A Tale of Two Cities (Redux)

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- Despite their similar sizes in 1960, Austin is now five times larger than Corpus Christi as a result of an average of 3% higher annual population growth rate.
- In Austin, human capital development through education and skill training has played a key role in attracting capital investments, which in turn have promoted job and income growth.
- Instead of expanding the hi-tech sector in Austin, Corpus Christi has relied on investments in heavy manufacturing and energy-related industries. Their exposure to different economic sectors was the most likely driver for their diverging growth paths in the last 60 years.
About 20 years ago, we wrote in a series of articles about Austin's rapid growth in contrast to the lackluster performance of Corpus Christi. Historical observations supported the role of workforce development as the key factor behind the diverging growth paths of these two cities.

Since then, Austin's economy has continued to cruise along. Meanwhile, Corpus Christi and much of South Texas have undergone alternating periods of extraordinary growth and setback. Before the COVID-19 pandemic, oil and gas production in the Eagle Ford shale region and energy-based industrial developments near the Port of Corpus Christi were hailed as game changers for the South Texas economy.

Are these two cities closer today or even further apart in economic vitality?

**Widening Gap**

In 1960, the Corpus Christi metro area's population size was similar to that of the Austin-Round Rock-Georgetown metro area. During the rest of that century, Austin's population grew 1.54% per year on average, while Corpus Christi's annual population growth averaged 0.4%. The about one-percentage-point difference between these two areas resulted in a cumulative gap of 800,000 people over the 40-year period, more than double the size of Corpus Christi's entire population.

During this 21st Century, Austin's population has grown at an even faster pace of 3.1% annually, while Corpus Christi has mostly extended its historical trend at 0.6%. By 2021, Austin was more than five times larger than Corpus Christi, instead of 3.3 times at the turn of the century. Austin has added nearly one million more residents since 2000.
The birth and death rates were similar between the two cities and over time. This leaves migration as the key factor for the widening gap in population size during that period as it had been historically. Since 2000, about 650,000 more people have moved to Austin than those moving out of Austin. During that same period, Corpus Christi has lost a total of 13,000 residents instead.

Growth Matters

Economic growth usually shows up in people's income as a measure of living standards. In 2020, the income of a typical household in Corpus Christi was 27% lower than that in Austin. This income gap remains similar today. Compared to the national level at roughly $65,000, Austin's median household income in 2021 was 17% higher but Corpus Christi's median household income was 12% lower.

The flipside of a higher living standard is a higher cost of living. In 2000, Austin's cost of living index was about 3% above the nationwide average and Corpus Christi was nearly 17% below. Despite no sign of closing an income gap, the
overall costs of living have narrowed noticeably between the two cities. Prices have appreciated at a faster rate for homes in Austin than homes in Corpus Christi. Since 2000, the median home price has risen about 3.1 times in Austin versus 2.7 times in Corpus Christi. Much of the surge in the cost of living index in Corpus Christi reflects rising utility, healthcare, and transportation costs.

Catching Up

Though Corpus Christi residents' income remains behind that of their Austin counterparts, their living costs are catching up. This results in greater financial hardships for Corpus Christi's low-income families. The median home price in 2021 was $450,000 in Austin and $255,000 in Corpus Christi. This means an average Texan would find Corpus Christi a great place to live in, especially given all its natural amenities on the Gulf Coast.

But when housing affordability also takes into account the lack of economic opportunities beyond comparing home prices with household income, then Corpus Christi becomes one of the least affordable cities to live and work in the U.S. According to Goodhire, the city is the least affordable city to live and work in the Southern region, after only Los Angeles in the West Coast and Hartford, Connecticut, on the East Coast. In other words, Corpus Christi is an affordable place to live for Winter Texans or retirees, but housing costs are excessively high for families making a living wage.
Growth Accounting Revisited

Economic growth is mainly driven by resources and technological advances. Since the late 2000s, oil and gas drilling in the Eagle Ford shale play has become an economic driver for Corpus Christi and other communities across South Texas. As a result, these economies followed closely the boom and bust of the energy markets during the past decade.

Other than the benefits of natural resources like oil and gas deposits in Texas, Corpus Christi attracted more than $55 billion in industrial investments in the past decade. Most of such private capital investments went to the construction of heavy manufacturing facilities, such as steel mills and plastic plants, in the Port of Corpus Christi district.

Despite the abundance of natural and capital resources, Corpus Christi's economic vitality, as measured by income and job growth, remains behind that of Austin. As explained in our 2002 newsletter article, labor resources, particularly human capital in the form of workforce training, were the main factors that separate these two cities.
The overall educational attainment of Corpus Christi’s population was below the national or statewide average in 2000. In 2000, the share of the adult population 25 years and older that has completed a Bachelor's degree was 12% for Corpus Christi, only half of that for Austin.

The gaps are even wider two decades later. The share of Bachelor's degree holders has risen to 14.2%, but still far below the 29.4% for Austin or even the state average of 20.3%. In Austin, slightly more than 46% of its adult population is a college graduate.

**Hi-Tech Hub**

While Corpus Christi has arguably become the nation's energy hub, Austin has emerged as the new American tech hub. The development of high-tech startups in so-called Silicon Hills rivals Silicon Valley in California. Migration of tech companies from the West Coast, especially the Bay area, has only accelerated since the onset of the COVID-19 pandemic.

A comparison of the largest employers of the two cities also reveals how the economies of the two cities differ. In Corpus Christi, oil refineries, engineering, and construction are among the top industry employers. In Austin, the largest four private-sector employers belong to the hi-tech sector, which includes computing and engineering services and tech-based manufacturers.

The extent of hi-tech concentration in Austin is obviously a notable exception rather than the norm. In 2002, Forbes ranked Austin's exposure to the hi-tech sector as 13th among
all U.S. cities. Now Austin is number one, according to the Milken Institute. By contrast, Corpus Christi is ranked 199 out of 200 cities, ahead of Peoria, Illinois.

As opposed to capital investments for constructing heavy industrial facilities in Corpus Christi, venture capital investments in the hi-tech sector might have proven particularly effective in promoting employment growth in the long run. During the 20 years leading to the onset of the COVID-19 pandemic, employment in Austin grew 2.8% annually on average, contributing to a cumulative total of 68% job growth. During that same period, employment grew at an average annual rate of 0.6%, resulting in a modest cumulative gain of 12.4% after 20 years.

**Bottomline Redux**

The underlying message in our comparison of Corpus Christi and Austin is relevant today as it was 20 years ago. It is still crystal clear that a region’s sustainable income and employment growth depends critically on the productivity of its workforce. A city can enhance labor productivity through education and training. A more skilled and productive workforce also makes the city more competitive in enticing new firms and capital investments that in turn drive economic growth.

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Note: This article was initiated by Brian Tietje, College of Business Dean at Texas A&M University-Corpus Christi.