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PREFACE

Without the assistance of numerous individuals, this thesis would never have materialized. Let me take this opportunity to give credit and honor to whom credit and honor are more than deserving. Essentially, these individuals constitute my family members, teachers, and employers.

First, the Lord Jesus deserves credit for providing me with my family members, teachers, and employers. He has, of course, given to me the ability and health to compile such a work as this thesis, despite the fact that I infrequently maximize those gifts. Whatever insight and reason exist in this work, which can not be attributed to my teachers or any authors cited, belong to him.

A true friend, partner, and confidante is a unique person. This only begins to describe my beautiful wife. She has advised, encouraged, proofread, tabulated, and printed. Most importantly, our daughter has received extra attention from her when I could not simultaneously be student and parent.

My special thanks go to Dr. Earl M. Lewis, Department Chair; and to Mrs. Catherine H. Powell, Research Project Advisor. Dr. Lewis has permitted me to study on a part-time basis over the last five years, making the Urban Studies program flexible in adapting the hours of several courses to my individual schedule. Mrs. Powell has given me major direction in the analysis and organization of this work. Both have been my professors in numerous courses from which I have drawn theoretical and analytical tools.

Appreciation is due also to my employer, the Honorable Albert G. Bustamante, Member of Congress, Twenty-third District of Texas. His confidence in my work has given me access to vital sources of information from which much of the documentation for this thesis derives. His vision and leadership have influenced and shaped my work. It is my hope that this thesis will contribute significantly to the economic development which Congressman Bustamante envisions for his District.

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INTRODUCTION

The purpose of this work is to begin to set the parameters for analyzing economic development in the international border areas of Texas' Twenty-third Congressional District. Major economic problems clearly exist and this is a first step toward developing a strategic plan to address them. The thesis of this work is that the international border areas of the Twenty-third Congressional District are in an infant stage of economic development characterized by exportation of natural and human resources and necessitating a catalyst for capital reinvestment in the district, a role which might be partially fulfilled by the Congressman.

This is a microeconomic study of an organism known as the Twenty-third Congressional District of Texas. The District includes the triangular area between San Antonio, Laredo, and Del Rio. The eight counties lying completely within the District are Dimmit, Kinney, Maverick, Medina, Uvalde, Val Verde, Webb, and Zavala. Of these, Kinney, Maverick, Val Verde, and Webb actually touch the Mexican border [see Appendix "A"]. Approximately one-third of San

Antonio's Bexar County lies within the District; roughly it is the southern crescent of the county, reaching from the suburbs around Randolph AFB in the northeast quadrant to the edge of the South Texas Medical Complex in the northwest quadrant [see Appendix "B"]. Approximately 56 percent of the District residents live in Bexar County [see Appendix "C" for more descriptive geographic and demographic data on the District].

Throughout this work, some basic terms will be used to identify the geographic area under study. The "District" refers to the Twenty-third Congressional District. The part of the District that includes the six counties closest to the Mexican border is termed the "Border." The Border is to be distinguished from the "San Antonio area" which includes Uvalde County, Medina County, and the District portion of Bexar County. The term "South Texas" is used to identify the area bounded by San Antonio, Corpus Christi, Brownsville, and Del Rio. One should also note that "Congressman" refers to the current U.S. Representative for the Twenty-third Congressional District.

One might question whether these eight and one-third counties actually constitute an integrally-related area for research purposes. Politically, the counties of the District have been more or less linked together since Texas joined the union.[1] The essential current composition of the District took shape in 1967; LaSalle, Atascosa, and Frio counties were dropped in 1983, while Val Verde was added. During the early 1960's, the entire District was linked by the Alamo State Planning Area; it would eventually be divided into several Council of Government areas. Then there is the concept of nodality[2] that unites the area.

The nodal center for the area [and admittedly several other South Texas counties outside of the District] is the city of San Antonio. As Chapter Two elaborates, much of the export of natural and human resources is funneled through the Alamo City. The District shares one telephone area code. All correspondence mailed via the U.S. Postal Service in the District is stamped with "San Antonio." Two major highways, IH 35 and US 90, serve to directly link Bexar with six of the other eight District counties. Two major railroad lines, Missouri-Pacific and Southern-Pacific, parallel those highways. San Antonio newspapers are the only dailies in all but two of the eight and one-third counties of the District. Most federal agencies treat the District as a unit for purposes of administering their respective programs. Little argument could be mustered to disprove that at present--as has been the case for at least this century--the District is a hinterland for San Antonio.

This thesis originated from a 1984 statistical analysis of unemployment in the District [see Appendix "C"]. That analysis suggested that certain rates of unemployment were predictable based on the percentage of Hispanic denizens and the percentage of manufacturing jobs. The methodology used in this project consisted of case studies documented by the Congressman's District Director; analysis of primary documents--such as mineral tax rolls and banking records; application of 1980 Census Data; a two-page questionnaire mailed out to 249 business and political leaders in six counties; interviews with local, state and federal officials; agency publications; and newspapers published in the District.

Through six chapters, it is hoped that the reader will gain an insight into the forces shaping the District, the opportunities for developing the economy there, and the role of the Congressman. Chapter One paints a generally bleak picture of life in the Border area of the District. Chapter Two then examines the private sector factor in the District economy. Chapter Three introduces the dramatis personae of government agencies, offices, bodies, and entities which espouse some policy of developing the area economy.

Case studies of several current problems facing District leaders are reviewed in Chapter Four. Chapter Five surveys a set of options for developing the District economy. By the end of Chapter Six, it should be fairly clear that there is a need for planning and coordination of economic development at a regional level that could be provided by a congressman along with his staff.

CHAPTER ONE

SYMPTOMS OF THE PROBLEM

> It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way--in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only. 1

So Charles Dickens began his classic Tale of Two Cities, and so might one describe life in the Twenty-third Congressional District of Texas. This District embodies both the best and the worst of times; it includes individuals in the very top strata of income, as well as persons at the very lowest end of the economic ladder. Some of its residents have experienced "the spring of hope;" others can only hope for their children to survive the current economic "winter of despair." It consists of doctors of philosophy and of citizens who can not write their own names.

The District is in actuality two districts: the

Border and the San Antonio area. An automobile trip through the District confirms to the observer what is statistically documented by the Bureau of the Census. In this tale of two districts, there is a common scenario of problems, but there are generally two different outcomes. Both districts have faced and continue to face common problems of unemployment, poverty, and inadequate education. In general, the San Antonio area has been much more successful in dealing with those problems, both from equity and efficiency standpoints.

To begin to understand the differences between the two areas of the District, consider some demographic data. Although Hispanic political advances in both areas have been significant over the past twenty years, the population of Hispanics remains less than 44 percent in the San Antonio area of the District. The Alamo City itself is approximately 55 percent Hispanic, but the District portion of Bexar County and San Antonio proper is only 38.5 percent Hispanic. When compared to the national Hispanic population count of under seven percent, the San Antonio area percentage is large. However, it contrasts quite markedly with Border area Hispanic counts. Over 80 percent of the residents in the Border are Hispanic. These figures range from a low of 57 percent in Kinney County to 91.5 percent in Laredo and 90.3 percent in Eagle Pass.

Unemployment persists as a major problem in the Border area of the District. As of September, 1985, the unemployment rate ranged from 12 percent in Laredo [Webb County] to 30 percent in Eagle Pass [Maverick County].[2] These rates are significantly higher than the U.S. unemployment rate of 7.1 percent and the Texas rate of 7.2 percent for the same time. Laredo unemployment hovers slightly above the 1980 national average for Hispanics of 11 percent. By contrast, unemployment in San Antonio registers under 7 percent, although Hispanics are still more likely to be unemployed than Anglos.

Unemployment in the District is not a new problem. In 1982, eight percent of the civilian labor force in the District was unemployed.[3] The Texas percentage was 6.9; the U.S. figure was 9.7. An aggregate analysis would suggest an absence of major, atypical employment problems in the District. Yet, the fact was that Bexar, Medina, and Uvalde counties averaged about 6.5 percent out of work; Maverick county experienced 28.9 percent jobless, Zavala county counted 20.6 percent, Webb had 16.3 percent, and Val Verde county showed 13 percent looking for work. The Border unemployment rate was 17 percent of the labor force: inotherwords, 12,885 individuals were jobless out of a labor force total of 74,027. It must be noted that those figures were compiled during the Spring and probably missed many migrant workers who return to the District by November to swell the rolls of the unemployed through the Winter [up to possibly 17 percent migrate].[4]

The employment disparity between San Antonio and the Border area grew during the 1970's, Census data reveal. In 1970, the nation clocked a 4.4 percent jobless rate, while Texas counted 3.6 percent.[5] Maverick County won the dubious honor of 9.8 percent unemployed with Dimmit close behind at 8.3 percent and Webb at 6.2 percent. Predictably, even in 1970, Bexar County along with Medina and Uvalde counties registered lower unemployment at 4.5 percent or less. Over the last decade, while the number of unemployed increased in the District as in Texas and the U.S., the San Antonio area fared much better than the nation as a whole, Texas as a whole, and the rest of the District. Of the other counties in the District, Dimmit improved its comparative standing despite unemployment increases. Kinney County experienced a drop in unemployment. But most of the Border counties in the District lost ground: Maverick and Zavala saw their jobless rates triple, while Webb recorded a 100 percent increase. Granted that the 1985 figures show a few weak signs of moderating unemployment, the jobless rate may be only the tip of the proverbial iceberg.

A second measurement of disparity between the two areas in the District is household income. Review of the 1969 and 1979 Census data on household income is quite revealing. Of 3143 US counties in 1969, three District counties ranked in the lowest 5 percent. They were Maverick #3009, Dimmit #3070, and Kinney at #3093. What is more, two counties in the District actually lost relative ground in household income between 1969 and 1979: Val Verde went from #2181 down to #2495, and Zavala dropped from #2899 to #3070. Meanwhile, Bexar County improved its ranking from #1180 up to #1160. Webb County made the biggest statistical progress during the decade of the 1970's; it jumped up from a household rank of #2884 to #2613 with a corresponding rise in median family income from $4,970 to $12,181.[6]

Lest these numbers suggest amelioration of the income problem, it is instructive to note that the per capita incomes of Webb, Dimmit, and Maverick counties in 1979 were $3980, $3922, and $3100 respectively. The percentage of families below the poverty line, while declining markedly over the last decade, remained a serious problem. Five counties posted poverty figures at 29 percent or higher: Zavala had 34.7 percent, Maverick had 34.4 percent, Dimmit had 32.8 percent, Kinney and Webb had 29 percent.[7] At the same time, the corresponding Texas and U.S. percentages were 11.1 and 9.6. One must remember that inflation took a heavy toll in the late 1970's and might explain some of the ostensible increase in per capita and household income.

Furthermore, many of the gains in Webb County have been mitigated by long-term devaluation of the Mexican Peso starting in 1982. Adjustment to the Peso devaluation of 1976 had returned retail sales in Laredo to preeminence by 1981.

> During the first six months of 1983, another 268 [businesses] closed their doors for an eighteen-month total of 756...During March 1983, the official rate of unemployment in Laredo hit 28.9 [percent]....Laredo

had the highest unemployment rate of any metropolitan area in the United States. 8

Dependence upon the Mexican economy would continue to be a risky proposition. The Mexican problems led to a sequential impact upon businesses, jobs, and incomes. Personal income in Laredo rose 8.6 percent between 1978 and 1982; then it fell 8.4 percent between 1982 and 1983.[9] No near-term end to this adverse Mexican factor in the Border economy has appeared as of 1985.

Another view of the income question in the District is afforded by the percentage of personal income composed of transfer payments. The 1979 U.S. percentage is 13.9 with a predictably lower 10.3 percentage for Texas. For the San Antonio area of the District, Uvalde and Bexar rate least dependent upon transfer payments at 15.8 and 15.9 percent. Medina County is somewhat out of line with its neighbors in having an 18.1 percent infusion. On the border, Val Verde County is atypical in that it relies on only 15.9 percent of transfer payments. Much more typical are the other Border counties: Webb, 16.1 percent; Dimmit, 16.7 percent; Zavala 18.6 percent; Maverick, 23.3 percent; and Kinney, 24.7 percent. Any success of the Reagan Administration in further paring down social spending should be felt very directly in the Border area of the District.

Education may explain a certain amount of the unemployment and income problems. Six of the nine counties of the District contain populations with less than 10 percent holding a college degree, according to the 1980 Census. The county with the high school graduates percentage closest to that of the U.S. [66.5 percent] and that of Texas [62.6 percent] is Bexar with a 63.1 percent tally. From there south and west to the Border, the figures plummet. Zavala County is the worst-off with only 25.9 percent of the residents holding a high school degree. Not far ahead is Maverick County with 32.2 percent, Dimmit with 35.4 percent, Kinney with 40.1 percent, and Webb with 41.5 percent having attained 12th grade status. The District figure of 56.3 percent with at least twelve years of schooling ranks 20th out of the 27 districts with a range from 89.6 percent [Dallas] to 51.2 percent [old San Antonio]. The nationwide Hispanic statistics show 58 percent have finished high school.[11]

Jose S. Garza has described the primitive state of educational attainment in his thesis on Crystal City, Texas. Writing in 1972, he found

> ...the median level of education for Anglos, Blacks, and Chicanos is 4.5 years.... In 1950 the median school years completed by Chicanos 25 and older was 1.8. By 1960 the median level of education had advanced to 2.3. At this rate, the Chicano has progressed one-half grade per decade. Until recently, there has been a 70% drop-out rate for Chicano students in grades 1-12 in the public schools. 12

By any measure, Crystal City and Zavala County have made big progress over the last decade in raising the educational level of the citizenry. Still, the situation leaves much room for improvement; one wonders if the population in that county will ever overtake the state, much less the national, norm.

The 1970 and 1980 Census data taken together do show significant progress in raising the percentage of the populace with a high school education. Bexar County again led the way with a nearly 20 percent increase. Del Rio in Val Verde County showed an approximate 15 percent increase [36.8 to 51.1] and Laredo gained over 10 percent [31.2 to 41.5] in new high school graduates. Meanwhile, the state average for twelve years of education rose over 15 percent from 47.4 percent to 62.6 percent.

Another key criterion for evaluating the quality of life in the District is occupied units lacking complete plumbing facilities. As expected, the District rates near the very bottom. In Texas, only the Fifteenth Congressional District [Starr, Hidalgo and Zapata counties] has a lower percentage incidence of plumbing: 8.1 versus 4.1.[13] The U.S. average is 2.2 percent without full plumbing; the Texas figure is 1.9 percent all as of the 1980 Census.

Regarding non-plumbing, the worst counties in the District are Zavala, Dimmit, and Maverick with 16.8 percent, 14.8 percent, and 10.3 percent respectively. These are much improved over the 1970 figures showing Dimmit with 42.6 percent non-full-plumbed. In those days, Zavala, Maverick, and Kinney counties registered more than 25 percent of their dwelling units with less than total plumbing. The national average in 1970 was 5.5 percent and 6.0 percent in Texas. In yet another category, the two districts within the District are contrasted.

Several miscellaneous data tend to corroborate the poverty in the District. First, at least 30 percent of the housing units have no air conditioning in a climate where temperatures over 95 degrees fahrenheit are prevalent in the summer months and not unheard of as early as April and as late as September. Some 3,329 units have no capacity for heating; this is surpassed only by the two congressional districts encompassing McAllen and Brownsville. Despite population parity with the other twenty-six congressional districts [each circa 527,000], the District has the second lowest number of occupied housing units--153,543. This suggests a low cash flow for District residents. In Texas, only the McAllen area has fewer housing units: 150,038. The district with the most units is a Dallas district with 211,374; followed by two Houston districts at about 199,000 units. Once again the poverty of the Twenty-third Congressional District is disclosed.

The low number of doctors could also be cited. Some counties such as Kinney and Zavala lost doctors during the 1970's. Kinney [population 2279] had no doctor according to 1980 Census reports, and Zavala [population 11,666] had only three. Webb gained 9 doctors and had 64 serving a population of over 100,000. The Laredo figures of one doctor per 1530 residents compared unfavorably with the Texas rate of 1:682 and the U.S. rate of 1:574. Meanwhile, Maverick found 73 percent more residents in 1980 than in 1970, yet reported no new doctors entering the county. There were fifteen serving a population of over 23,000.

San Antonio has one foot in the 21st century with a developing economy, biomedical research center, an unemployment rate below national and state averages, rising per capita income, and an increasingly educated citizenry. The Border has one foot in the 19th century with a sizable migrant labor force, virtually no research and development centers, high unemployment, low per capita income levels, and a college graduate population of less than ten percent. In general, the San Antonio area--to use a Dickens paraphrase--seems to have everything before it; the Border area seems to have nothing before it. These contrasts focus attention on serious conditions which are symptoms of a much larger problem.

CHAPTER TWO

AN INFANT ECONOMY

Suppose that at approximately 9:00 AM EST, Mr. Max Freund arrives by chauffeur at his Manhattan office; in Indianapolis, Ms. Hazel Compton pours over the morning newspaper; in Denver, Mr. Robert A. Taylor, III, prepares to leave his townhouse for the airport; and barely awakening to the radio news in San Francisco is Mr. Harold Shein. These four Americans have never met each other, yet share at least one major business characteristic in addition to being successful at their work. What do they have in common? They own oil in Texas' Twenty-third Congressional District. And they are not the only non-Texans with a business interest in the District.

Despite unemployment, poverty, and weak business statistics the District is not poor in natural resources, nor in human resources, for that matter. A considerable amount of wealth exists in the District, in particular in the two counties of Dimmit and Zavala. One could make a good case that the District is not bereft of resources, but that it exports an inordinate amount of those resources without benefitting proportionately.

There is no comparison to a Dallas or Houston with multiple millionaires, but neither is the District totally lacking in wealthy citizens. For example, the 1985 Forbes "400" wealthiest Americans lists at least two District residents with over $150 million in assets: Governor Dolph Briscoe, and B. K. Johnson.[1] Briscoe owns over 400,000 acres in several District counties and may be the number one land-holder of the District. Johnson, of King Ranch heritage, purportedly owns over 200,000 acres near La Pryor in Zavala County. Certainly, jobs and wealth are being created by these individuals. One questions, however, how much rein-vestment and entrepreneurship are resulting from these land barons. An obvious similarity to the Mexican economic structure exists in the District: few members of the landed gentry and a preponderance of poverty. The fact remains that Briscoe and Johnson, along with the likes of Ms. Mary Nan West, Mr. Tony Sanchez, and Mr. Clinton Manges, prove that fame and fortune can be found in the District. Those who do possess such wealth must be extracting, expropriating, and/or exporting it to places outside of the District.

The mineral tax rolls of Dimmit and Zavala counties provide a fascinating insight into the economy of the Border area of the District. For oil leases owned in Dimmit County, 92.1 percent list an address outside of the county and 89.3 percent of the oil owners live outside of the District.[2] Zavala County shows the same phenomenon only to a slightly lesser degree: 91.2 percent of the oil owners live outside the county, and 81.3 percent live outside the District. Three Canadians own oil in Dimmit County and one Australian owns part of a lease in Zavala. Not including these internationals, non-Texan Americans own 19 percent of the oil leases in Dimmit County and 11.9 percent in Zavala County. These figures are based on a total of 1068 owners on the Dimmit tax roll and 1009 on the Zavala tax roll; these data do not control for the percentage of the lease owned nor for the amount of taxes incurred. California was the most common state for non-Texan oil owners with New York and Colorado close behind.

Most owners of oil leases in the two counties list a Texan but non-District address. Corpus Christi residents hold the highest percentage of Dimmit County oil at 12.6 percent. This may help explain why the per capita income of Corpus Christi continues to exceed that of San Antonio. For Zavala County, the leading absentee-owner city is Houston with 14 percent. San Antonians own essentially 12.5 percent of the oil in both counties; of those owners, the most frequent zip code listed is 78209, and the most common single address is the Milam Building.[3] The Dallas-Ft. Worth area accounts for about 10 percent of the oil owners. Austin addresses occur at a 2.9 percent frequency on the Dimmit tax rolls and at a 6 percent rate on the Zavala tax rolls. One District resident who lists an Austin address is Governor Dolph Briscoe. The Briscoe Trust, Mrs. Janie Briscoe, and Mr. Dolph Briscoe receive their tax statements in Austin; this suggests that those properties are managed from Austin; again, evidence tends to confirm that profits are flowing out of the District.

Worth noting is the fact that not all owners of oil leases pay taxes on the oil they extract. Fifty-four owners of Zavala leases and 84 owners of Dimmit leases paid no tax at all in 1984. That comes to 7.9 percent of all owners on the Dimmit mineral tax roll and 5.3 percent of all those on Zavala mineral tax roll. Thousands of dollars in taxes, for 1984 alone, were uncollected. This does not include any delinquent accounts that might pose collection problems. Tax Assessor-Collector officials report that envelopes containing tax bills are addressed with only the name of the owner and mailed. The postal employees stamp the envelopes as "undeliverable: insufficient address" and return them to the Assessor-Collector. There the envelopes and undelivered bills are filed to prove attempted notification of taxes due.

The presence of oil does not automatically translate into employment for local companies and individuals. Documentation of this fact comes from the weekly Hughes Tool Company report of drilling permits issued by the Texas Railroad Commission.[4] New wells in the District were tracked for a time period covering September 10, 1985, through October 25, 1985. The reports categorize new wells by counties. Out of 56 new wells during the sample period, only nine were being drilled by a company based in the District. Galaxy Oil of Carrizo Springs was the most active, District-based drilling company with five of the wells. Killam Oil Company of Laredo had two. Williamson Drilling Company of Uvalde and Fred S. Hopson of Laredo each had one new well.

Forty-seven of the new wells were being drilled and operated by firms from outside of the District. Eight such drilling companies list a non-District, San Antonio address. The vast majority of drillers active on new wells in the District originate from Houston and Corpus Christi. Perhaps the visiting oil drillers hire local employees. Probably the bulk of the employess are hired from outside of the District with some minimal spin-off of food and support services. The key observation about importing drilling companies is that the major capital accumulated by them will be returned to their home city--Houston, Corpus Christi, or San Antonio--and not be reinvested in the District.

There are some local, small oil refineries in the District, but once again the capital accumulation is in the hands of non-District individuals and bound for exportation. Tesoro Petroleum of San Antonio has maintained the largest such refinery in Carrizo Springs. The San Antonio-based corporation has hired as many as sixty individuals; the refinery has been closed for a year, running on pilot lights to avoid expensive close-down procedures promulgated by the Environmental Protection Agency (EPA). The Sun Oil Corporation maintains a much smaller refinery at Big Wells, also in Dimmit County. Sun is based in Corpus Christi. Mr. Clinton Manges was refining some oil by contract with a small independent in Eagle Pass which ceased operating as of September, 1985, due to non-payment for services. Despite these and a few other exceptions, most of the oil is refined in Corpus Christi or Houston. The three-fold export of oil from the District is evident: most of the oil is owned by non-District individuals, most of the drilling is carried out by non-District companies, and most of the refining of the oil takes place outside of the District. Ironically, but not surprisingly, gasoline and heating oil in the District cost more than the same commodities in Houston, Corpus Christi, or San Antonio.

A second aspect of the District economy that suggests an infant stage of development is that of banking. In the Border area of the District, there are seventeen banks. Together these banks report over $2.247 billion in assets including over $2 billion in deposits for the calendar year of 1984. The Laredo National Bank ranks 285th in the entire U.S. according to <u>Polk's World Bank Directory</u>; the bank reports deposits of $.817 billion and assets of $.896 billion.[5] Meanwhile, The International Bank of Commerce of

Laredo rates as the number one, U.S. Hispanic-owned bank in both categories of deposits and assets; it reports 1984 deposits of $.409 billion and assets of $.440 billion. Once again credence is lent to the hypothesis that the District is not bereft of the resources necessary for developing the economy.

That the District persists in an infant economic phase is somewhat surprising viewed against the backdrop of a thriving banking community. Several of the banks date from the turn of the century: Laredo National Bank from 1892, Del Rio National Bank from 1904, and Del Rio Bank and Trust from 1910. One piece of evidence that may shed some light on the subject is of percentage of deposits loaned. A survey of non-District banks discloses commercial loans ranging from a high of 80% of deposits [Republic Bank of Houston] to a low of 57% of deposits [Frost National Bank of San Antonio]. The only banks that approach that type of lending are the two in Carrizo Springs, the one in La Pryor, and two in Del Rio. Excluding those five, the norm for the Border area is significantly lower. The range for the typical Border banks is from 29 percent at the Del Rio National Bank up to 50 percent at the Union National Bank of Laredo. Without the five lending-prone banks, the average rate of loan for the Border banks is a modest 41.6 percent with the median at 43 percent. In other words, the median bank loans out 43 cents of every 100 cents deposited.

The five atypical banks are the First National Bank of Dimmit County, the Union State Bank of Carrizo Springs, the La Pryor State Bank, the Plaza National Bank of Del Rio, and the American Bank of Commerce in Del Rio. The loan rates for these banks respectively are 60 percent, 59 percent, 67 percent, 87 percent, and 59 percent. The mean for these five banks is 66 percent with a 60 percent median. For these atypical banks, the combined deposits are $102 million or a mere 5 percent of the District Border Banks' deposits.

The pro-lending attitude of those five banks is not shared by the over-whelming majority of the Border banks. If most deposits are not loaned, how are they invested? The answer is that the Border banks buy heavily into US Government securities, Texas bonds, and other notes. The median bank has 50 percent of its deposits in government bonds, the unweighted mean is 47 percent. South Texas National Bank of Laredo keeps only 30 percent of its deposits in government bonds. At the ultra conservative end, Del Rio National Bank invests 59 percent of its deposits in government securities. Even the Laredo National Bank, the giant of the entire Texas border, holds 40 cents of every dollar deposited in government debt.

Bankers are known as a conservative breed and Texan bankers would in general especially fit this stereotype. So, compared to their fellow professionals and Texans, these bankers in the Border area of the District do seem to be playing very safely. Certainly the Mexican market for loans would have to be somewhat attractive to Border bankers: 1985 interest rates in the Distant Neighbor have been exceeding 60 percent.[6] Another clue about where deposits go comes from the Federal Financial Institutions Examination Council. In 1983 Laredo, only 292 home purchase loans were owned by local lenders: all other home mortgages had been resold to out-of-county institutions.[7] Again, evidence indicates that capital is leaving the District.

There are other types of local investments that could earn considerably more in interest. Such commercial loans would return much more capital to the District. Yet one might interpret the holding of federal and even state bonds as a wise investment for a developing economy. This puts the Border bankers in the company of other developing economy bankers--from the developing nations of South and Central America and of Asia. At least this export of capital comes back with dividends. Additionally, a sizable portion of these bonds could be municipal bonds and school bonds. Truly, these would represent investments in the community and District of a valuable sort. Unfortunately, the data does not allow for separating municipal, school, and water bonds from the total of "State" and "other."

When viewed against the background of bank mergers, the prospects for long-term development of Border banks may be less optimistic. San Antonio's National Bank of Commerce bought the First National Bank of Eagle Pass a few years ago and it will certainly not be the last such purchase in the District by larger banks in the merger syndrome. According to Mr. Bill Aldridge in the office of the State Banking Examiner, most of the loans by First National Eagle Pass used to be to local commercial ventures.[8] Since being sold to a San Antonio bank, there may be a proclivity to siphon deposits from Maverick County and invest them in growing San Antonio or booming Austin. San Antonio Savings has opened a branch in Uvalde for presumably similar reasons: not due to pent-up demand for loans, but because deposits can be then exported back to San Antonio, once again leaving the District. Certainly the example of the Carrizo Springs Holding Company is a better one for developing the District economy. The Holding Company owns the Eagle Pass Savings and Loan. Here is an example of the potential to reinvest and multiply the benefits of capital.

The strategy of San Antonio's First Federal Savings and Loan provides insight into the capital flow within the state. Though not in the District, First Federal follows a somewhat typical strategy of savings and loans: respond to geographic market demand for money. First Federal maintains two offices in the Austin area and two in the Dallas area exclusively to make loans. Deposits are not accepted at those offices and savings or checking account holders may not transact any regular business there. In 1984, approximately $1 million of the $3 million loaned by First Federal went to Austin and Dallas area homeowners. According to Vice President Eva Adams, "that's where the demand is for homes and home improvements."[9] Essentially, First Federal is exporting capital as an aircraft manufacturer would sell a finished product.

The strategy of First Federal is being followed by San Antonio Savings, National Bank of Commerce, the Gill Corporation, and perhaps others. Unlike the windfall San Antonio reaps from First Federal's loan activity in Austin and Dallas, there is no such windfall to District banks, except for those holding federal and state bonds. All this may be beginning to change as Laredo Savings and Loan has applied with the Savings and Loan Department of the State of Texas to open a branch office in San Antonio.[10]

One signal of reinvestment in an area is the incidence of philanthropic and charitable foundations. Unfortunately, few such foundations exist in the District.[11] No foundations are registered nor reported in Dimmit, Kinney, Maverick, or Zavala counties. Val Verde lists one foundation known as the Del Rio Area Foundation; it consists of land transferred from the Moody Foundation. Laredo lays claim to three foundations. One has assets of $5000 and made no grants in 1983. Another lists assets of over $3 million and earmarks all grants to one hospital: approximately $1 million per year. A third, D. D. Hachar Foundation, donates to the Laredo Development Foundation. The residents of Val

Verde County did receive a grant from the Moody Foundation to repair the water system. Citizens from throughout the District come to utilize the San Antonio hospitals and such services as the Ronald McDonald House. When asked by questionnaire to list charitable and philanthropic foundations in their county, numerous business and government leaders responded with either "none" or "HEB" or "United Way."[12] The concept of a philanthropic foundation was not even familiar to them. An examination of the HEB Foundation annual report showed that no such philanthropic giving takes place except to three youth camps outside of the District. It is possible that questionnaire respondents were referring to HEB commodity donations to local food banks. The fact remains that few charitable endowments have been created and nourished over the century. It is another indication of exported resources.

In addition to the export of oil and money, the District is exporting its best and brightest: people. The threshold of equilibrium or critical mass has not yet been crossed to promote more than a very minimal retention rate of home-grown business and political leaders. Few leaders move into the Border area from other parts of the state; much more common is the opposite occurrence. The Congressman of the District is a good example. His path to power has taken him out of the District to San Antonio. The Austin lobbyist for Southwestern Bell is a Laredo native who has left the District. Lt. Governor Hobby's second in command in his Research Office is a Laredo native who will never return to the District to live. J.A. "Sporty" Garcia moved from Eagle Pass to San Antonio to practice law and position himself for a run at State Senatorial District 21. Fourth Texas Court of Civil Appeals Judge Tijerina left his Laredo home for law school in San Antonio and has returned to San Antonio to dispense justice through that court.

Blandina Cardenas Ramirez, member of the US Civil Rights Commission returns periodically to visit in Del Rio, but she now makes her home in San Antonio. And the list continues. An Italian businessman opens a Pizza Hut in Del Rio; as he opens new Pizza Huts in District cities, his work flourishes. Now he is moving to San Antonio and bringing the 35 headquarter jobs with him. To find a new president for Kelly Field Bank, Mr. Tom Benson draws a Del Rio banker. The export of talent is recognized by those who have been living in the District for even the shortest amount of time.

The better students from District high schools matriculate to San Antonio colleges, UT Austin, or A&M, and few return to the District. In some respects, San Antonio is a gateway out of the District for many residents. Hansen has found that many South Texas Hispanics emigrate to California for better economic prospects.

> In the 1960 Spanish surname population of the Southwest, 60 percent of the interstate movers lived in California, while only 17 percent were in Texas. Since two-thirds of the Mexican American population outside of California lived in Texas, it may be assumed that most of the movement to California originated in

> Texas. One three-county area in south Texas which had a population of 352,000 in 1960, slightly over two-thirds of whom were Mexican Americans, lost 10,500 persons to California between 1955 and 1960. These three counties received only 1,800 migrants from California. 13

One suspects that California has been capturing the imagination of the young and talented. The perception of greater upward mobility prospects in California is perhaps as strong an impetus to Texas emigres as the existence of open jobs.

San Antonio is also a gateway for exportation of crops, livestock, and minerals. White Mines headquartered in San Antonio with major quarries in western Uvalde County hires Missouri-Pacific to haul hundreds of tons of gravel to San Antonio three times a week. From San Antonio the carloads are dispersed around the state. Del Monte of San Francisco cans vegetables including over 70% of all spinach in the U.S. in its Crystal City plant. The product is then hauled by rail cars and trucks up to San Antonio for nationwide shipment. Cattle and sheep, cotton and pecans all find their way into San Antonio by truck for distribution around the state and nation. The one exception to this hinterland deference to San Antonio may be Laredo.

Laredo shows signs of standing at the threshold of capacity to retain its business and political leaders and become a nodal center for the Border. In that regard it follows San Antonio as a slow developer in the nodal role. Even now, San Antonio is vying for control of its own economic destiny. A major San Antonio-based corporation, Data Point, has fallen victim to corporate raiding from New York; most likely, thousands of jobs will be lost. Tesoro Petrolem is known to be having its problems and some degree of retrenchment has occurred at other San Antonio-based corporations which have ventured out into U.S. competition. American Century is a shadow of its former self. Church's Fried Chicken is rumored to be the target of a hostile take-over attempt by Pepsico. Sigmor has been sold to a Dallas firm and Omni Enterprises has barely avoided Chapter Eleven. Two major exceptions to this may be USAA and La Quinta. However, the Alamo City has historically been a food-based economy with the notable exception of the military installations. The major corporations headquartered in the city are mostly food-related: Church's, HEB, Jimenez, Fuddruckers, West Coast Produce, and Luby's. The Frito Company has been bought by Lays of Dallas. San Antonio is not fully safe from the spectre of corporate raiding, realizing that no city has any such absolute guarantee.

With a hefty percentage of the areawide home building market in local hands, imported professional football ownership of the New Orleans Saints, car dealerships in other states and Texas cities headquartered here, local investors buying savings and loans in other parts of Texas and in such states as Illinois, and with the fifth largest periodical distributor operating internationally out of the city, San Antonio is emerging from its long hibernation in developing its economy. Problems persist: for example a new mall will be constructed at IH 35 N at 1604 by a Chicago firm that already owns two of the six malls here. The firm in charge of construction will come from Florida. The new Leon Creek Waste Water Treatment Plant was designed by a California firm and the general contractor has been chosen from Houston. San Antonio continues to lose millions of dollars to "foreign" firms.

That San Antonio should continue to be prey for exportation of resources is ironic when contrasted with its economic leadership of the state as late as 1930. It had been the number one city of the state in population and banking up to that time. The historic, religious, military, and cultural capital of Texas went to sleep during the 1930's and 1940's. The three major hypotheses attempting to explain this malaise were: (1)San Antonio leaders rejected aircraft and automobile plants for fear of unions, (2)banks in San Antonio did not pull together during the Great Depression as well as those in Houston and Dallas, and (3) the city leaders developed no long-range plan to expand the economic pie for all. Which combination, if any, of these explanations be true, the consequences of San Antonio's lethargy were felt by its hinterland and in particular that part which was to become the District. Bankers hedged their bets, natural resources were exported with a minimal amount of value-added labor, and the District continued to await development.

Laredo now surpasses the population threshold for a nodal city: 100,000. Its banking community is in tact. The jolt experienced from the peso devaluation has awakened the local businessmen to the fact that retail sales will not be a sound future. Two daily newspapers compete for the minds of the citizens. Oil drillers such as Killam are working outside of the District importing dividends to be reinvested in Laredo. Ten of the top 500 Hispanic businesses of the US are based in Laredo, including two of the 50 fastest-growing firms.[14] Two colleges offer an open door to citizens looking to start the professional climb. The Charter Real Hospital is one example of a top U.S. company that sees Laredo as a developing market. The downside is that Charter Real is based in Macon, Georgia.

The hypothesized phases of urban economic development certainly begin with an area that exports its natural resources. San Antonio has finally passed into the phase of exporting franchises and basing corporate headquarters. Not as much can be said for the District. Laredo appears as a sleepy San Antonio of the 1930's, and elsewhere a type of mercantilism reigns. The landholders like Governor Briscoe and Tony Sanchez also own banks; however, there is little concerted private sector effort to develop the District beyond its infancy and thereby increase the pie for all. If the District were a desert or a mountainous expanse of uninhabitable, uncultivatable terrain, there might be some natural limitations to economic growth: such an excuse does not exist in this case. Meanwhile, businesses from around the state and nation continue to benefit from the District's infant economy.

CHAPTER THREE

MAXIMUM FEASIBLE FRAGMENTATION

Representatives of three chambers of commerce in the District met at the Holiday Inn, Civic Center, in Laredo on the morning of October 28, 1985. Laredo, Eagle Pass, and Hondo were represented; Del Rio, Brackettville, Crystal City, Carrizo Springs, Uvalde, and Devine were no-shows. The expressed purpose of the conference was to discuss economic development of the Border. The seven individuals exchanged information on their counties and on their chambers' programs. A key interest was subtly explored and determined to be not only mutually held, but also one on which policy agreement existed: opposition to proposed immigration control legislation, namely, the Simpson-Rodino bill. Perhaps the hidden agenda of the meeting was to organize opposition to be registered at a Civil Rights Commission hearing in Laredo on January 10 and 11, 1986. The Commission has scheduled time to take testimony on the effects of proposed immigration reform. Chamber leaders worried aloud that proposed employer sanctions and other provisions of the new version of Simpson-Mazzoli would deter new businesses from moving into the Border area and would place additional burdens on existing business, thereby discouraging expansions.

The conference illustrates several key points about economic development in the District. One is the eclectic nature of the subject: where else would a discussion of promoting local business include a critique of international relations, foreign policy, and immigration legislation? The current world-economy age not withstanding, Mexican-U.S. relations are understandably viewed by many in the District as a regional, if not a local, matter. The meeting also underscored the point that economic development is not just for the local chamber of commerce any more. The chambers are finding themselves only one player--and usually a small one at that--in a field of city, county, regional, state, and national organizations espousing economic development. Some 25 or 30 years ago, such a meeting of chambers of commerce might have been the avant-garde: in 1985, such a conference could only be seen as chronicling the efforts of other organizations and agencies.

At least thirteen different government and private entities are involved in some form of economic development in the District. These are the Department of Housing and Urban Development, the Economic Development Administration, the Small Business Administration, the Neighborhood Reinvestment Corporation, the Texas Department of Commumity

Affairs, the Texas Economic Development Commission, the Governor's Office of Economic Development, the Texas Employment Commission, the Councils of Government, some counties, some cities, private development foundations, and the chambers of commerce. This list does not include players with indirect impact on economic development such as the Texas Department of Human Resources, the Labor Department's Office of Trade Adjustment Assistance, the Texas Highway Department, the Department of Agriculture, the Farmers Home Administration, the Texas Agriculture Commissioner, the Office of State Procurement, and the Texas Tourist Development Agency, among others. The thirteen players in this District dramatis personae of economic development will be identified by their missions, boundaries, staff data, examples of projects, and cursory evaluations of performance will be included. The federal agencies will be presented first, followed by the state, regional, and local entities. The order of discussion is not necessarily the order of significance for the District economy.

The Department of Housing and Urban Development (HUD) continues as a major public participant in economic development nationwide. Although its planning assistance funds are being phased out, it remains--as of fiscal year 1985--the conduit for direct funds to cities over 50,000 and indirectly to cities under that population line. To Laredo alone in fiscal year 1985, HUD pumped in over seven million dollars.[1] The funding categories were Community Development Block Grant $3,344,000; Rental Rehabilitation $87,000; Housing Modernization $505,248; Public Housing $1,931,825; Section 235 $76,886; elderly high-rise $1,038,197; vouchers $64,838; and Operating Subsidy $70,000.

The district office for HUD is in San Antonio. The district includes all of the Twenty-third Congressional District and the rest of South Texas. HUD serves its own district with a staff of about one hundred seven and an operating budget approaching $3.5 million. Most of the HUD money received in the District is channeled through the Texas Department of Community Affairs (TDCA). Further discussion of TDCA will take place later in this chapter. Together with TDCA, HUD is clearly the source of the largest cash influx to the District.

The Department of Commerce's Economic Development Administration (EDA) has a district office in Austin. The staff of thirty-two serves an area south of a line from El Paso to Beaumont. The operating budget is approximately $1.5 million for fiscal year 1985. Three projects are currently underway in the District at a total price tag of roughly $1,465,000.[2] Revitalization of the Laredo Mercado is costing $600,000; infrastructure improvements at the Del Rio Foreign Trade Zone are billed at $824,000; and the Middle Rio Grande Development Council has been awarded a planning grant of $41,000. Approximately $14 million has been dispensed by EDA in this five state region for fiscal year 1985.

EDA would rank fourth or fifth in total amount of funds funneled into the District. Aside from planning grants and some business loans, the major thrust of EDA is public works jobs. The Laredo and Del Rio projects are very good examples of this point. EDA targets areas where unemployment exceeds the national average. For the Border area excepting Laredo, two percent of the employed population must have been terminated or be facing termination to qualify for EDA funding under Title IX of the Public Works and Economic Development Act of 1965 as amended in 1974. Although the jargon of growth center theory is used, EDA projects suggest more of an ad hoc approach to economic development. Little reference is made to the legislatively-mandated Overall Economic Development Plan.

The Small Business Administration (SBA) of the Department of Commerce operates a district office in San Antonio with a staff of forty-two and an operating budget of about $1.6 million. The SBA district includes all of the Congressman's District. In addition to guaranteeing loans of up to about $500,000 for businesses that employ a total of under 500 workers, the SBA works with the Minority Business Development Agency to specifically target businesses owned by Hispanics.

Under Section 8(a) of the Small Business Act, the SBA serves as a prime contractor for federal purchases of

> goods and services, and then subcontracts the work to small firms owned by socially or economically disadvantaged people without competitive bidding. In the San Antonio area this year, 72 new 8(a) contracts or modifications to existing contracts have been awarded, involving 57 companies and worth a total of $51 million. Last year 74 contracts totaling $45 million were awarded. Roughly 77 percent of this year's contracts went to Hispanic-owned firms. By industry, 34 percent went to manufacturing firms, 32 percent to construction contractors and 16 percent to professional firms. 3

Such targeting of local firms does help the District economy tap into the concentration of military installations for more than salaries and wages. Of course, not all of the SBA money goes to the District: most is concentrated in San Antonio. However, three new 8(a) contracts for the District have been announced for fiscal year 1986. Two of these are to be located in Eagle Pass: Alamo Technologies, Inc., plans to hire 50 workers in an electronics plant, and an as yet unidentified manufacturing firm will hire 200 people in a new plant. Also, a San Antonio-based firm, Aleman Food Service, plans to hire 200 cannery employees in Crystal City. These three new ventures will constitute about 10 percent of the $60 million in SBA 8(a) contracts expected to be let in 1986. Laredo has four 8(a) contractors; Eagle Pass has two. Not counting over 150 loan guarantees to District companies, the SBA infuses over $10 million annually into the District. That earns it a rating second only to HUD in total funding.

The SBA, while earning overall high marks for targeting minorities, does not please everyone. Congressman Bustamante has charged that the SBA "...concentrates on obtaining food and janitorial service contracts for minority contractors. 'Therefore,' he said, 'Hispanic construction firms are losing valuable opportunities.'"[4] No figures are available on the percentage of Hispanic businesses, their diversity, nor their proximity to supply sites. It is estimated, based on the fiscal year 1984 data available, that less than 2 percent of the dollar-value of federal government contracts goes to Hispanics; this translates into less than $3 billion out of a $167 billion total. Hispanic firms frequently complain of difficulty in qualifying for the 8(a) program. One Laredo contractor manufacturing canvas cots was forced to buy out his Anglo partner's share of the company [under 50 percent] in order to qualify. That same manufacturer had already won a competitive bid contract from the military.[5] Also there is a two to five year limit on 8(a) status for any one company; no transitional assistance for such companies then exists. Another criticism of the SBA involves the tendency to favor existing businesses over those in the incipient stage.

Besides the incidence of a higher percentage of Hispanic population and therefore of Hispanic businesses, there may be another reason for the local SBA receiving higher marks on Hispanic assistance. This could be characterized as an attitudinal factor. The Regional Director of the SBA, Reynaldo Lopez, is a San Antonio native. The Minority Business Development Agency Director, Jimmy Richardson comes from Laredo. Certainly, these men are personally aware of the economic needs of the District. Additionally, the advisory committee for the SBA district office is composed of several South Texans. Maverick County Judge Rudy Bowles of Eagle Pass, and Alfonso Aleman,[6] the prospective Zavala County employer, are two of the five-member committee. Realistically, the SBA--and in particular the 8(a) program--would not win the Carl Schurz award for minimizing the influence of politics. The SBA is known to keep their lists of government contracts away from publicity, presumably to facilitate the non-competitive allocation of this largesse.

A fourth federal agency that implements a policy of economic development is the Neighborhood Reinvestment Corporation. This public, non-profit corporation was officially founded in 1978 by P.L.95-557; however, it had already been operative as an agency of the Federal Home Loan Bank as early as 1970. The purpose of this corporation is to leverage private and public money for rehabilitation of older housing stock. Such housing is usually not located in newer, growing areas of communities, and therefore less eligible for private lending institution loans. The NRC Board of Directors includes top officials from the Federal Reserve System, Comptroller of the Currency, HUD, Federal Home Loan Bank Board, FDIC, and National Credit Union Administration.

San Antonio is a regional headquarters for the NRC, with the region including Texas, Oklahoma, Kansas, and

Nebraska. Ft. Worth is an epicenter of regional activity. Leo Ramos, Jr., is Director and Ernesto De La Garza is the field representative for the District. Two programs are in the planning phase for the District. The Dimmit County Neighborhood Housing Services (NHS) is closest to funding; it will be discussed at length in Chapter Four. Laredo and Webb County officials have invited the NRC to present details of the NHS program at a November, 1985, meeting. Funding for the NRC national staff of approximately 200 comes through congressional appropriation to the Federal Home Loan Bank Board. About $15 million was spent on staff, office, and all operating expenses in 1984. The NRC actually provides about ten percent of each NHS start-up cost. These funds come via HUD and contributions from local banks and national corporations. About $5 million nationwide came through HUD in 1984.[7]

The NRC is nationally-successful and is expected to make a major contribution to the economies of Dimmit and Webb counties. Each dollar invested in the Revolving Loan Fund is estimated to generate $7 in the local economy. The NRC contributes $50,000 per city and lauches each program with a minimum of $500,000 for loans.The goal of a NHS is to be self-supporting from homeowners repaying their loans. It must be noted, however, that of the 201 neighborhoods and 134 cities with an NHS, only 18 have achieved self-reliance, and these tend to be in top 30 SMSA's. The fact remains that the NHS program is well- organized and holds considerable clout due to its Board of Directors.

The Texas Economic Development Commission is the first state agency presented in this survey. It describes itself as

> ...the primary economic development agency for the State. The responsibilities of the agency are to assist new business concerns to locate in Texas and existing businesses to expand their operations. Such activities maintain or increase employment, expand the tax base, maintain existing business, diversify the economy and promote a healthy economy. 8

The most well-publicized tool by which the TEDC attempts to carry out its mission is the industrial revenue bond. These are tax-free loans made at three-fourths of the prime lending rate and issued through local, non-profit development foundations. The bonds are to be used for capital expenditures and they may be used by traditional industry, manufacturing, small business, and even such enterprises as Sea World in San Antonio.

Other services of the TEDC include the Rural Loan Fund. Under this program the state will loan up to 40 percent for fixed assets to the local development foundation in an incentive package to lure new business. Also, a Business Location Services Department helps firms in site selection around the state. TEDC offers an Industrial Start-Up Training program to help recruit and train employees. Finally, the Commission attempts to promote exports from Texas via its International Development Division. Trade shows are set up overseas, technical assistance is offered to Texas businesses, and a Mexico City office [the "Texas Embassy"] is maintained to promote export of Texas agricultural products to the international neighbor.

The TEDC is criticized for keeping a low profile in the District. Yet, it has approximately eighteen projects currently active in the District. These eighteen companies are employing approximately 1500 people. Some $50 million in financing has been arranged by TEDC over the last four years in the categories of industrial revenue bonds and in the Small Business Revitalization program. Two new projects are in the planning phase for the District.[9]

Some criticism of the agency stems from the membership on the Commission. With the exception of a Commissioner from Alice, there have been no South Texas appointees by Texas Governors since the creation of the agency in the 1970's. San Antonio has had two appointees, but currently has one. One ranking Commissioner, the chief lobbyist for Southwestern Bell, was born in Laredo, but has lived in Austin and Ft. Worth since high school. There have been two vacancies until recently. L.P. Botello, Jr., of the Laredo Development Foundation had been mentioned as a possible appointee. Also, Cleo Bustamante, Jr., cousin to the Congressman, had been mounting a grass-roots campaign to gain an appointment to the TEDC. Mindful of the under-representation of South Texas, the Governor recently appointed Al Cisneros of the Port of Brownsville. Charles Martin Wender, a land developer in San Antonio was also appointed. Mr. Wender sold Sea World its San Antonio site.

TEDC must rank as either the top third or fourth of the thirteen agencies listed as active in the District. Headquartered in Austin, the agency employs a staff of 59 with an operating budget of $2.1 million. Eduardo Nunez is the regional business development coordinator for the entire Texas-Mexico border. The border is probably too much territory to be covered by one person, both in terms of number of communities and geographic distance. A final caveat for TEDC is that pending federal legislation to terminate all or most of the tax-exempt status of Industrial Revenue Bonds by the start of fiscal year 1987 could eliminate over half of TEDC's role in economic growth.

A second state agency that assists new businesses interested in the District is the Governor's Office of Economic Development (GOED). It operates chiefly to attract new business into Texas. For example, the GOED competed in the General Motors sweepstakes for location of the its new <u>Saturn</u> plant. The GOED claims much of the credit in winning the contest for the Navy's new Homeport for the <u>USS Wisconsin</u> to be located near Corpus Christi. The office was created to make up for the somewhat passive role of the TEDC in attracting new business to the state. The spotlight role of the GOED and its knight-errant modus operandi are not without their political benefits to the governor.

The GOED consists of a staff of ten and a budget estimated at $500,000. Mimi Purnell directs the office located in Austin. Its only impact on the District so far has been to work with Texas Apparel to keep its Eagle Pass manufacturing plant open.[10] (Meanwhile, a similar plant owned also by Texas Apparel closed in Carrizo Springs.) Funds for retraining of the work force were made available. This highlights the overlap between TEDC and GOED. Ms. Rosa Rios Valdez, a Governor's payrollee, directs the Small Business Revitalization office. It has an annual fund of $300,000 from which to draw for assisting companies and communities in economic transition.

A potentially major impact exists for the District in the GOED's promotion of a southern Bexar County site for location of the new Toyota assembly plant. Although only one of five sites being offered in Texas, and actually only one of at least thirty being considered by the Japanese corporation, such a District windfall would have the single most important, positive impact on the regional economy. Overall, the GOED does not target the Border, much less the District; accordingly, of the thirteen entities espousing econonomic development, it must be one of the least influential.

A seventh agency is the Texas Employment Commission (TEC). Since 1936, it has attempted to match employees with employers. Its statewide job bank (list of job openings) is maintained on microfiche. TEC registers unemployed persons and disburses unemployment payments. By contract, TEC also makes available its technical expertise, staff, and services for federally-funded programs such as the Job Training Partnership Act (JTPA) [the replacement for CETA], the Work Incentive Program (WIN), and the Job Corps. There are no WIN programs in the District. The Laredo Job Corps contracts for TEC services in recruiting, counseling, and enrolling the entrants; additionally, the TEC is charged with locating employment for Job Corps graduates.

TEC has promoted the hiring of targeted individuals under the Revenue Act of 1978 (P.L. 95-600). The targeted groups include ex-convicts, Vietnam veterans, disadvantaged 18-24 year-olds, handicapped persons, and Supplemental Social Security recipients. Another service of the TEC is that of labor market surveys. These annual reports target cities such as Eagle Pass and compile labor statistics for the surrounding, 50-mile-radius area. Such information is a rudimentary economic development tool intended for employers potentially interested in the area. Information provided includes description of the area, population, and work force; numbers of employees by civilian work force subcategories; county tabulations of employment, unemployment, number of businesses, types of businesses, and wages; and summaries of job applicants registered by occupational categories.

In a questionnaire survey of 112 business and government leaders in the six Border counties of the District (see Appendix D), the TEC was rated as the number one agency contributing to the solution of unemployment. Estimating TEC contributions to the District in terms of dollars input requires more investigation. Evidently, it continues to serve its clearinghouse function quite well and provides necessary expertise to the manpower training programs of the District's cities. It has a good reputation for cooperation with the local officials and is responsive to the needs of business leaders. Eight offices are located in the District with approximately 110 employees and total operating budgets approaching $1.7 million.[11] Unemployment taxes channeled through the federal govenment [Department of Labor] comprise 85 percent of the funds; the remaining 15 percent comes through the contracts with the Job Corps, the JTPAs, and the WINs.

The final state agency promoting economic development is the Texas Department of Community Affairs (TDCA). It works in conjunction with Private Industry Councils (PICs) on the Job Training Partnership Act (JTPA) programs; with Regional Councils (COGs) on HUD community development and area revitalization grants; with community service agencies (CSAs) on HUD anti-poverty grants; and with cities and counties for HUD grants toward community development. The TDCA is the "Daddy Warbucks" of Texas cities with under 50,000 populations and of the Texas counties. All JTPA money goes through TDCA. All TDCA money is federal and comes with strings in the form of guidelines: mainly, these target poor, low income, minority, and disadvantaged Americans.

In fiscal year 1985, TDCA channeled over $63 million from federal agencies to Texas community development programs. That does not count the JTPA funding of approximately $14 million. In 1983,

> TDCA administered 27.2% of the total federal pass-through funds; of that amount, about 96% of the funds were for employment and training programs funded under the JTPA and its predecessor CETA....The Texas Department of Aging administered 63.6% of the total federal pass-through funds. 12

Based on total dollar allocation, the TDCA--together with HUD--must rank as the number one entity for economic development funds entering the District. Over $3 million was channeled into the District in the year 1983 for the JTPA program, over $1 million was received by District CSAs in 1985, and over $2.2 million for community development (streets, sewers, housing, etc.). Over $1.9 million of the community development money went to the Border area of the District. A grant of $500,000 was funneled to Dimmit County in 1984 to defray capital start-up costs of the new Regal Pecan Company shelling plant now employing over fifty individuals.

The key partners in the JTPA program are the Private Industry Councils (PIC). Unlike the CETA program, the local supervisory agency for start-up and direction of the new manpower program is comprised of mostly private businessmen. There is no direct contact with the Department of Labor for local governments. Another major difference is that trainees are targeted for private sector jobs rather than public jobs. However, the Summer Youth Employment program has been continued. The PIC selects the grant recipient and administrative entity for the JTPA program. In the District, the JTPA and PIC boundaries coincide with those of the COGs.

The TDCA is generally highly regarded by local officials. Businessmen cooperate with some reservation, however, because of their disgust for the millions in federal tax dollars that they see under the discretion of these state bureaucrats. Its staff of 240 operates on a budget of approximately $6 million; that does not include over $15 million for JTPA contracts.[13] TDCA has had some staffing problems which merit more attention in Chapter Four. Some mystery remains concerning the criteria and their interpretation in the grant-award process. TDCA is seen as a friend of the District by those who deal with them. Though not of their own making, an excellent example of jurisdictional fragmentation exists in the CSAs funded by TDCA. In addition to the three COGs (to be discussed in the latter section of this chapter), five CSAs receive TDCA funding for poverty services in parts of the District. The two Border COGs are divided into three CSAs: Laredo-Webb, Dimmit-LaSalle-Maverick, and Val Verde-Kinney-Zavala-Uvalde.

Fragmentation characterizes the Councils of Govenment as well. Originally part of the San Antonio state planning area, the District has devolved into three COGs: the Alamo Area, including Bexar and Medina counties; the Middle Rio Grande Development Council (MRGDC), including Uvalde, Kinney, (Del Rio), Maverick, Zavala, and Dimmit; and the South Texas Development Council (STDC), which is based in Laredo. Each of these COGs encompasses neighboring counties which are not part of the District. Val Verde County withdrew from the MRGDC in 1980, but Del Rio--its county seat--continues as an active member. With the exception of Uvalde County, once again the division between San Antonio and the Border areas can be seen. At least the COGs serve as the EDA districts to prevent further fragmentation.

San Antonio dwarfs AACOG, Laredo dominates the STDC, and leadership of the MRGDC emanates from the Winter Garden area with Eagle Pass having lost its preeminence in the organization. The first piece of data that commands attention is the population size of the COGs. AACOG counts over 1.2 million; STDC 138,000 plus, and MRGDC 125,000 plus. These figures place the MRGDC at 24th of the 24 Texas COGs; STDC ranks in the 22nd place. The median COG population is over 309,000; the mean is over 540,000 people. When comparing the Border COGs to the 3 million-plus each Houston and Dallas COGs, the question arises as to whether truly regional planning is even possible in the Border COGs.

The MRGDC is definitely the weakest of the two Border COGs. It ranks 6th out of 24 in state-administered federal funds, but 20th out of 24 in direct federal funds, and 23rd out of 24 in pure state funds. The MRGDC ranks number one in per capita TDCA funding, but unfortunately has little to show for it. The MRGDC lists 4 projects completed: EDA planning grant, Financial management grant, Texas Association of Regional Councils Planning Grant, and JTPA-PIC Planning Grant. The mean number of projects completed for the 24 Texas COGs is 13 with a median of 15. On-going MRGDC projects include three of the above mentioned ones plus one more. The mean for the 24 COGs is 18 with a median of 17. One of six COGs with no newsletter, the MRGDC has published three pamphlets as compared to a state publications mean of 8 and a median of 5.7. By comparison, the STDC receives less funding, yet has already completed 16 projects and has 24 underway.[14]

Both the STDC and the MRGDC employ a staff of about fifteen. Administrative costs approximate $300,000 each. In 1983, the STDC was the conduit for over $2.4 million. The MRGDC received $3.04 million. The two COGs are governed in contrasting manners. The STDC has 16 member delegates with an executive committee of three. The MRGDC is organized much more like a parliamentary government: it has over 50 member delegates and board of directors numbering over 30. How such a large group reaches decisions is an intriguing question. The STDC model seems geared more toward action and may help explain higher output with less funding. The MRGDC was at one time part of the STDC, but--in an apparent political power play--started up four years later on its own in 1970. It continues to suffer from staffing problems. Two clues in this puzzle are Val Verde County's withdrawal in protest and a legal notice in November of this year for bids from consulting firms to subcontract economic development in three of its nine counties.[15]

Cities and counties in the District operate to varying degrees in the economic development field. AACOG's Regional Planning Director has complained that San Antonio is far ahead in economic base analysis and other key support functions and shows no proclivity to help the COG. Such non-cooperation is evidenced in the District as well. Laredo, for example, is eligible for direct funding from HUD and has received about $7 million in fiscal year 1985. Val Verde County has developed its own in-house economic development component to compensate for non-membership in MRGDC. Judge Guerra of Dimmit County has taken a first-hand role in dealing with TDCA and has even traveled to Aleman Foods to solicit location of that new SBA-assisted cannery. Judge Bowles of Maverick County has positioned himself to gain appointment to the SBA advisory committee, and once arranged a press conference at the Laughlin AFB to announce awarding of a base contract to a construction firm from his county. He also lured a new manufacturing plant from San Antonio; then he convinced the Congressman to pitch the Kelly AFB commander on designating corresponding purchases for Section 8(a) set-aside.[16]

The District ties for second place among the 27 congressional districts in the state in local government employment.[17] Only the McAllen area with 15 percent local government employees tops the District percent of 12; that translates to 23,286 workers. The Brownsville district has a thousand more local government employees, but that still computes to 12 percent. Local government employment does not count state or federal employees. For 1980, total government employment ranged from a low of 22.6 percent in Bexar County to a high of 30.6 percent in Val Verde County. Only local government employment can explain the 28 percent figure for Dimmit County which has only postal carriers on the federal payroll. Such employment figures suggest that tax-supported jobs are seen as one definition of economic development; one doubts the cost effectiveness of such an approach.

Economic development foundations are increasingly common in Texas. Maverick County and Del Rio have their own foundations, but the most successful one in the district is the Laredo Development Foundation (LDF). With five officers and a staff of five, the LDF operates on a budget of about $240,000 and finds funding from the city, county, PIC, D. D. Hachar Trust, and 60 private dues-paying members.[18] It is one of 7,500 development foundations nation-wide.[19] The LDF coordinates work of the PIC, TEDC, TEC, city and county.

The LDF administers the Laredo Industrial Development Corporation, promotes the twin plant concept, assists in recruitment and management of the three Free Trade Zone sites, administers the Laredo Health Facilities Development Corporation, and conducts research and planning functions to assist new industry seeking to locate in Laredo. It has assisted the Procurement Outreach Center to obtain public and private contracts for local goods and services.[20] This year it has put all work on line in its new computer system. The LDF receives high marks and probably represents the best return on investment for economic development, certainly in Laredo.

The Laredo Chamber of Commerce has grown a little apprehensive as the LDF has stolen the limelight in the gateway city. It is attempting to reorganize and has hired a new economic development director to regain some prominence. The Hondo Chamber of Commerce has rallied to block Defense Department plans to transfer weather radar sevice to a new site in New Braunfels. The Crystal City Chamber of Commerce has come to life over the possibility of losing railroad service to the city and county. Beyond these fact-finding and letter writing efforts, the chambers of commerce in the District are mostly settling for chronicling, cultivating, and celebrating the economic development efforts of other private and public entities.

The Laredo conference of chambers of commerce was not well attended. For those present, it was a learning and provocative experience. One positive idea received unanimous support: a unified list of festivals and celebrations must be compiled to prevent competition for tourists from San Antonio. Yet more may emerge from a coalition of chambers. The fact remains that the chambers major in tourism. The fact also remains that at least thirteen different agencies claim to be involved in economic development in the District: it is a typical picture of American government in classic fragmentation.

CHAPTER FOUR

CASE STUDIES

In this chapter, two cases of economic development are presented in more detail in order to give a look at in-the-field implementation and reality versus policy and theory. The first case focuses on the Dimmit Neighborhood Housing Services (NHS) and the second focuses on the Missouri-Pacific Railroad (MOPAC). The NHS is a story of intergovernmental relations, grantsmanship, and an offensive strategy of economic development. The MOPAC story is one of defensive economic development: attempting to retain those vital infrastructure capital investments already located in a community. The District Congressman plays a role in both cases.

Dimmit County Neighborhood Housing Services

Early in 1984, Dimmit County Commissioner Joaquin Salgado heard about the Neighborhood Reinvestment Corporation (NRC) at work in San Antonio and arranged for an invitation to be extended to Leo Ramos, District Director, and field representative Ernesto De La Garza for a presentation of detailed information. The presentation was received with great enthusiasm and news of the program spread through the small county of 20,000. The County Judge and the Mayor of Asherton made the NHS one of their platform planks in campaigning for re-election that November.

The purpose of the program is to leverage loan money for home improvements in owner-occupied, low-income to lower-middle income housing. A specific neighborhood is targeted. Neighborhood residents are allowed to make the final determination of whether to participate, and neighborhood residents serve on the board of directors. Low interest loans made to these homeowners stimulate the local building trades, start a chain reaction in neighborhood and community improvements, and generate upwards of $7 for every dollar of investment. In a five-year period, the program would hopefully be self-sustaining financially.

The populace in general was enthusiastic about any prospect of pumping new money and jobs into the local economy. The Tesoro refinery had all but closed in 1984 and rumors predicted that Texas Apparel would also close, thus laying off over 250 workers. Those rumors were to prove correct. Local contractors and tradesmen were also enthusiastic about manufacturing. Some of the local contractors were having to commute as far away as Austin to find work, and then only as day laborers. The politicians embraced NHS.

Not all in the community supported the program at first. Two groups that resisted the program were the local planners and the bankers. The city and county planners along with their staffs feared that the NHS would create a new and supplanting bureaucracy which would cut into their authority and ultimately cost their jobs. They envisioned a successful NHS program as expanding out of the home loan business and into public housing and community development. Their fears were not totally groundless: the NRC does offer additional services after the revolving loan program becomes self-sustaining. Ultimately, the planners would see NHS as a winning program for which they could take credit.

Bankers at first opposed the NHS because they anticipated competition for the home loan market and because they were being asked for large cash donations to the program. They were persuaded by a soft-sell approach which explained NHS as below market and complementary to the existing market for home loans. "Home improvement fever" would catch on and generate more loan demands. A letter from an NRC friend at the Dallas FHLBB helped the two banks and the savings and loan to see that they could score points with federal regulatory agencies through NHS. Additionally, the NRC offered to arrange for time deposits in the $10,000 range to be placed in the local banks by such NRC support organizations as the National Council of La Raza and the Housing Investment Council, both based in Washington, DC. "Just keep politics out of this," bankers told the NRC.[1]

The question of funding was central. The $500,000 threshold was presented as the bottom line for starting up a revolving home loan fund. Ultimately, that minimum would be dropped to $445,000, with some of that final figure to be in the form of written pledges. The NRC would contribute a standard $50,000; the three cities of Asherton, Carrizo Springs, and Big Wells would contribute $70,000 each from their TDCA yearly allocation; the banks would donate $10,000 each--a hefty sum in the NRC's judgment; Dimmit County would donate a sum of $50,000 over a four-year period as Regal Pecan made its annual repayments; and the county would apply for a TDCA matching grant of $225,000 for a grand total of $527,500. That would leave a $27,500 cushion for contingency and negotiating room.

One small funding problem existed for Asherton; it would be the first of several problems for program funding. In the previous year, the LaSalle County Judge had $55,000 left over from TDCA grants. He could not use it and faced an end of the fiscal year nightmare of returning the money to TDCA. In a resourceful move, he offered to trade the $55,000 to the Mayor of Asherton [needing street repair] in exchange for a promise to turn over to LaSalle County whatever money Asherton would receive in 1985. It was a deal the mayor could not refuse in an election year. TDCA announced Asherton's 1985 CDBG lot to be $70,000. LaSalle won the poker game and had profitted nearly $15,000. To make up for this debt incurred, Asherton applied for $389,000 in TDCA area revitalization money. Several wells would be dug and additional street improvements would be made.

A series of events then transpired in 1985 in which verbal commitments by TDCA lieutenants were to be proven less valuable than written ones. A personnel change at TDCA would evidence once again that treaties and covenants are less binding when their authors are no longer around to enforce them. Advised and accompanied by NRC representatives, the Dimmit County Judge and planner met with TDCA Director of Community Development, Jay Kayne, in Austin in January of 1985 to broach the subject. A subsequent meeting was set for Mr. Kayne to visit Dimmit County in February. That meeting was postponed due to Mr. Kayne's illness.

On March 1, 1985, Mr. Kayne met with city, county, and NRC officials in Carrizo Springs. He advised the group that a joint CDBG application by the cities and the county would be the next step to show their financial commitment to the NHS. Approached in Austin on March, 21, 1985, about the LaSalle-Asherton "poker game," Mr. Kayne did not see the problem as insurmountable, but did emphasize that no firm TDCA commitment could be given until April 1, 1985. A key telephone conversation took place on April 1.

> Judge Guerra [was] informed by Jay Kayne of $205,000 matching grant funds being set aside for [the] NHS program. Jay explained that unused 1984 TDCA emergency funds would be re-programmed for the $205,000 matching grant. 2

With this perceived assurance, the NHS team finalized their grant proposals and visited the TDCA Austin office to submit them. NRC officials rehearsed the meetings that had transpired and the April 1 commitment. Mr. Kayne informed the group that he would be leaving TDCA before the September grant awards.

Grant announcements were delayed until the first week of October as the Governor trekked to Japan to woo the new Toyota plant. The announcements did not include the $389,000 for Asherton nor the $205,000 for the NHS. The TDCA Executive Director, Rafael Quintanilla, agreed to meet with the NHS group in Carrizo Springs on October 16, 1985. Before that meeting, the Congressman had intervened on behalf of his hometown, Asherton, and TDCA Assistant Director, Bob Williams [former mayor of Leon Valley] promised to come up with that $70,000. At the Carrizo Springs meeting, Director Quintanilla gave a verbal commitment to try to find $200,000 and said he was still searching for Asherton's $70,000. He would need at least three weeks before he could give a written assurance; he would "clear this one with the Governor."[3] The verdict is still out on that NHS funding.

One false assumption surfaced in the Asherton area revitalization grant proposal and in the Dimmit County application for matching funds. It was the assumption that the existence of need [as discussed in Chapter One] was tantamount to and even a guarantee of obtaining the TDCA funds. The Dimmit County planner and the staff of the MRGDC put together the Asherton and the county grant proposals. Twenty-one cities applied for that particular funding; nine of them received money. Asherton did rank in the top nine based on need, but unfortunately, that was only one of the categories evaluated. Asherton was given low marks on its tax rate: it could be putting forth more effort in raising local funds despite the abundance of poverty and a weak economy. So judged the TDCA evaluators.

Asherton's application revealed either an over-confidence, a lack of grantsmanship, or a combination of the two. Most of the TDCA application consisted of fill-in-the-blank questions and some twelve of the 56 pages of the application were merely photo copies of TDCA renditions of federal guidelines and letters to the city from TDCA, NRC, the county, and others. The cover letter from the Mayor showed a lack of proofreading: five grammatical errors, two wrong words, two misspelled words, and three punctuation errors--all in only five sentences.

Another category of grantsmanship in which Asherton lost points was that of explaining how the money would be used. This could be described as lack of thoroughness in the presentation. For example, under the section entitiled "Title and Description of Applicant's Project," the Asherton entry read "Area Revitalization Project;" there was room for four or five sentences left unutilized. The next page entitled "Section IV--Remarks (Please reference the proper item from Sections I, II, or III if applicable)" was left totally blank.[4] Even the descriptions provided left important questions unanswered. For example, the number one need to be addressed with the grant money would be a new water well; the only explanation of why a new well would be needed was that the 1973 well "broke down;" the only explanation of this statement was that "the Department of Health has indicated that the city is in need of new water well [sic]."[5] A first question, which remains unanswered, is why could not the old well be repaired, and then would repair not be cheaper than drilling a brand new well?

Twice in the application, Asherton mentions that no comprehensive planning has been conducted to lay the groundwork for the water well, street repairs, and housing fund. The application does mention the city's approach to formulating such a plan.

> The City of Asherton does not have a specific plan/ strategy developed regarding their revitalization goals. However, being that the need is tremendously high they are addressing the essential activities that will help them to develop a long-term plan with obtainable goals. 6

One wonders why such a plan could not have been formulated over the months that ensued before the application deadline. If the city itself did not have the staff to prepare such a plan, certainly the county or the COG could have been contacted for assistance. The prioritization of needs as presented in the application was purportedly determined via the medium of a public hearing. However, no description of the meeting nor the methods used to determine public opinion [such as vote tallies] were provided in the application. A picture of inarticulateness, carelessness, and ineffectiveness begins to emerge from review of the Asherton application. Serious doubts are raised by the final form of this application: the biggest doubts may target the MRGDC staff, County planning staff, and the Regional Review Agency--all of which made input to the final application.

<u>The Missouri-Pacific Railroad</u>

The second case study is also a story without an ending at the present time. It is a story of a fundamental community asset in jeopardy: rail service. This type of economic development involves a defensive posture: one of shoring up old infrastructure and retaining those long-standing strengths that are so easily taken for granted.

On August 25, 1985, a legal notice appeared in the classified advertisements of the <u>San Antonio Express-News</u>. It stated that the Missouri-Pacific (MOPAC) rail line from Gardendale (LaSalle County), to Blewett (Uvalde County), was being considered for abandonment within the next three years. A map of the track was included: it pictured the rail line running through Dimmit and Zavala counties.[7] The major cities near the track appeared to be Carrizo Springs and Crystal City. Several phone calls from those cities were made to the Congressman's office the next morning. The Interstate Commerce Commission (ICC) would obviously be the governing authority, and hence the case would be handled by the Congressman's office as a federal matter.

That stretch of track dates back to 1909 and is considered a spur between two major rail routes: San Antonio to Del Rio [Southern-Pacific, parallels U.S. Highway 90] and San Antonio to Laredo [Missouri-Pacific, parallels IH 35]. The intensive agricultural production of onions and spinach in the so-called Winter Garden of Crystal City and Carrizo Springs made extension of the rail line into that area feasible.

> The colonization project inspired the construction of railroad line from Uvalde to Crystal City which was completed in 1909. In 1911 Carrizo Springs was connected to the Crystal City and Uvalde Railroad. Then in 1912 this line was connected to Gardendale on the International and Great Northern Railroad. Today all these lines are a part of the Missouri Pacific System. 8

The major user of the track today in the Winter Garden area is the agricultural giant, Del Monte. A key plant for its San Francisco parent company, the cannery processes over 70% of all spinach in the United States. The other major user of the track is in western Uvalde County: White Mines. With its headquarters in San Antonio, the strip-mining operation produces much of the gravel used in Texas from its two Uvalde sites. There have been other major users such as a large ice packing plant in Crystal City; but it burned down near the end of the 1970's and was never restored to its former prominence.

After initial contact with the ICC by the Washington staff of the Congressman, the District Director was assigned responsibility for coordinating a response. An ICC handbook on rail abandonment cases was obtained from the Office of the Special Counsel through the ICC legislative liaison. Rather than a three-year scenario, the picture of a six- to eight-month time frame emerged. A four-month clock had begun to tick from the day of the legal notice; during this time, the interested parties were encouraged to meet and discuss alternatives to abandonment. Any time after the first four months, the railroad could formally apply to the ICC for permission to abandon.

Contact with the MOPAC District Manager in Spring, Texas, [near Houston] and with the MOPAC General Solicitor in Dallas, suggested that the railroad might not be in much of a hurry to forge ahead with abandonment. However, on August 26, 1985, a consultant to Aleman Foods--planning a cannery in Crystal City and needing the capacity of about 1000 rail cars per year--had been directed to contact MOPAC on the seriousness of their legal notice. A letter was received by the consultant in the second week of October. By the third week of October, a copy of the letter had been passed through the Crystal City planner to the Congressman's office. The letter stated that MOPAC planned to abandon the Winter Garden area as soon as possible and offered to assist the consultant in locating the new cannery somewhere other than the Winter Garden.[9]

The shortest route to abandonment would entail a number of due process steps. MOPAC is expected to begin to run weekly newspaper notices early in December, 1985, to take the next step. On December 30, 1985, MOPAC could file its formal application with the ICC. From that time, a 30-day clock allows for interested parties to see the MOPAC application and protest in writing. The ICC then takes 15 days to decide whether or not a hearing should be granted. Without a hearing, abandonment is usually permitted to start immediately. With a hearing, the protestors have 15 days to codify and finalize their documentation; the railroad then would have 15 days to prepare its rebuttal. A hearing would next take place and the ICC would be required to render a ruling within 20 days. At the soonest, the track could be abandoned by March, 1986.

In conversations with MOPAC's General Solicitor and the two main users of the rail service, four major explanations emerge for abandonment. First, the track has run its natural life cycle and is in need of refurbishment--in other words, total reconstruction. Three bridges exist on the line and one washed out during the last week of October, 1985. The rail is in such disrepair that in some sections, trains must slow to between 5 and 10 miles per hour in order to prevent de-railment. A second reason is the cost of basic maintenance which has escalated, while no new users have been added.

A third reason is that the union contract is anachronistic. To service White Mines, for example, a MOPAC crew leaves from San Antonio and travels south-southwest to the Gardendale switch point and then northwest to Crystal City. At that spot, a new crew must replace the first due to the stipulations of time and mileage limits in the collective bargaining agreement. The second crew travels on to Uvalde, loads the gravel and returns to Crystal City. Then the first crew takes the baton and purveys the load back to San Antonio.

A fourth explanation is less difficult to document. Nationwide merger mania has resulted from deregulation of a number of industries. The Anti-trust Office of the Department of Justice has been pared down and defanged. Federal Register observations suggest that the ICC is now pro-railroad more than ever in its nearly 100-year history. In over 200 rail abandonment cases during the last four years, only five have been vetoed by the ICC. The pending merger of CONRAIL and Norfolk Southern, the merger of Southern-Pacific and Santa Fe, along with other less recent ones such as Union Pacific and Missouri-Pacific, indicate that the competition among railroads is moving into a new dimension of regional monopoly. There is also an apparent emphasis on more profitable lines with an accompanying trend to phase out service to small towns. In these turbulent business and world economy times, the railroads are no doubt following the lead of General Motors and other industrial giants in horizontal diversification.

The new ICC is said to be following the Reagan administration lead in paying more heed to private business. Therefore, the attitudes of the two major users have, for this and more obvious reasons, become critical in the attempt to retain rail service. MOPAC had already approached both companies with accommodation packages. White Mines was more pleased with the deal offered to them. Labor and distance costs would be saved by MOPAC leasing the Southern-Pacific track between San Antonio and Uvalde. This straight shot west would allow one crew to go out and back without a second crew. It would also save over eighty miles round-trip; about 8,000 rail cars are used per year. The catch remains that Southern-Pacific is not very interested in leasing their track. Neither is Southern-Pacific interested in servicing White Mines: they regard it as too small, according to Mr. John White, Jr.

The deal offered to Del Monte was less enticing. It will add at least \$2 million to the yearly operating cost.[10] That fact has both good and bad ramifications. In the short term, Del Monte is more willing to collaborate in negotiating with and protesting against MOPAC. Yet, in the long-run, the added cost to the cannery operation could lead to its termination. Del Monte uses about 1300 rail cars per year and takes regular competitive bids between MOPAC and private truck firms. MOPAC has offered to make its truck fleet available to Del Monte for a nominal fee. As an option, Del Monte could purchase its own trucks or hire independents to truck the goods to MOPAC's San Antonio station. Purchase of the track does not seem to be an option that would be feasible for any entity other than a non-profit development foundation with a direct line to heavy federal and/or state funding.

In keeping with the recommendation of the ICC's Special Counsel, the Congressman's District Director called for a meeting of the interested parties--including MOPAC--to be held in Crystal City. The purpose was to candidly identify the origin of MOPAC's intent to abandon the line and explore possible alternatives. Del Monte's local Director of Public Relations had written to the San Antonio office of MOPAC in mid-October and had not received a reply by November 1st. The Congressman's District Director called for a November 15 meeting. The date was selected in consultation with Zavala County Judge Carr and Del Monte's Director of Public Relations. The parties represented at the meeting with the District Director for the Congressman and MOPAC's General Manager and General Solicitor were the following: Del Monte, White Mines, Tesoro Petroleum, Aleman Foods, Crystal City Chamber of Commerce, the Economic Development Administration, Zavala County, Crystal City, Dimmit County, Governor White's Office of Transportation, the Texas Agriculture Commissioner's office, State Representative Glossbrenner, and the Catholic Church.

The only positive result from the November 15, 1985, meeting with MOPAC was their promise to meet with the interested parties again in thirty days and to make key financial data available at that second meeting. Railroad officials first denied that they had made a final decision about whether to file with the ICC for permission to discontinue service. They claimed that the MOPAC office of economic development would continue to assist businesses looking to move into the Winter Garden. When shown the MOPAC letter to Aleman's consultant, the railroad officials backpedaled, saying it was an unfortunate choice of words. Next, the MOPAC agents denied having any figures on the cost of maintenance or repair of the track. These statistics were being compiled. Interestingly, the General Manager stated that he did not know how many rail cars per year have been using the Winter Garden track; yet, when Del Monte's plant manager stated his figures, the MOPAC officials immediately objected and alleged an exaggeration.

Staff for the Governor, the Economic Development Administration, and the Congressman described existing programs to provide assistance to railroads facing large costs of track rehabilitation. Federal Railroad Administration unencumbered funds from fiscal year 1985 approximate $1.2 million; some portion of these could be possibly obtained via the Texas Railroad Commission. Additionally, Texas statutory law provides for the creation of railroad districts in rural counties for the funneling of state aid to rail service. MOPAC officials asked no questions about any of these options.

Looking ahead to a showdown before the ICC in 1986, there are three criteria for judging rail abandonment cases. One is the number of businesses impacted by the loss of rail. Another is the intensity of protest, and by axiom, the severity of impact on the community. A third is the unanimity of protest from the elected public officials at the local, state and federal levels. Opposition to abandonment in the District will be considered weak in the first criterion since there are only two main users. Most ICC guidelines refer to the "top ten users" as if there usually would be many more than two. Furthermore, of the two main users, only one is disenchanted with the deal of accommodation proffered by MOPAC.

Impact on the community should be a strong category for protest. Del Monte is the major employer in the county with employment at the cannery ebbing and flowing between 250 and 1250. The new Aleman cannery coming into existence in the Winter Garden hinges on the continuation of rail service. However, the ICC is said to be unmoved by such arguments of future or potential users. Political support is expected to be solid, although Senator Bentsen's staff had indicated that no member would attend the November 15 meeting. If an offer of federal and/or state funds for defraying the cost of track rehabilitation would not induce the railroad to reconsider abandonment, especially in light of the potential new user, then a confrontation in the ICC is likely.

These two unresolved cases provide insight into the Border area of the District and the economic development activities of some governmental units. In both cases, inter-govenmental relations has been a key component. Neither case reveals any overwhelming success. The NHS program appears more promising than the prospects of continued rail service. With a worldwide oil glut continuing into the foreseeable, inflation-tamed future, it may be possible for the Winter Garden to become a literal truck-farming area. And the upgraded neighborhoods may be able to survive without the influx of new industry and residents. A worst-case scenario, on the other hand, would find the loss of rail service leading to a loss of the new cannery, of Del Monte, and of whatever progress has been achieved in the local economy in the last thirty years in Zavala County.

CHAPTER FIVE

A REGIONAL STRATEGY

Some Conservatives are fond of quoting Jesus' words as recorded in Mark 14:4-9, "...the poor you have with you always...." Those who oppose government programs and other initiatives to aid the poor and disadvantaged interpret those words to mean that poverty can not be eradicated. What such Conservatives overlook is the extensive Biblical program to combat poverty, none of which was expunged by the Lord. The strategy included loans and leases pro-rated on proximity to the end of seventy-year periods, abrogation of all debts at the end of those seventy-year periods, land grants to families, mandatory provision for widows and children, taxes, stipulations against harvesting fields 100 percent to allow the poor and travelers to pick their own food without begging, voluntary financial contributions from neighbors, and other provisions.

The point is that there was a strategic plan to deal with the age-old problem of poverty. The need for a strategy to deal with unemployment and poverty in the District is no less than for any other region at any other time in history. The purpose of this chapter is to list the guidelines and options for inclusion in such a plan of action. Economic development is seen as the ultimate and most comprehensive category of planning aimed at the long-run time frame, and at the root causes of the economic problems. Nine guidelines or principles are recommended:

1. a regional approach,
2. emphasis on private business,
3. focus on developing the economy versus economic development,
4. entry into the national job competition,
5. increased investment in District institutions,
6. labor relocation only after job-training,
7. improved immigration controls,
8. cultivation of foreign trade zones, and
9. an enlarged District share of federal spending.

Regional Approach

The first guideline for an economic development strategy in the District calls for a regional scope. The parameters of the geographic nature of such a strategy have been set by the trial and error methods of the EDA with its regional commissions and with its growth centers. Ironically, the only major area of the US [with the exception of Florida and California] not part of a multi-state regional commission is the US-Mexican border. By contrast, all of the US-Canadian border is included in one or another EDA region. These regional commissions have received mixed reviews and generally they have achieved less than anticipated. The Appalachian Regional Commission (ARC) has been shown to be both too large and too homogeneous to achieve its goals.

Besides certain infrastructure projects, mainly roads, most critics agree that the ARC has proved that lumping contiguous, economically-depressed areas together makes for one big economically-depressed area and not much more.

Demarcating the smallest boundary is the concept of growth centers. These are cities which are developing economically and spinning off benefits such as new jobs to the surrounding region. Again, the EDA has demonstrated through its trial and error process that cities under 50,000 in population are quite capable of yielding little to no returns on large investments. Just as it is cheaper to be rich for an individual, so it is much more expensive for cities under about 100,000 to provide the basic services to their citizens. Even at the the 750,000 and over population level, when the economy of scale principle begins to reverse, the multiple new benefits of jobs and other economic choices outweigh the percentage cost increase; and these are jobs and choices not available to small cities.

No one disagrees on the benefits of growth centers, but disagreement does exist on the population description. The Royal Commission on Local Government in Greater London pronounced that the range is 100,000 to 250,000. Tormod Hermansen writes that

> Clark drew the conclusion (in 1945) that the optimum size of a city would be in the area of 175,000 to 200,000 inhabitants, with the city serving a region with an additional 50,000 to 75,000. 1

Hansen suggests that 250,000 to 750,000 is the ideal and that EDA policy should target aid to cities in that range. Agreement is virtually unanimous that the dynamics of a city with a population of over 250,000 supports economic growth and positive job spin-off for the hinterland. Community Development Block Grant legislation [HUD, Title 42] also recognizes the 250,000 optimum. These larger cities offer the best prospect for stable, continued growth. Cities under 100,000 and over 750,000 incur diseconomies of scale; the difference between these two is that the diseconomies in the larger category are overcome by increased economic stability and a higher probability of better jobs.

The impetus for job creation in growth centers goes beyond economies of scale. Something about these cities attracts people gifted with the abilities to create new businesses and attracts these people in greater proportions than smaller cities. A whole new environment of competition evolves in these growth centers.

> They provide a social and business climate in which impediments of tradition and personal inertia are minimized and initiative and innovation carry prestige; and in which the innovator can learn from his day-to-day contacts with competitors and can most easily tap the stock of accumulated know-how, exploiting inventions arising not only in his own city but elsewhere. 2

Life in a growth center is more rigorous and demanding. An atmosphere of change and progress pervades. These cities are the eyes and ears of the region, importing new ideas and replacing the good with the better of business practice, employee relations, and community investment. A critical mass of experts in varying business fields leads from specialization to concentration and back again in a spiral of enhanced producer and consumer options and benefits.

Chapter Two introduced the concept of San Antonio as a growth center. Cities may be seen as potentially moving through the stages of territory, colony, potential growth center, growth center, growth generator, state center, national center, and international center. Much of the District exists in the territory phase. Cities such as Eagle Pass, Del Rio, Crystal City and Carrizo Springs could be categorized as colonies. Laredo is a potential growth center. San Antonio is moving from being a growth center to a growth generator.

San Antonio serves as a growth center for the District by tapping its natural and human resources. A centripetal force, San Antonio draws off some of the unemployment from the District, provides educational options for the young, and also siphons off growing businesses. The move to San Antonio by the Del Rio owner of four Pizza Huts, and the HEB corporate headquarters (although not in the District) characterize the Alamo City as a growth center. The real benefit to the District will come as San Antonio grows out into the District and as a centrifugal force emerges to complement the centripetal one. This centrifugal force may be seen as San Antonio retirees populating Del Rio, San Antonio's Aleman Foods locating its new cannery in Crystal City, and Laredo defense contractors tapping into military procurement opportunities in San Antonio.

Laredo is a prime candidate for a growth center. It has surpassed the 100,000 population threshold, its banking services are intact, and it supports two colleges (two of the three in the District). Casso Guerra and Company serves groceries to towns near Laredo. Killam Oil drills in neighboring counties. Yet, Laredo remains overly-dependent on retail sales and therefore is a victim in the peso devaluation. Benjamin Higgins, among others, has noted the reactive quality of growth centers in their formative years.[3] Laredo's percentage population growth first passed San Antonio's in 1965 [17 percent to 10 perecent], and the trend continues in the 1980's [1980 census, 36 percent to 19 percent]. Laredo has the only two genuine philanthropic foundations in the District. It is also the center of one of the more dynamic COGs.

A truly regional economic strategy would attempt to link the District to the only growth center--San Antonio. It should also promote Laredo as an emerging growth center. These two cities should be targeted for the lion's share of any EDA money and public investment. The two Border COGs should be merged and other ties between Laredo and the District should be promoted. This will be more difficult than theory envisions because of the distances involved not only between the smaller cities and San Antonio, but also due to no direct highway connections between Laredo and the other

Border cities. As Jane Jacobs explains

> ...for new cities to arise and flourish, they must find solvent markets for their initial work in already existing cities. Yet it is fatal if backward cities confine themselves to that kind of trade, for such trade is only a springboard for embarking on a different type of intercity trade: trade with cities in much the same circumstances and stage of development as themselves. This means that backward cities must trade most heavily with other backward cities. Otherwise, the gulf between what they import and what they can replace with their own production is too great to be bridged. 4

Applying this hypothesis, one would advise Laredo businessmen to target markets in Carrizo Springs, Eagle Pass, and other South Texas cities. A key assumption is that businessmen are searching for opportunities beyond being retail outlets for larger cities' products.

Obviously, Laredo should be favored over San Antonio in any toss-up for federal funds; San Antonio already has in place its major growth generators such as the military bases and now finds self-sustained and self-generated growth in much less need of new federal or state programs. Laredo, on the other hand, is still in the potential phase and could slip back into the abyss if the Peso devaluation continues and federal revenue sharing funds are phased out after the 1986 fiscal year. Any major federal or state investments in any of the other cities of the District should be very carefully weighed and--on balance--probably diverted to Laredo in the interest of a regional strategy. The outstanding exception to this is Laughlin AFB in Del Rio. This regional outlook does not mean that other

Border cities will be ignored, but it does mean that their growth will be linked to those places where the dynamics of growth are accelerating.

<u>Emphasis on Private Business</u>

A second principle of economic development for the District should be an emphasis on private business. The negative approach of Mexico offers a local example of the sedative and even stymieing effect of government encroaching upon and usurping the role of private enterprise. Business leadership needs to be cultivated in the District; this must result in the formation of new businesses, infrastructure investment, and genuine price competition.

The entrepreneur should not be confused with the person who inherits or amasses vast land holdings. The true business person is the one who taps and develops resources--natural and human. These individuals are

> ...profit-motivated entrepreneurs capable of perceiving exploitable opportunities. Such entrepreneurs are vital to the continuance of growth. Perroux seems to stress the existence of a growth mentality and competitive spirit among businesses. Economic historians have long noted a particular climate created by a lead industry as it bursts along a certain part of its growth curve. [5]

These individuals are the heart and soul of business. They must be attracted, bred, selected, cultivated, and cherished as wealth creators. They are not usually creators of new products as often as they are innovators, packagers, purveyors, and "how to" persons of action.

Such individuals are without merit unless they can prove themselves successful in the market place. The proof of the pudding is in the tasting, and the proof of the entrepreneur is in the companies he spawns. These companies are usually not labor intensive; they are training schools, as it were, for young people, some of whom are destined to follow in the innovative path. Agreeing with Jane Jacobs and others, J. R. Lasuen observes that:

> Looking at those who are the adaptors of innovations in any one line and in countries that do not create the innovations, one always finds that they are either the manufacturers of previous products serving a similar need (the producers of bicycles in the case of new motorbike productions, for example), the middlemen who previously imported the product (in the case of the import-substitution), the service-repair people of the same products, or any combination of them. 6

These are the types of places to locate the founders of new businesses in the District: in current businesses that are vertically-related to the delivery of major goods and/or services. On-the-job-training for future company owners can not be substituted for nor replaced by academic education. These types of companies become multipliers of individual genius even years after their founders are gone. They become corporations in the truest sense, "citizens" interested in serving the market and also in developing latent potential.

Private business can not be given free reign. It is seen as the dynamo of economic development, a power to be tapped but also one to be harnessed. A better description of the relationship between government and private business is a partnership. Eighty percent of the business and government leaders surveyed in the District indicated that private business and government should share responsibility for developing the local economy.[7] One legitimate function of government, then, is to safe-guard true competition, a competition that leads to the best interest of all citizens. J. R. Lasuen warns that

> ...business integration, to be a social asset instead of a liability, has to be pursued in such a way as to achieve higher levels of price and product competition. It has also to attain a situation in which the integrated firms compete more for innovation adoption than before. 8

The goal must be to better serve the needs of the market. Government must not permit any one business to monopolize any horizontal business activity, nor any geographic area, or risk irreparabe damage to the local economy. Also, the public sector must cooperate in providing necessary infrastructure to facilitate the start up of private business which could not or would not cross the threshold of capital investments. This would include land assembly, street construction, and utility lines to mention a few.

Developing the Economy

A third guideline for addressing the needs of the District would distinguish "economic development" from real development of the local economy. Persuading Golden Fried Chicken to build a new restaurant in town may constitute economic development, but it does not develop the local economy as much as a locally-originated restaurant. This would be especially true if the construction crew comes from outside the District, leases out-of-the-area equipment, hires non-local laborers, and the first crew of employees are imported from Austin. If the owner of the restaurant lives out of state, then the only benefit to the local economy comes from increased demand for food, housing and services. Some additional progress may be eventual if local residents are hired, trained, advanced in management and some day emerge as owners.

> Development refers to the unfolding of the creative possibilities inherent in society. But this can occur only if growth is allowed to pass through a series of successive structural transformations of the system. 9

The goal should be to promote intra-region-generated growth within the context of non-monopolies and true competition. In such a setting, the local companies more and more should be preempting non-local products by undercutting them in price and quality: "import replacement," as it is termed by Jane Jacobs.

One major facet of developing the economy to the fullest is backward linkage. In this approach, final markets are targeted and taken as the impetus for creation of new business.

> ...(F)irms tend to feel more strongly linked in the direction of their final product market than in the direction of their primary inputs market....(I)t seems easier to foster the integration of firms starting from the final markets and moving gradually toward the factor inputs, proceeding along the route of direct contacts. 10

For the District, the obvious backward linkage would be the program of targeting procurement by the military bases and attempting import substitution. SBA section 8(a) set-asides can be used to induce import substitution. The goal is not to multiply the number of food suppliers to the military bases, but rather to promote a diversification of companies that tap the full spectrum of goods and services needed by the military and other government offices. Such diversification should not ignore the agricultural sector, where currently very few meat-packing plants, tanneries, wool manufacturers, and pottery producers exist to take advantage of local resources for the potential export market. Large supplies of high quality clay should elicit a response from local innovators who see ceramics as present-future replacements for steel.

The types of companies with potential to diversify are those that have the longest tenure and have built up the most capital. These could be ranching operations, but more times than not they are banking and retail sales firms in the District. The District remains analogous (at least) to developing nations.

> In the underdeveloped countries, firms in wholesaling, retailing, banking and other service activities are relatively larger and more diversified than manufacturing firms. This situation, contrary to the pattern in the developed world, is easy to explain by the infant industry argument. Non-manufacturing firms have faced little competition from abroad and even with low protection have been able to develop faster. Consequently, they also have had the opportunity to diversify. 11

Despite the call for smoke-stack chasing and the importation of more manufacturing firms, the most fruitful development of the economy would likely come from encouraging existing banks and retail companies to diversify. This would not exclude importing individuals with key skills, such as former military equipment maintenance technicians who could advise a new company on a targeted procurement contract, in particular the technical operation of the company. Diversification of these lead companies would result in a diversified work force and additional spin-off benefits resulting in a truly diversified economy. Such a diversification program, sometimes referred to as "balanced growth," would seem to be a top priority for the Border area which has traditionally relied on retail sales to Mexico.

Competition in the National Job Market

A fourth guideline for economic development is the need to enter the national competition for industry relocation and expansion. There is no reason to reject manufacturing firms and every reason to court them. Sixty percent of those business and government leaders surveyed in the District believe that manufacturing is the most viable type of new economic activity for the area.[12] Not the least reason for such a recruitment program is the fact that it has become standard fare nationwide. Not to enter the fray is to cede one facet of economic development by default to other parts of Texas or other congressional districts. As Chapter Three noted, there are over 7,500 development foundations in the US, most of which are operating in the recruitment mode.

Additional evidence of the "market for jobs," comes from the jump in number of states participating in the land rush. Blair et al. discuss the rising competition.

> Between 1966 and 1980, the number of states offering various tax exemptions or moratoriums increased across the board by 89% (Industrial Development, 1981). Forty-six states now provide tax exemptions on raw materials and goods in transit, compared to 32 in 1966. The number of states providing inventory tax exemptions increased even more dramatically, from 19 to 43; and exemptions on new equipment were offered by 16 states in 1966 compared to 36 in 1980. City and county revenue bond financing was available in 23 states in 1966, as compared to 47 in 1980, and the number of states offering other forms of state and local industrial bond financing also increased dramatically. The seven incentives identified by the Industrial Development Research Council in 1977 as "most important" to firms considering relocation, expansion, or new facilities were available in twice as many states in 1980 (34) as in 1966 (17). 13

The unit of measurement in this competition for new jobs is generally the state. However, it should be noted that the District is geographically and/or demographically as large as several states such as Delaware, Wyoming, Alaska, North Dakota, and Montana. In a state that is dominated by its two largest cities, Houston and Dallas, there is understandably benign neglect of its less-populated and less-organized region along the Border.

It could be argued that such competition among different government entities and among different chambers of commerce is not a new phenomenon. Perhaps it is even less a competitive endeavor than an inexorable, evolutionary process in the life of cities. Wilbur Thompson postulates that

> "New York has lost nearly every industry it has ever had--flour mills, foundries, meat-packing plants, textile mills and tanneries." Pittsburgh pioneered and then lost preeminence in a long series of major industries including oil refineries, aluminum, and electrical machinery. 14

Such older industries needing to retool or implement innovations in their fields are susceptible to relocation fever. It may be only to gain some temporary breathing room from the union or to attempt to leverage collective bargaining power, but the prospect of reaching out and touching a foreign company should not be missing in the arsenal of economic development.

The market for jobs has become more competitive due to the slow-down in economic growth and the actual decline of the manufacturing sector. Communities, counties, regions and states are willing to go beyond infrastructure investment to attract and to retain companies providing many jobs. The one principal criticism of such a foray, in addition to the fact new jobs are not being created--simply stolen, is that many companies do not need a subsidy or the degree of subsidy that they receive.

> Eighty UDAG projects were reviewed by a panel of experts to determine whether the jobs attributed to the grant would have been created in the absence of the subsidy (Department of Housing and Urban Development, 1982a: 18-25). They concluded that the jobs would not have been created without UDAG in about two-thirds of the cases. In 8% of the cases the subsidy was purely redistributive and in 13%, a greater than necessary subsidy was given. The panel was unable to distinguish between locational substitution and aggregate job creation. 15

Regardless of whether these new jobs are simply being relocated, newly created, or destined to come without subsidy, the fact remains that national corporations and growing companies are less location-oriented than ever in history. The result is a buyer's market where not only prices for land are dropping but also the cost of other capital investments are shifting to govenment ledgers. In the context of this competition for jobs, the recruitment process remains discrete. Most relocations or new locations are made from a small sample of the potential sites that never come to the attention of the corporations or that never enter the active, national competition for jobs.

Institutional Development

The fifth guideline for a jobs strategy is greater investment in District institutions. These include schools, churches, hospitals, and private philanthropic foundations. Education was cited overwhelmingly as the number one cause of unemployment in the District by business and government leaders.[16] The strongest demand for improved education, interestingly, exists in Laredo. Despite the fact that education is seen largely as a state responsibility, there are federal monies which are not being tapped, especially at the college level.

For example, among the fifty states, Texas ranks thirteenth in National Guaranteed Student Loan Interest Subsidies, although it is third in total population, third in college-age population, and third in actual college enrollment. In fiscal year 1983, Texans received approximately $40 million--less than one-fourth of that received by Pennsylvania or New York, less than half of New Jersey's share, less than half of Connecticut's share, and $8 million less than that of Florida. In the same year, Texas ranked 7th in the amount of Pell Grants received. Texans received about $100,659,000 or less than one-third of those in New York, less than half of those in California, $53 million less than Pennsylvania, $38 million less than Illinois, $36 million less than Ohio, and $10 million less than Massachusetts.[17] Although figures on the District are not available, one would hypothesize, based on the 1980 median school years, that District students are not leading the way in seizing these monies.

Federal grants to District colleges is a complementary weak spot. According to a National Science Foundation 1984 Annual Survey, Laredo State University [the only full four-year college in the District] received only $50,000 for non-scientific, non-engineering use from the Department of Education. Southwest Texas Junior College in Uvalde obtained $553,000 in the same category. The Junior College, which emphasizes agriculture, received no Department of Agriculture money nor any other money for science nor agriculture purposes. Neither school received any money for fellowships or grants. Of the 100 Texas colleges receiving federal money in fiscal year 1983, Laredo State ranked in the bottom five percent. The mean amount of federal money received was $3.4

million for Texas colleges. Selected smaller colleges receiving more federal money than Laredo State include Dallas Bible College, with $54,000; Gulf Coast Bible College, $77,000; Texas Lutheran College, $215,000; and Southwestern University, $59,000. A sampling of US-Mexican border colleges includes Sul Ross with $466,000 and El Paso County Community College with $1.6 million.[18] Room for improvement definitely exists in the category of tapping federal money for higher education.

Hispanics and District residents in general have been stereotyped as placing less value on education than do other Americans. One suspects that the low income levels are the real root cause of this identifiable proclivity. Such an analysis becomes especially important in light of Brian J. L. Berry's hypothesis of "filtering innovations." He contends that the ability of regions to adopt and implement new technology is both a barometer and a determinant of economic development.[19] Berry admits that one major factor in the access to new technology is income.

Yet, the possible validity of his hypothesis offers insight into a fundamental requirement for education policy. Any program that hastens the access to new technology, the mastering of it, and its incorporation in to business, school, and family life will possibly promote those skills and aptitudes leading to a brighter job outlook. Perhaps the most significant new technology awaiting District adoption and implementation is the personal computer. Any policy that would increase access to and incorporation of this fledgling technology in businesses, schools, and homes will help give District residents a beachhead in the Second Industrial Revolution underway.

Job Training and Relocation

The sixth guideline for an economic development strategy is worker relocation only after job training. It is axiomatic that investment in human capital yields the highest dividends in per capita income. Consensus also exists for the ideal of correlating job training with actual jobs in the private sector. To this end, the PIC and JTPA program should be continued in all COGs in the District. However, the option of migration to cities where jobs exist should be promoted for those interested.

Hansen cites the European success stories in such nations as Sweden and Great Britain promoting relocation of the unemployed. Under normal circumstances, moving people is easier than attracting new industry into most undeveloped counties. Hansen describes one successful program of job-training and relocation that Ling-Temco-Vought (L-T-V), an aircraft manufacturer in Dallas undertook.

> With the support of various federal agencies, L-T-V developed a pilot program to train 750 Mexican Americans from the areas surrounding McAllen, Rio Grande City, and Harlingen as aircraft assemblers who could work in the Dallas area upon completion of the program. L-T-V prepared training outlines, lists of tools and equipment, and the overall conceptualization of the program and forwarded this package of information to the Department

> of Labor, HEW, HUD, the Bureau of Employment Security, the Texas Education Agency, and the Texas Employment Commission. The public school system provided a training facility at McAllen, EDA financed the conversion and renovation of an old laundry building that is now the training facility in Rio Grande City, and a suitable building was found in Harlingen at an abandoned air base. 20

One year later, the program was succeeding in terms of an over 90 percent retention rate, a low relocation cost to taxpayers at $550 per worker, and a nearly 71 percent increase in wages for the workers. Follow-up interview of the workers and evaluation of the program indicated that completing the training before relocation took place was the key to success. Of those who completed the training and moved to Dallas, 97 percent were still with L-T-V after twelve months. A similar plant that relocated 99 workers to Ft. Worth and then trained them disclosed only a 67 percent retention rate. The obvious benefit of avoiding two major life changes impacting simultaneously on the individual was documented in the L-T-V demonstration project.

Improved Immigration Controls

A seventh guideline for economic development would require improved immigration controls. Implementation of more restrictive controls will shift some of the economic burden for the unemployed back into Mexico. It will also probably increase the costs of farming and ranching in the District. Opinion of leaders in the District reflects the controversial nature of immigration controls: 22 percent said it helps the economy, 27 percent said there is no impact, 44 percent said it hurts, and 7 percent were undecided.[21] In July, 1985, Senator Bentsen found that Texans with Hispanic surnames favored tighter immigration laws and employer sanctions by up to 71 percent.[22] Nationwide, a June, 1984, Gallup Poll showed 75 percent of all Americans favor sanctions on employers who hire illegal aliens.[23]

Over 20,000 illegal aliens are said to currently live and work in San Antonio. Of the 1.1 million aliens apprehended on the Mexican border by the US Immigration and Naturalization Service (INS), as many as 50 percent are caught in Texas. Many of these individuals follow the pattern of earning and returning to Mexico for interludes in their employments. An additional drain of resources results from hospital costs incurred by these foreigners and subsequently paid by local property owners. The hospital costs for illegals in Bexar County alone are estimated to be over $3 million for 1984.[24] This does not count public education costs for students who commute across the border each school day and give false US addresses nor for those non-citizens legally residing in Texas and covered by the US Supreme Court's mandate for free public education to all.[25]

A 1984 study of unemployment in the District showed that a higher percentage of Hispanic residents and a higher percentage of manufacturing jobs correlated strongly with a larger unemployment rate.[26] Gene Laber has found similarly that a rise in employment can be accompanied by a rise in unemployment, and often is, as the jobless in neighboring counties over-react to the opening of a new business.[27] A related phenomenon has been occurring along the Mexican Border. The 73 percent population increase in Eagle Pass from 1970 to 1980 can only be explained by immigration, presumably much of it illegal. At the same time, the argument that illegals willingly take jobs rejected by U.S. citizens must be examined carefully. As with farm and ranch work, these low-paying jobs may appear to be critical to the activity. More sophisticated analysis should reveal what other options can be used by such District industries and what the costs and the long-term impacts would be. In the scheme of developing the infant economy of the District, immigration controls are complex, and exactly how to apply them is worthy of further study. Workable, tighter immigration controls might free-up millions of dollars in the District for local reinvestment, open jobs for citizens, allow overall wages to rise slightly and work as a catalyst to promote innovation in the agricultural sector.

Foreign Trade Zones

An eighth guideline for economic development in the District should be promotion of the Foreign Trade Zones (FTZ) in Laredo, Eagle Pass, and Del Rio. FTZs date from the 1930s, and 1950 for inland locations, but the District's FTZs were not certified until 1983, and presently have no current occupants. However, the McAllen FTZ is the most successful in the nation, based on total employment and dollar volume of business. Also, the El Paso FTZ is the fastest-growing one in the country. Both were created before 1980.

The McAllen FTZ has built on a base of American manufacturing: there are six such firms located there employing almost 1000 people. Although the McAllen FTZ gets its largest dollar volume of merchandise from Japanese companies, the overwhelming majority of jobs are provided by domestic manufacturers who find help there in competing with cheap overseas labor. This is especially helpful in low value-added assembly.

> The zone helps the domestic manufacturer compete with foreign firms that use inexpensive foreign parts manufactured by cheap labor. By combining foreign parts with domestic parts in a zone [FTZ], the domestic manufacturer can avoid paying high duty on the foreign parts and end up paying a low duty on the manufactured goods. The duty is less due to the mingling of foreign and domestic parts and the inverted tariff laws, which put a higher duty on the parts than on the finished product. 28

Although foreign manufacturers, non-manufacturing importers, and re-exporters have interest in the FTZs, the most productive jobs policy would target domestic firms. The FTZ builds upon the "maquiladora" or "twin plant" policy promoted by Mexico in the 1970's. As an exception to a national policy which requires all manufacturing operations in Mexico to be at least 51 percent Mexican-owned, the "twin plant" policy allowed US citizens to build US-citizen-owned factories on the Mexican side of the border if only Mexican workers were hired. Usually the final product would be assembled in Mexico after the parts were manufactured in the US sister plant. Ultimately, distribution of the product would be handled back in the US plant. The latest twin plants have been announced for Del Rio and Ciudad Acuna.[29] Irvin Industries will employ 250 Mexicans in making seat belts for General Motors; about 20 people in Del Rio will be hired for warehousing parts and final products. The start-up date given is 1987. Laredo has two new plants pending also.

Enlarging Federal Grants

The ninth and final guideline for economic development in the District involves increasing federal grants to its cities and counties. A survey of local business and government leaders disclosed that 72 percent believe that their county receives an average amount of federal money or more.[30] The truth, however, is quite different. Perhaps this misperception begins with the fact that Texas receives less federal money per capita than any other state. According to the Census Bureau, Texas ranks 50th out of the 50 states and 56th out of the total of 56 states, territories and commonwealths. Per capita federal expenditures in Texas for the fiscal year 1983 were $242.03. New York ranked the highest with some $566.42 spent per person there by the federal government. Selected per capita federal expenditures show Louisiana at $385.22, Oklahoma at $326.07, California at $365.67 and Florida at $263.99.[31]

In the state that receives the lowest amount of federal money, the District receives even less. Looking at only federal grants for fiscal year 1983, the US per capita average was $447 and the Texas average was $339. The county that received the largest amount of federal grants in the District was Webb with $226.50 per person. In other words, the best-federally-funded county in the District received $112 less per person than the Texas average and $220 less than the U.S. average. The per capita grant figures plummet from there. Dimmit, Val Verde, and Zavala counties receive $105 per person. Bexar and Uvalde receive approximately $95 per person, and Maverick County received just $75 per person.[32]

These figures significantly agree with earlier reports of disparity between poor and rich counties in the receipt of federal money. The adage that "them that has, gets" continues to prove true, and in more ways than one. Among others, the Advisory Commission on Intergovernmental Relations has underscored the fact that most federal spending benefits the middle and upper classes.

> A Congressional Budget Office (CBO) study also has raised serious questions about the equity standards in the allocation of federal funds at the local level. In 1975 federal expenditures per capita were $1,059 in the nation's poorest counties--29% less than the national average--while the counties with above-average incomes received an above-average allocation of $1,665. [33]

The widely-held belief that the federal government taxes the middle class and subsidizes the poor once again is seen to be a virtual myth. Further analysis is warranted to compare taxes paid with federal expenditures received. However, the fact remains that no extraordinary federal largesse is being bestowed upon the Border, much less the District as a whole. This disclosure is actually astonishing when taken in the context of the myriad problems extant in the Border and District, problems which should rightly be seen as national in origin and ramification.

A regional plan is warranted to address development of the District economy, and equally the Border economy. Such a plan should emphasize diversification of private business, a new industry recruitment program, and an increased share of federal money. The poor may continue in large numbers in the District, but there is no valid reason why they should remain unemployed. A plan attempting to rectify this lamentable economic situation is only a first step. It will require many responsible, private citizens voluntarily following a single game plan, and realistic but innovative expectations about how resources should be used. Against the background of such a plan, the quotation, "the poor you will always have with you," takes on a more complex meaning. One inference is that there is a responsibility for the poor incumbent upon those who are better off. Another inference is that an on-going commitment and strategy will be needed to help the disadvantaged: simply a quick fix of cash donations or transfer payments will not be adequate.

CHAPTER SIX

REGIONAL LEADERSHIP

> ...[S]o the States which lie at the greatest distance from the heart of the Union, and which, of course, may partake least of the ordinary circulation of its benefits, will be at the same time immediately contiguous to foreign nations, and will consequently stand on particular occasions, in greatest need of its strength and resources....If they should derive less benefit, therefore, from the Union in some respects than the less distant States, they will derive greater benefit from it in other respects, and thus the proper equilibrium will be maintained throughout. 1

This was Madison's argument for Union as recorded in essay number 14 of The Federalist. Certainly, the threat to the border states, as envisioned by Madison, was a military one. However, military dangers were not the only ones addressed by "Publius." And for each threat discussed by Hamilton, Madison, and Jay, the ultimate solution was to be found in a uniting of the states, a pooling of their resources. It would not violate the spirit of The Federalist to extend the federalist solution to the economic problems of the US-Mexican border, and the Twenty-third Congressional District in particular.

The purpose of this concluding chapter is to recommend that the Congressman take a leading and much-expanded role in helping to develop the economy of the District. A brief review of the problems facing the District will find a common federal or national facet to each. Several other rationales for congressional leadership in developing the economy will be mentioned, including a Constitutional basis. Five sub-roles for the Congressman to fulfill will be addressed: information clearinghouse, consultant services, public relations, program coordination, and model investment. Each of the five roles will be illustrated using examples of work already underway by the Congressman with his staff and recommendations on possible projects. Finally, three categories of limitations on these congressional roles will be considered.

Chapter One identified the fundamental problems of unemployment, poverty, and economic depression which characterize the Border area of the District. Chapter Two began to document the private sector's mercantilistic modus operandi in the District. Chapter Three described the numerous public agencies which espouse economic development impacting the District. Chapter Four disclosed inadequacies in the current approach to economic development. Chapter Five suggested nine guidelines to be followed in designing a strategy to develop the regional economy.

In each chapter, and in each topically-addressed area, a federal role and the need for a federal role are evident. In documenting poverty and unemployment, it is the

Bureau of the Census that leads. In pressing the war on poverty, it has traditionally been the federal government that has taken the lead. In addressing the reticence of local investors to stimulate local business, it has been federal loans and grants which have played a vital role. The funding of those agencies espousing economic development is federal. Even the private, non-profit Laredo Development Foundation targets federal-procurement-contract industries, among others.

In Chapter Four, the Neighborhood Reinvestment Corporation (NRC) was seen to be a federal agency. Meanwhile, the Interstate Commerce Commission (ICC) was determined to be the controlling authority for the rail abandonment case. At a risk of stating the obvious, it is noted that the Congressman is one of two elected officials who represents the Border area [the state senator, who is retiring, is the other] of the District. The Congressman has received strong support from the business community and continues to enjoy that support. The Congressman is an elected leader in a position to view objectively the economic development of the area he represents.

With a national office, the Congressman is likely to receive national exposure that could be transferred to the District as it seeks to compete in the jobs market. One of the major sources of funding for higher education scholarships continues to be the federal government (the academies, the G.I. Bill, Pell Grants, etc.); the Job Training Partnership Act (JTPA) and other manpower funding continues to come through federal initiatives. Immigration laws are the prerogative of Congress. Foreign Trade Zone (FTZ) regulations are federally set. And the possibility of an enlarged District share of federal money will necessitate support from the Congressman.

In short, any economic development that takes place in a District-wide context or that involves federal money is likely to require the participation of the Congressman. The fact that the economic depression extends beyond the city limits of Crystal City and the Maverick County line is an overture to some governmental leadership from beyond those boundaries. Candidates for providing that leadership would include the state senator, the lieutenant governor, the governor, and the U.S. senators. The state senator, whose district is not coterminous with and is smaller than the District, has already announced his retirement effective at the end of 1986. Aggressive economic leadership will not be possible from a lame duck.

Furthermore, the other four statewide officials share one liability: their constituents live predominantly in Dallas and Houston. While they can not ignore the District or the Border, neither can they devote their full attention to those areas. Of the four officials elected statewide, Senator Bentsen may be seen as the most natural ally of the Border: he was born and raised near McAllen. However, he has made Houston his home for the last 30 years, and he is known to be Houston's senator and the friend of those businesses that practice mercantilism in the District.

The Congressman remains, although partly by default, virtually the only potential full-time advocate of the District. As a federal official, he has partial power over the numerous federal or national problems that impact the District: peso devaluation versus strong dollar, border user fees, the federal deficit, tariffs, etc. Little has been written about the role of economic developer for a congressmen. Mayors and governors participate in that capacity and reap supposed future political benefits from globe trotting to court new business. Within certain limitations, there is no de jure barrier to a congressman capitalizing on his resources to further the economic well-being of his district. Everyone understands the connection between President Johnson and the location of the LBJ Space Center in Texas, not to mention the role of Brown and Root. Some will allege that any role of "economic developer" for a congressman could never be any more than a pseudonym for the old game of pork-barreling.

There is, nevertheless, a Constitutional basis for such an economic development role. The concept may be found in the Preamble to the Constitution in such terms as "domestic tranquility" and "general welfare." The first term referred to the disastrous inflation and unemployment experienced during the 1780's. The second term, perhaps, was a reference to the war debts of various states and the need for all states to share the costs of those obligations. As a member of the legislative body created under the rubric of the Preamble, the Congressman should be expected to pursue those goals as an individual and as a member of the House.

The Constitution specifically set the term of House members at two years. It is a relatively short tenure and virtually mandates yearly campaigns. The Framers argued that such a short tenure would force the congressmen to stay much closer to the citizenry than would the senators. Originally, the senators were to represent the state legislature, and the congressmen would represent the average citizens. This differentiation led to the senators representing powerful state corporations and the congressman concentrating more on a sub-state district. In the 1980's, a congressman is much more intimately involved with his district of 550,000 than a senator is with a state of fourteen million. It would not be overstating the intent of the two-year term to say that its purpose was to keep a congressman responsive to the citizens and to make his the voice of the district.

The congressman's share of the power of the purse and in formulating legislation is a major reason why he must be considered to be an economic leader. Committee assignments generally multiply this power. For better or worse, an executive agency takes care to insure that the district of a congressman with committee jurisdiction over its programs and budget receives at least a fair share of the agency's expenditures. Such committee clout may extend even into the private sector in cases of government contracts. The Constitution does not explicitly empower the congressman to recruit new industry for his district, but neither does it explicitly empower a former congressman to run for senator nor a former senator to run for president. Yet, the minimum age requirements certainly allow for that inference to be drawn and the rationale of experience may be clearly seen.

The Congressman along with his staff is already performing a role of economic developer with five facets or aspects. These are related to the provision of information clearinghouse services, consultant services, public relations, programs coordination, and leadership investment. It should be noted that there will be a strong propensity for location-based programs to address unemployment. No elected official will voluntarily arrange for hundreds of his constituents, much less his voters, to be relocated outside the district. Likewise, one should note that none of the five economic aspects involves usurpation of city or county powers; rather, each role could be better characterized as a support function in which, at most, the Congressman might serve as a negotiator or mediator.

The clearinghouse role is a natural one for the office of the Congressman. For information on federal legislation or merely addresses or phone numbers of government agencies, the Congressman's office is the closest and most easily-contacted. Citizens call looking for federal job openings, businessmen request help in obtaining Small Business Administration (SBA) loans, and development foundations seek information on military procurement guidelines. Executive agency regulations and procedures present a virtual labyrinth to most citizens and the Congressman's staff is expected to serve as guide and often as virtual legal counsel.

This role could easily be expanded to provide news of federal contracts and job openings quickly to contact points around the District. For example, on 30 October 1985, the Internal Revenue Service (IRS) District Director, visiting the Congressman's staff, mentioned that over 200 new data entry positions would be opening in January 1986, with qualifying tests to be administered in December. This information could be disseminated through the District. The Laredo Procurement Office, modeled on Beaumont's Bid Resource Center,[2] has targeted military contracts in San Antonio. The Congressman's staff can play a support role and could even provide a similar service for businesses all across the District. Earlier this year the Congresssman's Laredo office staged a procurement conference in Laredo featuring military procurement officials with the "how to" of entering the competition.

There is no need to limit the clearinghouse service to federal procurement. State procurement is virgin soil for most District businesses. Also, the City of San Antonio lets multi-million dollar contracts on a regular basis. For example, the Leon Creek Secondary Waste Water Treatment plant bids were requested by the City. Companies from as far away as Colorado and Mississippi tendered bids. The Congressman's staff sought to identify companies in the District that would be large enough to bid on the whole project, but did not find any that were interested. The next option was to identify small business and minority business subcontractors in the District and link them with those general contractors who were bidding. Companies like ITF, Inc., in Eagle Pass are capable of landing parts of these and other state and local contracts. With more help monitoring the opportunities in San Antonio, some of these District companies could more easily tap into large scale economic activity taking place inside the District.

Consultant services is a second aspect of the economic development role that could be fulfilled by the Congressman and his staff. Two of the staff have experience in grantsmanship, most notably the Projects Director in the Washington office. Additionally, there are two lawyers on the staff. Review of the Asherton area revitalization grant application by the Congressman's staff could have made all the difference in Texas Department of Community Affairs (TDCA) funding. Dimmit County Judge Guerra has welcomed the offer for such review or consultant services for the 1986 round of applications. Cities, counties, and other entities could voluntarily avail themselves of the opportunity to utilize the Congressman's staff.

Another facet of consultant services is that of endorsements. Letters of endorsement, if not required by grant applications, are always received and generally noted in evaluations, officially or unofficially. Letters of endorsement have been sought by an accounting firm bidding on a Federal Housing Administration (FHA) contract, by a subcontractor attempting to land work on the Sea World project, by a city applying for Housing and Urban Development (HUD) money, and by individuals seeking federal employment. Also, letters of recommendation for persons vying for state and local appointments are regularly requested. Recently, a Carrizo Springs businessman was recommended to the Governor for a vacancy in the Texas Economic Development Commission (TEDC). A more aggressive monitoring of such vacancies and more systematic nomination process could be implemented to promote District individuals to positions of influence for the good of the District. In 1986, the White House Small Business Conference II will afford appointment discretion to the Congressman.

A third aspect of the proposed new role is public relations. The Congressman could embody the District in a way not dissimilar to a mayor embodying a city or a governor embodying a state. The goal would be to bring name recognition to the District and to market the District as a site for new business. Already, the Congressman has lined up a potential user for the old Laredo AFB closed down shortly after the Vietnam War. Gould, Inc., would contract with the Defense Department to train foreign troops at the old base. This could result in re-opening of the Tesoro refinery in Carrizo Springs, which was a supplier of jet fuel to the erstwhile base. Gould ranks 55th on the list of the top 100 defense contactors. That list should be made available to the Laredo Development Foundation to contact and soft-sell all 99 other top contractors.

Meanwhile, the Congressman has been invited to Taiwan for obvious reasons related to his Armed Services Committee assignment and the precarious status of that island nation. It will be an excellent opportunity to discreetly advertise the District. The FTZs would be an obvious area of interest to Taiwanese businessmen. The trip in December, 1985, is certain to be one of numerous such opportunities, assuming the Congressman serves numerous terms. Literature and statistics on the District, if packaged correctly, could be a tool to multiply the public relations benefits from such a trip.

A fourth aspect of this new role would call for a coordinator of programs. Two illustrations already exist. In the MOPAC rail abandonment case, the Congressman has taken the lead based on the ICC's controlling authority and therefore the federal nature of the case. Meanwhile, the Texas Governor, Lieutenant Governor and Speaker of the House are empaneling a "Border Development Commission" to formulate recommendations to the 1987 Legislature; the Congressman is one of three who have been invited to serve as ex officio members of the panel.

The Congressman's overview position relative to programs on-going in the District enables him to foresee any possible self-defeating intra-District competition. For one example, the TDCA has been pump-primed to its virtual limit for 1985 in the attempt to obtain Neighborhood Housing Service (NHS) funds. As much as possible, until final funding has been guaranteed in writing, the staff of the Congressman is attempting to delay or forestall any other requests for TDCA help to any other parts of the District. Whether the Congressman will be able to defuse fratricidal competition between parts of the District remains to be seen. For example, Crystal City and Carrizo Springs have been competing for the new Aleman Foods cannery. The company has indicated its preference for Crystal City. Yet, Carrizo Springs continues to contact Aleman's consultant with solicitations, not selling the Winter Garden area in a general way, but selling Carrizo instead of Crystal. Similarly, Laredo and Del Rio have competed against each other for one of the new Texas National Guard units.[3] Thus far, the Congressman's laissez-faire agenda has not included this type of harmful internecine struggle.

A fifth aspect of the Congressman's economic role could be that of model investment. In this capacity, the Congressman should attempt to conduct a continuing pilot project of practicing through his staff and operational policies the very programs and guidelines this economic development strategy proposes for the District as a whole. Investment should tap the core of young leadership in the District as well as the business entities. The Congressman should envision his staff operations, both in Washington and the District, as leadership development programs. All staff should be District residents with family and business ties to the District. Staff employment might lead some persons to create or become partners in consulting firms to help District businesses; or the public relations and managerial training might lead to private company management or even ownership. The Chambers of Commerce should be assisted in working on a common, District-wide project of leadership training similar to that of Leadership San Antonio now run by the Greater Chamber of Commerce in that city. This type of yearly seminar program would create as a by-product the groundwork for District-wide citizen participation in the formulation of a truly regional plan for economic development of the District (similar, perhaps, to San Antonio's

Target '90). Some of the Congressman's staff could serve as support personnel for the leadership program. A desirable side-effect would be the stimulation of chambers of commerce across the District, which in and of themselves would constitute complementary mechanisms for leadership development.

Another category of investment that could be demonstrated by the Congressman through his office would be patronizing more District businesses. This could begin with an unofficial policy of encouraging staff to make purchases from District businesses and holding the annual Christmas party at a District restaurant. A larger dollar impact on the District would be felt by purchasing all office supplies and equipment from District businesses. This will be much more difficult to accomplish due to regulation of purchases by the General Services Administration (GSA). GSA has its regional headquarters in Ft. Worth and funnels purchases out of there for the District. Typewriters, computer equipment, furniture, and supplies add up to scores of thousands of dollars in expenditures. Another approach would be to help District companies tap into the GSA contracts or target GSA contractors for recruiting to the District.

There is no guarantee that any such economic development will succeed in the District. One must recognize at least three limitations on the possibility for success of such a regional strategy. These include Congressional ethics, political limitations within the District, and, not least of all, the Congressman's own willingness to codify such a set of recommendations and take the consequences.

Congressional ethics codes will not permit the Congressman to solicit directly the business of defense contractors. Conflict of interest would be blatantly obvious. Other federal regulations of purchasing and ownership versus leasing may remain immutable. Beyond these institutional barriers, the Congressman's success in the House and his ability to establish his credentials remain to be tested by time and other elements.

Politically, several potential problems might combine to dissuade the Congressman from pursuing full-fledged economic development. First is the attitudinal barrier of the District political and business leaders. A questionnaire survey revealed that only 37 percent believe the Congressman can play a coordinating role in economic development for the District; 27 percent said positively "no" and 36 percent were undecided.[4] On another front, the six offices of the Congressman in the District attest to the provincial focus inherent in the position. This plethora of offices serves to symbolize the fact that promoting Laredo as a growth center will be not easily swallowed by the other cities. It will least easily be swallowed by all of the government employees who make up the biggest portion of the District labor force. With over 50 percent of the District poupulation in Bexar County [over 60 percent of the primary voters], including major financial backers, it is not likely that the Congressman will be able to spend all of his time crusading for the Border. The re-election hurdle may have to be low for a congressman to remain in the saddle of such truly regional economic planning and leadership.

A third limitation, the extent of which remains an unknown factor, is that of the Congressman's own commitment to any such economic development program and the particular demands it would place on him. Any role of economic developer would be more of an administrative one and would cut into his role as legislator. Besides the constituents back home, there are the national interest groups which besiege the Congressman and his staff.[5] Certainly he would be more willing to risk his leadership and spend his popularity "chips" after having been reelected at least once with no serious opposition. A safe seat would add to his clout both in and outside of Congress. The aspect of soliciting new businesses might not be a comfortable role for him. He might formulate an entirely different strategy to benefit his home District: he could decide to run for state-wide office in lieu of building up seniority in the Congress.

A congressman taking a leading role as an economic developer may be a novel idea, but it is certainly plausible and one worth consideration. If for no other reason than the significance and persistence of the unemployment and poverty problems in the District, economic leadership from the

Congressman should be weighed. There is wisdom in the federalist approach that seeks to find strength in unity. Now is such a "particular occasion" when the Border area of the District needs to tap the collective wisdom and strength of its federalist friends.

The Twenty-third District should not been seen as a problem, but rather as an opportunity. It could serve as a model for solving the problem common to both sides of the border, the need for genuine development of the local economies. This is an opportunity for a microeconomic solution where macroeconomic ones have failed and are failing in both nations. The military or national defense argument made by Madison applies here. The U.S. has a bad habit of attempting to buy allies and sending in the troops when all is lost. By contrast, here--in a common problem--is the basis for improving relations with Mexico and developing a friendship that will preclude the temptation of military deployment. Mutual problems [note Mexico's nearly 40 percent unemployment] addressed with mutual solutions would remove the barriers of condescension and intimidation so common in U.S.-Mexican history. It is time to address the problematic, infant economy that plagues the U.S.-Mexican border with the penultimate solution: regional leadership.

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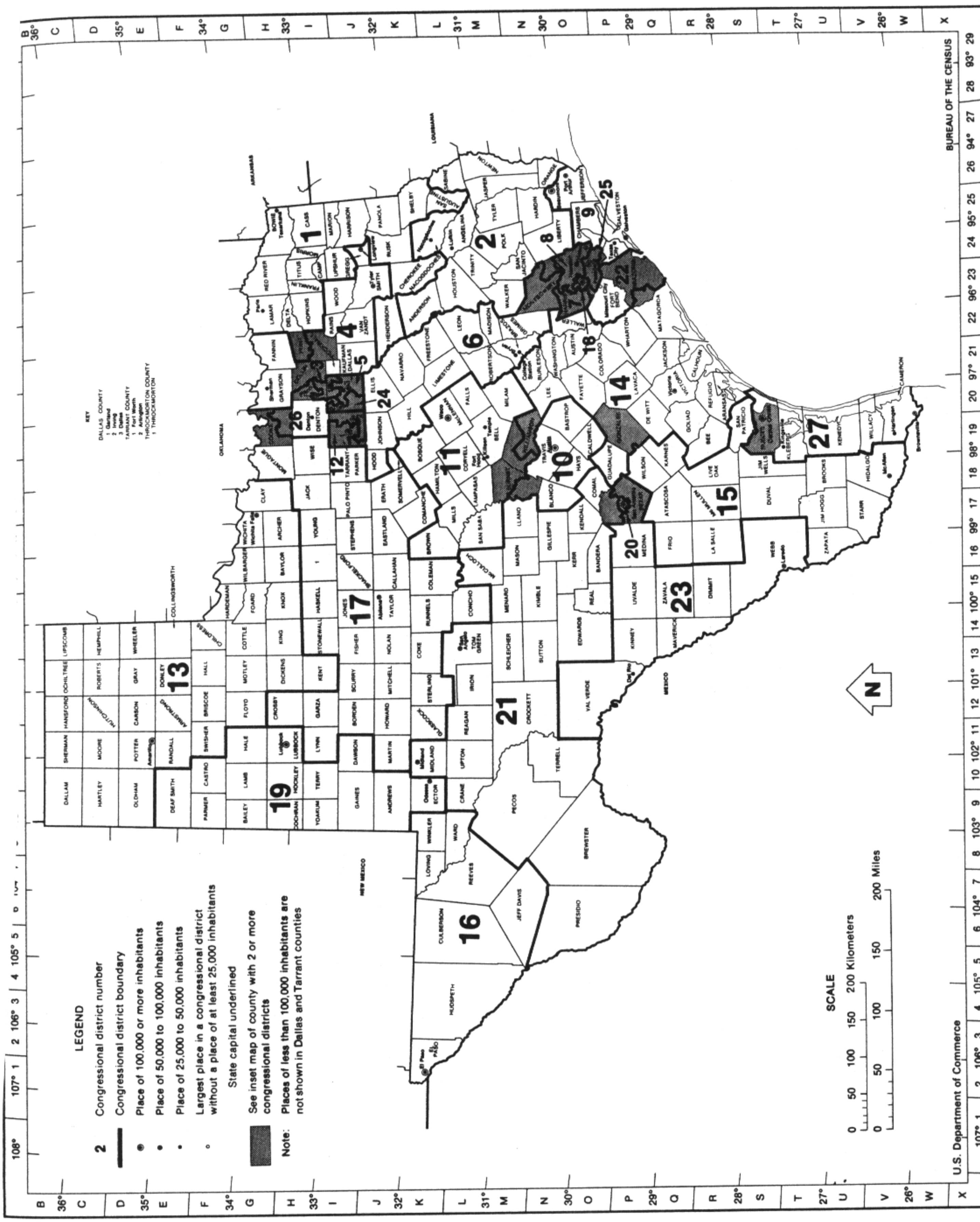
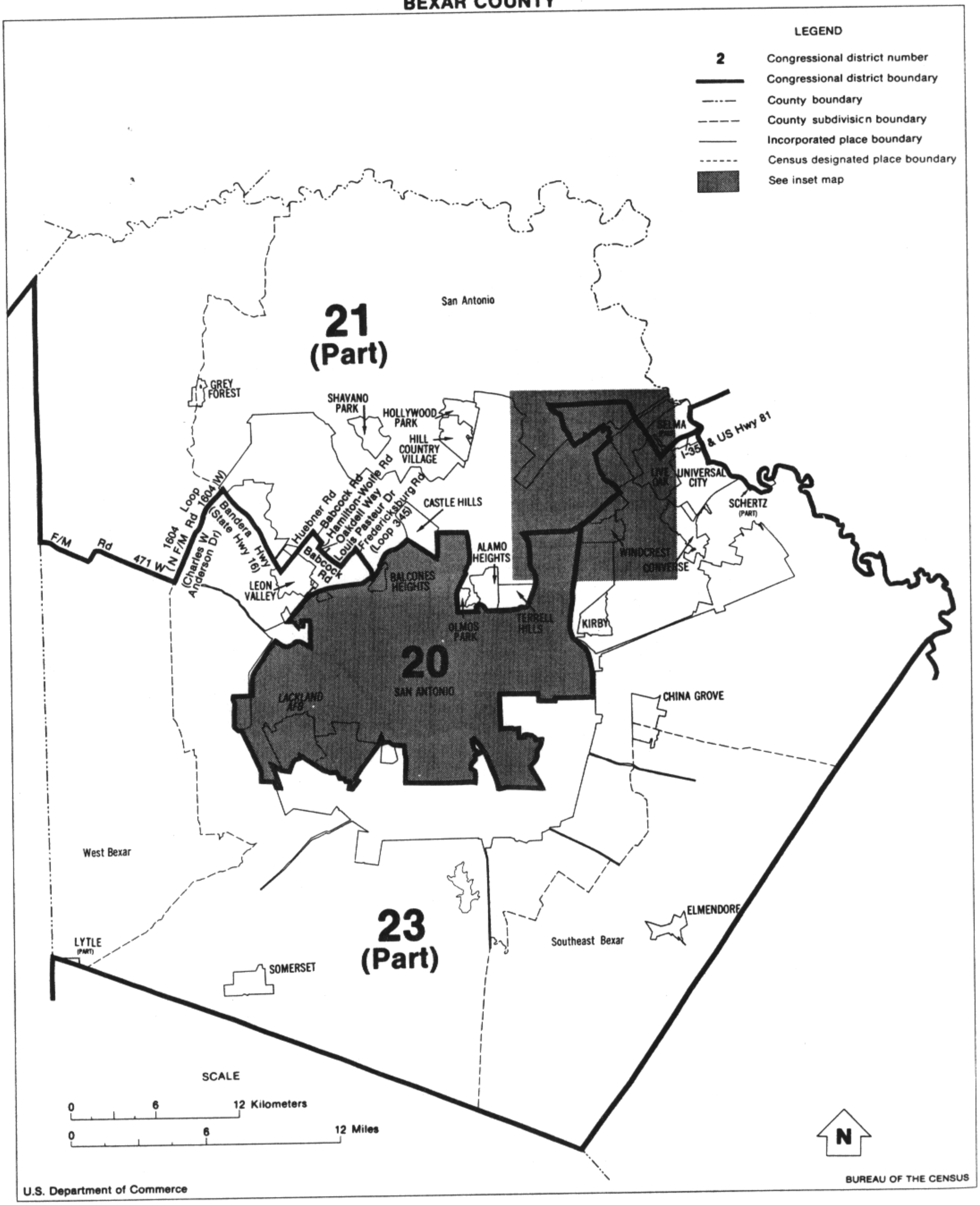
ngressional Districts, Counties, and Selected Places



Congressional districts established June 19, 1983; all other boundaries are as of January 1, 1980.

BEXAR COUNTY



Congressional districts established June 19, 1983; all other boundaries are as of January 1, 1980.

Unemployment in Texas Congressional District 23 exceeded both the state and national averages in 1980. To investigate this phenomenon, unemployment was set as the dependent variable and matched with combinations of nine independent variables. The strongest correlations and least squares regression equation were determined to include the independent variables of percent Spanish population and percent civilian employees in manufacturing. With a unique twist, higher unemployment in District 23 is most closely associated with a high percent Spanish and with a relatively high percent manufacturing.

The nine cases comprising District 23 alphabetically are Bexar County (San Antonio), Dimmit County (Carrizo Springs), Kinney County (Brackettville), Maverick County (Eagle Pass), Medina County (Hondo and Devine), Uvalde County (Uvalde), Val Verde County (Del Rio), Webb County (Laredo), and Zavala County (Crystal City). The largest cities (in descending size) are San Antonio, Laredo, Del Rio, Eagle Pass, Uvalde, and Hondo. Four of the counties border on the Rio Grande and Mexico: Val Verde, Kinney, Maverick, and Webb.

Independent variables used to explain unemployment included population change from 1970 to 1980, median age, percent with 16 or more years of education, per capita income, percent of all income from transfer payments, and percent of all land in farm use, as well as per cent Spanish origin and percent manufacturing employed. Those variables with the highest simple correlations were per capita income (-.85), percent Spanish (.85), median age (-.84), and percent manufacturing (.83). From experimenting with the various combinations of those nine variables, it was found that percent Spanish and percent manufacturing combined as the overall best predicters of unemployment in District 23.

The definitions of these two independent variables are worth specifying. "Percent Spanish Origin" is defined by the _County and City Data Book 1983_ (p.xxv) as the percent of respondents identifying themselves as either Spanish, Hispanic, Chicano, Latino, or such a nationality as Mexican, Venezuelan, or Puerto Rican. Manufacturing (p.xxxix) is defined as "a major industrial division; one of its major groups is food and kindred products such as meat products and meatpacking; mechanical or chemical transformation of inorganic or organic substances into new products; the assembly of component parts of products is also considered to be manufacturing if the resulting product is neither a structure nor other fixed improvement; these activities are usually carried on in plants, factories, or mills that characteristically use power-driven machines and materials-handling equipment." The manufacturing found in District 23 is believed to range from textiles to food.

Unemployment in District 23 was significantly higher than the norm for Texas or for the nation in March of 1980 and since then has generally increased while the figures for Texas and the nation have decreased. In 1980, mean unemployment in District 23 was 12.7% as compared to the statewide mean of 6.9% and the US mean of 9.7%. Distribution of the readings was somewhat skewed even though 67% of the readings fell within the first standard deviation. Five readings fell below the mean with four above.

The percent Spanish readings were also slightly skewed with five readings below the mean and four above; one standard deviation failed to cover 67% of the readings. There was a large range of 48 points. The mean of 68% Spanish contrasted markedly with the 11% US mean and the 21% Texas mean.

The manufacturing category followed the same general pattern of unemployment and percent Spanish. At 9.9%, the District's civilian labor force in manufacturing was only about half that figure for Texas (18%) and the US (22%). The data was skewed with three readings above the mean and six below.

The scattergram of percent Spanish and percent unemployment shows a somewhat heteroscedastic set of coordinates. At the high percent Spanish extreme, Eagle Pass manifests much higher unemployment than predicted; Crystal City fits the prediction; and Laredo surprisingly has less unemployment than would be anticipated from its over 90% Spanish population. Kinney County and Dimmit County also have somewhat less unemployment than would be expected as based on demographics.

The second scattergram, relating manufacturing and unemployment, again places Eagle Pass at the upper extreme with Crystal City in the general vicinity; Kinney County and Uvalde County fall at the lower end of the grid. This time, Laredo registers higher unemployment than would be anticipated; meanwhile, Medina County and Bexar County diverge from the predicted norm: both manifest much less unemployment associated with the level of manufacturing. These two contiguous counties display a more diversified economy which they share to a considerable degree.

Kinney County stands out as unique. Located along the Rio Grande and Mexican border, it is sandwiched between the high unemployment counties of Maverick and Val Verde with high unemployment Zavala County as a neighbor. To explain Kinney County's uniqueness, the significantly smaller population (total 2,300) should be noted. The median age is noticeably higher at 32 years, compared to the District median of 26, Texas median of 29, and US median of 30. Additionally, the mortality rate is nearly double the District and state rate. Kinney County relies heavily on agriculture as evidenced by the average farm size of 6000 acres versus the Texas average of 550 and the US average of 320. Neighboring Val Verde County has a higher average farm size (7000 acres), but its economy is more diversified with more manufacturing, major recreation (Lake Amistad), and a military base.

The best-fit line for predicting unemployment in District 23 can be expressed as " y = -13.5 + .25x + .94x," where x equals percent Spanish origin and x equals percent of civilian labor force in manufacturing. Together, Spanish and manufacturing account for 95% of the variance in unemployment (R SQUARE = 0.95015). Spanish adds .26 to the power of manufacturing, while manufacturing adds .23 to Spanish. Spanish explains 34% of the unemployment in District 23; manufacturing explains 31%(beta squared).

Strong confidence exists that the relationships described are real. At the .01 level, with n=5 and df=3, a .934 correlation would be required; with n=10 and df=8, .716 is necessary. In this study, the .0001 level is reached with n=9, df=6, and a .97 simple correlation. Additionally the F test is big at 57, the T test surpasses 2 (5.5 and 5.2), and the independent variables show a solid Significance T (.0014 and .0019). Spanish and manufacturing each show a standard deviation of residuals approaching zero (.044 and .17).

In summary, five of the nine counties of District 23 manifested 1980 unemployment considerably above the state and national levels. The common characteristics of these five counties include proximity to the Mexican border, extra high percentages of Hispanic Americans, and manufacturing employment at a relatively higher rate than that for the other counties in the District. The four counties with lower unemployment consist of a more hetereogeneous population, an economy less dependent on Mexico, and a more diversified economy. Kinney County is the exception to this pattern of diversification. By District standards, Bexar County seems to be unusual in its juxtaposition of low unemployment with high percent manufacturing; this could be explained by its greater distance from troubled Mexico and more diversified economy.

To pursue an industrial decline hypothesis, it would be instructive to determine what percentage of the unemployed in Bexar County, and indeed each of the nine counties, consists of former manufacturing employees. Most likely the percentage would be low, based on data from Maverick County (Eagle Pass). The population of Maverick County increased by over 73 percent between 1970 and 1980, while each of the other border counties (excepting Kinney County) increased by over 30%; this raises the immigration question. Additionally, the unemployment data is dated "March," the time of the year when migrant workers are most likely to register for unemployment benefits as they await the start of the new growing season. By deduction then, one hypothesizes that the strange twist of more manufacturing associating with more unemployment is due to business targeting the fluctuating population and to immigrants over-reacting to the lure of potential jobs. The impact of the Mexican Peso devaluation, which accelerated after 1980, remains to be studied.

APPENDIX D QUESTIONNAIRE SURVEY

1.In your opinion, which are the most important sectors of the economy in your county?
[Rank #1=most important, #7=least important]

___agriculture
___cattle and livestock
___government
___hunting
___manufacturing
___oil and gas
___tourism

2.What, in your opinion, is the impact of immigration on economic development in your county?

----------------------------*

it helps no impact it hurts

3.What, in your opinion, is the most viable type of new economic activity for your county?___________________

4.Who or what organization coordinates economic development in your city or county?___________________

5.How serious a problem is unemployment in your county?

----------------------------*

not a serious problem a definite problem the number one problem

6.What are the most important causes of unemployment in your county?
[Let #1=biggest cause, #7=smallest cause.]

___inadequate education
___farm crisis
___inadequate federal attention
___immigration
___inadequate state attention
[Please specify.] ___other___________________

7.Does any public or private leader or organization attempt regularly to attract new businesses to your county?

in San Antonio __yes, __no; in Texas __yes, __no;
in Mexico __yes, __no; in U.S. __yes, __no.

8.Rank the governmental entities listed below according to how much is contributed to solving any unemployment problems in your county.
[Let #1=most important, #8=least important.]

___Texas Employment Commission
___Department of Human Resources
___Private Industry Council
___Council of Governments
___City Council
___County Commissioners Court
___Governor's Economic Development Office
[Please specify.]___other___________________

9.Which sector should be responsible for developing the economy of your county ? *--------------*--------------*

private business both government

10.How much federal money does your county receive in your perception? *--------------*--------------*

less than other parts of Texas average amount more than other parts of Texas

11.How much state money does your county receive in your perception? *--------------*--------------*

less than other parts of Texas average amount more than other parts of Texas

12.If rail service were discontinued in Dimmit and Zavala counties, what would be the impact on economic development in your county? *--------------*--------------*

small considerable large

13.Are most oil rights in your county owned by local or non-local individuals? *--------------------*
[Local = county.] local non-local

14.Are most hunting properties in your county owned by local or non-local individuals? *--------------------*
local non-local

15.Are most banks and savings-and-loans owned by local or non-local individuals? *--------------------*
local non-local

16.Are most major industries and businesses owned by local or non-local individuals? *--------------------*
local non-local

17.What charitable or philanthropic foundations exist in your county? ____________________________

18.Do you know of any grants received in your county from a Texas or national private foundation? __no, __yes; if "yes," please list the name(s): ____________________________

19.Name the top 3 employers [based on number of employees] in your county.
1.________________ 2.________________ 3.___________

20.How would you evaluate the performance of your government officials regarding economic development and employment?

	good	fair	poor		good	fair	poor
city	____	____	____	congressman	____	____	____
county	____	____	____	US Senators	____	____	____
state legis.	____	____	____	president	____	____	____
governor	____	____	____	US agencies	____	____	____

21.What has been the impact of the illegal drug traffic on economic development in your county? *------------------*
helpful harmful

22.How much of a barrier to economic development in your county is any lack of adequate roads, utilities, or telephone services? *-------------------*
minor problem major problem

23.How much of a barrier to economic development in your county is any tendency of lending insitutions to prefer investments outside of the county?
minor problem *--------------------* major problem

24.How long have you lived in your county?
___0-5 years, ___5-10 years, ___10-20 years, ___20 years +

25.OPTIONAL: Do you believe that a congressional office can perform a coordinating role in economic development for a district such as that which includes your county?
___no, ___yes; if "yes," in what ways?______________________

The QUESTIONNAIRE SURVEY was mailed to 244 residents of the District. Five counties were targeted: Maverick, Val Verde, Kinney, Zavala, and Webb. 112 completed Questionnaires were returned and tabulated as follows:

1. (ranked in order of importance)
   cattle and livestock
   agriculture
   government
   oil and gas
   tourism
   manufacturing
   hunting

2. 44% hurts
   27% no impact
   22% helps
   7% undecided

5. 51% number one problem
   42% definite problem
   5% not a serious problem
   2% undecided

6. (ranked in order of importance)
   inadequate education
   peso devaluation
   farm crisis
   immigration
   inadequate federal attention
   inadequate state attention

7.

	yes	no	undecided
S.A.	60%	31%	9%
Mexico	38%	40%	22%
Texas	48%	24%	28%
U.S.	56%	31%	13%

8. (ranked in order of importance)
   Texas Employment Commission
   County Commissioners Court
   City Council
   Council of Governments
   Private Industry Council
   Department of Human Resources

9. 80% both
   18% private
   2% government

10. 49% average
    23% less
    23% more
    5% undecided

11. 52% average
    30% less
    13% more
    5% undecided

12. 48% small
    31% considerable
    16% large
    5% undecided

13. 52% local
    41% non-local
    7% undecided

14. 73% local
    24% non-local
    3% undecided

15. 67% local
    32% non-local
    1% undecided

16. 57% non-local
    38% local
    5% undecided

20.

	good	fair	poor	undecided
city	28%	38%	29%	5%
county	24%	40%	32%	4%
state legis.	10%	45%	38%	7%
governor	13%	38%	41%	8%
congressman	27%	42%	21%	10%
US Senators	18%	45%	30%	7%
president	16%	38%	37%	9%
US agencies	12%	51%	30%	7%

21. 61% harmful
27% undecided
12% helpful

22. 72% minor
24% major
4% undecided

23. 55% minor
40% major
5% undecided

24. 61% 20 years +
16% 10-20 years
11% 0-5 years
7% 5-10 years
5% undecided

25. 37% yes
36% undecided
27% no

APPENDIX E UNEMPLOYMENT FIGURES

	1970	1982	1985
U.S.	4.4%	9.7%	7.1%
Texas	3.6%	6.9%	7.2%
District 23	----	8.0%	----
Bexar County	4.5%	6.5%	6.6%
Dimmit County	8.3%	11.6%	15.5%
Kinney County	5.5%	3.7%	6.7%
Maverick County	9.8%	28.9%	30.3%
Medina County	4.5%	5.3%	3.7%
Uvalde County	4.5%	8.3%	12.2%
Val Verde County	6.1%	13.0%	19.2%
Webb County	6.2%	16.3%	13.4%
Zavala County	6.2%	20.6%	21.6%

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BIOGRAPHY

John H. Shields was born in Greensboro, North Carolina, on October 20, 1954. His parents, J.J. and Suzanne Shields, still reside in Greensboro. He attended Greensboro public schools and matriculated to Duke University in Durham, North Carolina, as an Angier B. Duke Scholar. In 1976, he graduated magna cum laude with a B.A. in Political Science.

Mr. Shields has been married for nine years to a fellow Duke graduate who is from San Antonio, where they now live at 13819 Bluff Lane with their one and a half year old daughter. Mr. Shields taught U.S. Government in public high schools in Devine and San Antonio from 1976 until 1985. In June, 1985, he assumed the position of District Director for the Honorable Albert G. Bustamante, U.S. Representative for Texas' 23rd Congressional District. He will receive his M.A. in Urban Studies from Trinity University on December 21, 1985.