundant "natural advantages." It's unlikely that Houston had a hint of the rich geological resources underneath his feet—it wasn't until 1894 that the state's first economically significant oil discovery was made in Corsicana when the city began drilling for water.

Today, shale energy exploration has renewed attention on this abundant natural advantage, while contributing to the state's economic expansion and to some unexpected outcomes. Oil production has nearly doubled in Texas the past five years, helping create an oversupply of an ultralight crude oil called condensate. As Jesse Thompson writes in this issue of *Southwest Economy*, the Eagle Ford Shale in South Texas accounts for more than one-fifth of the nation's total condensate supply. A comprehensive, market-responsive policy addressing a federal ban on crude oil exports that limits condensate sales abroad would help ensure the health of this vital Texas economic contributor. Moreover, recently declining oil prices underscore the importance of energy resources to our state and country.

Our state's natural advantages have also helped propel a boom in the Texas multifamily real estate market. Laila Assanie notes in this issue that while multifamily projects abound, single-family housing starts have been slow to recover from the Great Recession. This unusual outcome—the product of lending policy constraints—has been unprecedented house price increases in a market accustomed to more steady appreciation.

Texas is a dynamic economic laboratory in which growing pains are evident. Agile leadership is needed in Washington to help address the issues restraining activity here. Ultimately, as the economic data show, the nation benefits when the Texas engine can help drive overall performance. That makes the stakes particularly significant at a time when the U.S. is regaining its economic footing.

A handwritten signature in black ink that reads "Richard W. Fisher". The signature is fluid and cursive, with a large initial 'R'.

*Richard W. Fisher  
President and CEO  
Federal Reserve Bank of Dallas*