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Lone Star Rising

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How a combination of ambition, entrepreneurship, trade, and tolerance made Houston America's booming opportunity city.



In 1995, during his senior year at Texas Southern University, a predominantly black school in Houston, accounting major Al Colbert and his cousin, Ja Ja Ball, a TSU senior studying business, hatched a plan to make some money during the January-to-mid-April tax season. They rented an inexpensive storefront in a low-income neighborhood and offered tax-preparation services, specializing in electronic filing and quick refunds for clients. The Colbert/Ball Tax Service handled 270 tax returns the first year. The two natives of Beaumont, Texas, sensed an opportunity and kept the fledgling company going after graduation.

“Our goal,” recalls Colbert, now in his early 30s, was to become “the black H&R Block. We knew that market and felt it would be the right one for us to serve.” The business quickly took off, doubling the returns it prepared the next year and increasing to 1,800 in 1997. By then the company’s main office was in the Astrodome area, with two satellite offices in the city, still catering to a largely black clientele.

“It’s easier to start with people you know,” says Colbert, the company’s chief executive. “These are people who stuck with you in the beginning—they are the base.”

But Colbert and Ball soon realized that Houston’s large Hispanic population might also be a reservoir of unmet demand. The company began targeting Hispanics and indeed found a receptive market of working-class people, often self-employed, making \$35,000 to \$50,000 a year—just the sort of clients Colbert/ Ball sought.

Today, Hispanics account for more than 30 percent of Colbert/Ball’s business, which has spread far beyond Houston. The company began franchising its operation in 2000 and has since grown to 200 affiliates in 23 states, preparing more than 35,000 returns annually.

“Who would have thought of a black business growing in the Hispanic market?” Colbert says. “But in free enterprise you don’t worry about the color of your customers—you take advantage of opportunities.”

The Opportunity City

An opportunity city with only modest links overseas can certainly grow rapidly, but only an urban center with powerful ties to global commerce is likely to achieve greatness.

Al Colbert's emphasis on the importance of seizing opportunity would have warmed the hearts of the city's founders. In an era when many other cities try to position themselves with trendier distinctions (as "smart growth" exemplars or as magnets for high-income households, for instance), Mayor Bill White, a Democrat, is happy for Houston to be known simply as an "opportunity city," which is a pretty good description of what the place has been since its inception: a venue where people who work hard can get ahead.

That was certainly the attitude of Augustus and John Allen, New York real estate speculators, when they arrived in Texas in the early 1830s and began looking for investment opportunities. In 1836, a few months after the Mexican army was defeated at the battle of San Jacinto and the establishment of the Republic of Texas was assured, the Allens purchased 6,000 acres along the barely populated Buffalo Bayou several miles from the battleground. The brothers resolved to build a city there, and named it after the conflict's Texan hero, Sam Houston. They drew up a map of the planned city, laying out broad streets with only a very vague notion of who would live there. Then the Allen brothers started selling plots of land in what they billed as the future "great interior commercial emporium of Texas."

"Interior" was the word that critics might have seized on. The site that the Allens had chosen was 50 miles from the Gulf of Mexico, spread out on a flat, humid, almost featureless expanse of heavily wooded and soggy ground. The Buffalo Bayou might indeed provide a passageway to the developing Texas midsection, but what was that compared with the assets of trading cities like Laredo and San Antonio—which had commercial histories extending back into the 18th century—or to the already established port of New Orleans farther along the coast? Even Galveston, down the Bayou but on the Gulf, seemed a better candidate for greatness.

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First appearances—then and even now—often didn't help. Early visitors were struck by the settlement's largely shack-like housing. And in those days, long before air conditioning, there was the Houston weather, which often combined scalding temperatures with soupy humidity. "Heat is so severe during the middle of the day that most of us lie in the shade and pant," wrote a doctor, Ashbel Smith, in 1838. Yet the Allen brothers had not really chosen so badly. Houston possessed powerful assets. It sat on an enormous fresh-water aquifer, which today guarantees a water supply in a way that other growing cities, such as Phoenix and Las Vegas, can only dream about. The area also abounded in natural resources such as timber and rich soil that was ideal for growing cotton. And when oil drillers hit a gusher in Spindletop, about 90 miles from Houston in East Texas, in 1901, Houston suddenly found itself positioned as the nearest city to some of North America's richest oil and gas reserves.

None of this, however, adequately explains Houston's ascendancy. Other cities enjoy better locations for shipping, richer agricultural resources, or similar proximity to oil fields. The answer, I have come to understand as I have worked in Houston as a reporter and consultant, echoes something that the late Soichiro Honda once told me: "More important than gold and diamonds are people." This critical resource, more than anything, accounts for Houston's headlong drive toward becoming not only the leading city of Texas and the South, but also a player on the global scene: it is emerging as one of the world's great cities.

It took a certain type of settler, back in the 1830s, to look at a sun-blasted, humidity-drenched, mosquito-infested flatland far from any major river or port and think: "Here is where I'll make my success." That tradition of hopefulness and determination can readily be found in the city to this day. As Rice University sociologist Stephen Klineberg notes, roughly 80 percent of Houstonians, according to his annual local surveys, consistently agree with the proposition that "if they work hard, they can succeed here."

A major figure in Houston's civic folklore of hard-charging business leaders is Jesse H. Jones (1874–1956), a towering bull of a man who made his fortune in lumber, real estate, and banking, and whose manner led some—including, reportedly, Franklin Roosevelt, who named him secretary of commerce during World War II—to refer to the big Texan as "Jesus H. Jones." Believing that determined, even ruthless leadership made the difference between great cities and also-rans, Jones used his political connections to win federal dollars to expand the city's infrastructure and wartime industries.

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Like Chicago's early leaders, who used influence in Washington (including with Illinois native son Abraham Lincoln) and on Wall Street to steer public works, investment, and vital rail lines through their city, Houston's patriarchs worked assiduously to create competitive advantages. In the aftermath of the hurricane that devastated Galveston in 1900, for example, Houston's business elite secured local and federal funds to develop a 50-mile-long ship channel to the Gulf of Mexico. The channel would allow Houston eventually to become the nation's second-largest port.

Bold opportunism also enabled the city, as America's space program was getting underway, to snag NASA's Manned Spacecraft Center, beating out more natural candidates such as Los Angeles, with its then-dominant technology base, or Florida, home of Cape Canaveral. The political connections of Senator Lyndon Johnson, the Senate majority leader at the time (and for whom the center would later be renamed), and House Speaker Sam Rayburn played a crucial role winning the terrestrial space race, as did the city's willingness to ease construction costs for the project, which was completed in 1961.

Most important, Houstonians worked desperately to ensure that their city emerged from the early-1980s oil bust as the undisputed center of the energy industry. Many observers saw the oil bust as a harbinger of Houston's inevitable decline. And indeed office construction nosedived along with rents, housing prices, and the job market. Yet, looking back, it is clear that Houston turned the oil bust to its advantage.

Using the lure of its relatively inexpensive office space and housing stock, as well as its ties to energy executives and leading engineers, the city attracted firms to locate there. In 1960, Houston was the home of hardly any major energy companies, ranking behind New York, Los Angeles, and even Tulsa; today, 16 large companies make their headquarters there, more than all those cities combined.

Rather than lapsing into a tailspin in the 1980s, Houston continued its rapid growth. A place with fewer than 300,000 people in 1930 is now a mega-region with a population nearing five million. The population of the metropolitan area itself, which did not even rank in the U.S. top 20 in 1940, is today the fourth largest in the country. The 2006 census estimate pegged Houston's population at 2,144,491, only 700,000 behind third-place Chicago. In 1960, Houston was the home of just one Fortune 500 company; as of 2007, the area has 23. And the city is well positioned to benefit from its important place in the energy industry, a sector of the global economy that is only going to grow in strategic importance in the early 21st century.

What Makes a City Great?

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Despite an impressive growth record and positive signs for the future, Houston is hardly regarded by most journalists, academics, and urbanists as anything close to a model for a successful city. Many seem to share the impression expressed by journalist John Gunther in *Inside U.S.A.* in 1947 when he described Houston as a place "where few people think about anything but money." Its other negative attributes included being "the nosiest city" in the country, Gunther said, "with a residential section mostly ugly and barren—a city without a single good restaurant."

Opinions do not seem to have changed much even as Houston has developed a high-tech infrastructure and a spectacular skyline. The New Urbanist guru Andres Duany, whose city planning emphasizes cozy, walkable neighborhoods, seems horrified that Houstonians—driving SUVs across the sprawling distances of the city and its suburbs—appear to regard the Galleria shopping center as Houston's social center. Lauding Houston to urban planners is not much different than extolling red meat at a convention of vegans.

Ultimately, it's a question of defining what makes a city great. Many city planners today focus largely on aesthetics, the arts, and the perception of being "cool." Academics and many economic-development experts link urban success to cities' appeal to the "creative class" of college-educated young people. In this calculus, the traditional practice of gauging a city's success by studying patterns of population or employment growth, or noting the opportunities available for working-class or middle-class families to flourish, rarely registers as important. One prominent academic, Rutgers University's Paul Gottlieb, has even offered an elegant formula for what he calls "growth without growth"—focusing on increasing per-capita incomes without expanding either population or employment. Indeed, Gottlieb suggests that successful post-industrial cities might well do best if they actually "minimize" the influx of new

people and jobs.

Such an approach may work, at least superficially, in an attractive older city such as Chicago, New York, or Boston, but it's an unlikely model for most cities in a country where the population is expected to reach 420 million by 2050. Growth-without-growth cities might be great to visit, and they might prove exciting homes for the restless young or the rich, but it is doubtful that they can create the jobs or the housing for more than a small portion of our future urban population. For these and other reasons, the Houston model of the opportunity city—welcoming new jobs and new families—may prove far more relevant to the American future.

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Chicago, the great growth city of the late 19th century, whose trajectory most resembles Houston's, left many early visitors unimpressed. A settlement of barely 350 people in 1835, Chicago mushroomed to a population of 100,000 by 1860. Aesthetically pleasing the city was not; Chicago, a Swedish visitor commented in 1850, was “one of the most miserable and ugly cities” in the United States. But Chicago's economy barreled ahead, while that of St. Louis, its midwestern rival, stalled. The more genteel St. Louis business establishment, noted the Chicago Tribune in 1868, “wore their pantaloons out sitting and waiting for trade to come to them,” while Chicago's “wore their shoes out running after it.”

An updated version of that story has been playing out in several cities across the country over the past half-century. The years since World War II have seen the emergence of a new roster of opportunity cities, including Los Angeles, Atlanta, Dallas, Phoenix, Charlotte, San Jose, Las Vegas, and, of course, Houston.

Like New York in the 19th century and the midwestern boomtowns of the early 20th, these cities have been led by aggressive entrepreneurs. They have appealed to newcomers, whether arriving from elsewhere in the country or from abroad, seeking a new start and a better life. Some of the cities have grown by nurturing new industries—Los Angeles with entertainment and aerospace, Las Vegas with gambling, and San Jose with electronics. Others, such as Phoenix, Dallas, Atlanta, and Charlotte, took advantage of their growth to challenge established cities in property development, banking, manufacturing, and other industries.

These cities have redrawn the country's demographic and corporate maps. In 1950, St. Louis, Cleveland, and Pittsburgh ranked among the nation's ten largest metropolitan areas; today they have been replaced by Houston, Dallas, and Miami. Equally significant has been the shift in the location of the nation's largest companies away from the traditional centers of commerce. In 1960, greater New York dominated the corporate world with 140 of the top 500 companies, followed by Chicago, Pittsburgh, and Cleveland. New York remains first among equals but now the region is home to barely 60 of the largest firms. In addition to Houston, cities such as Atlanta, Charlotte, and Dallas have also carved out a powerful presence in American business.

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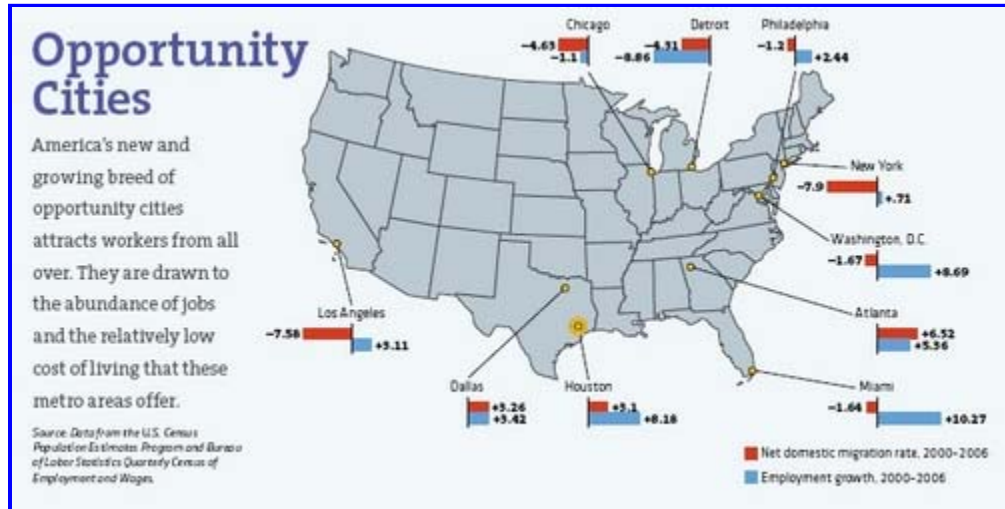
These cities have achieved their success not through “growth without growth” but through the prodigious expansion of both employment and population. Over the past decade, Houston, Phoenix, and Dallas each have matched the employment growth of New York, Boston, San Francisco, and the Silicon Valley area combined. One of the most powerful weapons of opportunity cities in this contest is the growing divergence in costs between them and “superstar” cities. The latter clearly provide somewhat higher wages to professional, financial, and engineering workers. Yet for most people, the vast differences in the cost of living and real estate prices allows professionals working in Phoenix, Charlotte, or Houston to enjoy a considerably higher standard of living.

Over time, these cost differences, as well as the associated continuing shift in employment opportunities, has begun to alter one of the most critical indicators of future economic growth: the flow of educated labor. Indeed, since the late 1990s there has been a rising outflow of workers with postsecondary education from increasingly expensive cities like Boston, New York, and San Francisco and a parallel shift toward more family-friendly, modestly priced metropolitan areas.

The Next Great World City?

Given these trends, it seems likely that the next great American city will emerge from the ranks of the opportunity cities. The ultimate winner will come from those that keep up with the infrastructure needed to accommodate their growth. They also will have to deal with issues of education, crime, and creating a skilled workforce— issues that are important anywhere, of course, but can be particularly challenging in a rapidly growing metropolis.

Perhaps the key factor that will influence the rise of the next great American city is the ability to fit into the global economy. An opportunity city with only modest links overseas can certainly grow rapidly, but only an urban center with powerful ties to global commerce is likely to achieve greatness.



This may be where the case for Houston's emergence is strongest. From its inception, Houston has been oriented to markets outside the country, first through its exports of timber and cotton and later as a major oil port. Trade and the global connections of the energy industry have also paced the development of internationally minded banks, business-service firms, hotels, and specialized shopping areas. An indicator of Houston's international reach: it now ranks third among U.S. cities, behind Los Angeles and New York, in the number of consulates located there.

Another of Houston's advantages is its history of tolerance. In the antebellum period, Houston was home to a large proportion of Texas's "free people of color." For decades after the Civil War, blacks certainly suffered the indignities of segregation, but Houston largely avoided the ugly desegregation battles of the 1950s and '60s (for one reason, business elites realized that such conflict would be bad for economic growth). Perhaps nothing better reflects Houston's openness to minorities than its willingness to accommodate upwards of 150,000 poor, predominately African-American evacuees from the New Orleans area after Hurricane Katrina. The massive humanitarian undertaking was largely a joint effort of the city's African-American churches and its largely white evangelical congregations.

In the future, Houston's culture of tolerance will no doubt be tested by the challenge of assimilating immigrants. Houston's traditional racial mix of blacks, whites, and a much smaller Hispanic population has been upended by an immigrant wave that began in earnest after the oil bust of the 1980s. Attracted by low housing prices and economic opportunities, large numbers of immigrants from Mexico, Vietnam, China, India, Nigeria, Venezuela, and other countries swarmed into the city. In the 1990s, Houston's foreign-born population soared by 94 percent—the biggest increase of any major city. Today the newcomers account for over 21 percent of the population.

To be sure, an entrepreneur like Al Colbert enjoys the city's diversity—and the staggering array of restaurants, cultural offerings, and shops that it has produced—but above all he sees one thing: more customers. They are people like him, seeking their futures in a city of promise. "The key to success is finding an underserved market, and if you look beyond your own, you will see plenty of people in need of service," Colbert observes. "You don't care if the client is black or white, you just go to the people who can get you the revenues. And I don't think there's any place better than this place to do it."

Joel Kotkin is the author of "The City: A Global History" (Modern Library). He is currently writing a book on the American future.