

THE

*Neal Spelce*

# AUSTIN LETTER

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Volume 26, Number 13

June 25, 2004

Dear Client:

**The presidential campaign is not a *national* campaign, it is being waged in a handful of states that do not include Texas. Let's analyze what's happening in a few of those key states.**

As we told you 3/12/04, the very best political polls are not national polls. They are the polls that show how the candidates stack up in a particular *state* – especially the states where the vote was very close in the last election. A slight shift in votes there could deliver *all* the electoral votes of those states to either President **George W. Bush** or the eventual Democratic nominee, **John Kerry**. So, what's happening in some of those key battlegrounds?

In the last election, Democrat **Al Gore** carried Michigan by 5.13%. But in a recent Michigan poll, **Bush was leading Kerry by 44% to 40%**. However, Pennsylvania, which Gore carried by 4.17% in 2000, was still leaning to the Democrats, with Kerry holding a 49% to 43% lead over Bush.

**What about Florida** which Bush carried by the narrowest of margins (.01%) after an expensive post-election battle involving the US Supreme Court? Bush has been to Florida so many times this year we've lost count. But so far it's paying off — he still has a very narrow poll lead, 47% to 46%.

**It's bad news for Bush in Ohio** at this stage of the campaign. Bush carried the electoral-vote-heavy state in 2000 by 3.51%, but Kerry is now holding a 49% to 42% polling lead over the president. New Mexico fell into the Democrat column in 2000 by only .06% and the polls still show the closest of races – a 47% to 47% tie between Bush and Kerry.

Bush can take comfort with his status in Michigan and Kerry can feel good so far about his standing with Pennsylvania voters. And so on. There's a little something for each candidate in this exercise. And there's enough to cause each to worry as well.

One thing about all of these specific state polls that is quite obvious: no matter which candidate is leading at this stage of the game, they generally are within the margin of error. In other words, **the polls are so close in some of these states that you could flip-flop the leader with the runner-up**. This is why the campaign strategists are working overtime well before either party has held its national convention.

**Dallas, our neighbor to the north and sometimes economic development competitor, has unveiled a new slogan – “Dallas. Live Large. Think Big.” It will take more than sloganeering to solve some serious problems engulfing Big D.**

Dallas calls itself “the city that works.” **Dallas is wrong.** By almost any measure that counts – crime, school quality, economic growth – **Dallas looks bad.** It’s not that City Hall is lying. **City Hall seems not to know.** Dallas does not see itself as a city in crisis. But the data indicate that **Dallas is a city in crisis.** These are the conclusions following a far-reaching statistical comparison of Dallas and 14 other large US cities, including Austin, conducted by the consulting firm Booz Allen Hamilton, commissioned by *The Dallas Morning News*.

The report, titled “Dallas At The Tipping Point: A Road Map For Renewal,” concentrates on the city itself – not the healthier region enveloping the city of Dallas. The report minces no words as to the way the city is governed: “Dallas’ City Charter, adopted in 1931, was designed to keep politics out of government. But politics arrived along with single-member districts. Now, the city struggles with the worst of both worlds: **a bureaucracy that can no longer manage and elected officials who lack the tools to govern.**”

*The Dallas News* reported that “on myriad measures – from the pace of wealth creation to residents lacking a high school diploma – Booz Allen found that **Dallas ranked closer to distressed Detroit and Philadelphia than its bustling Southwest peers.** Dallas isn’t expanding its tax base. Nor is it producing or attracting the college-educated workforce crucial for a city with world-class aspirations.”

For instance, Booz Allen reported Dallas’ college-educated population during the 1990s grew at only 1.7%, compared to 6% in Austin. And the annual job growth rate in Dallas was only 1.4%, compared to more than 3% in Austin and Phoenix. It also found that **Dallas’ wealth creation engine only grew by 2% in the 1990s, compared to almost 8% in Austin and almost 10% in San Jose.**

It’s not just the economy where Dallas is falling short. According to the report “Dallas **residents say crime is the city’s #1 problem.** And what has City Hall done in recent years? Reduced the number of officers per resident, ignored the city’s worst-in-the-nation crime rate, and gave the police chief a glowing review one year, then fired him the next.” Tough talk.

While the report compares city limits to city limits, its findings in Dallas impact the entire region. “Trouble in Dallas affects city and suburbs alike,” the report notes. “If the suburbs keep capturing more of the region’s growth and economic activity, Dallas will be pressed even harder to pay for city services. And a hobbled city center eventually will crimp its suburbs.” **You can’t have a healthy region that doesn’t have a healthy core,** a UTDallas professor of political economy observed. The report is much more extensive than can be detailed here. For further info, you can go to [www.DallasNews.com/tippingpoint](http://www.DallasNews.com/tippingpoint).

**Why has Dell Inc. waited 1½ years (after competitor Gateway) to come out with its first Plasma TV product? Because that's what Dell does.**

Gateway was soundly trounced by Dell in the marketplace battle for computer market share. So Gateway did a 180 and started manufacturing and selling TV products, including the giant screen, flat panel expensive Plasma TVs that are being hyped as the new wave of TV viewing. **Why has Dell given Gateway a huge head start in the Plasma TV market?**

No one has accused Dell of being a product innovator. In fact, when observers try to criticize Dell's success, they usually sniff "**Well, Dell, you know, doesn't come up with new products. It takes technology from others, re-packages it and sells it.**" Okay. So what? Dell has refined, and re-defined, American manufacturing processes to the point it can produce products quicker, cheaper and make more money than anyone else while doing it. You got a problem with that?

When Dell rolls out its first Plasma TV product in time for the Christmas buying season, it is simply following the Dell model. **Let others spend money for the R&D**, pour millions of dollars into marketing to **create a demand in the marketplace** and tweak the product to **get rid of the major glitches** usually found in new products.

Then, watch out, here comes Dell — **slapping the Dell name on a quality product and blitzing the market with a lower-priced unit** (due to manufacturing, inventory and delivery advantages – with no middleman retailer involved) that will still **generate a solid profit for Dell**. The competitors get clobbered, the buyer benefits and the Austin economy expands just a little bit more as Dell grows and grows.

**When the Austin area's unemployment numbers were released for May, the local headline read "Area Job Numbers Steady." Steady? Come on! The Austin metro unemployment numbers could almost be on steroids with the impressive improvement that was recorded.**

The newspaper report was accurate when it said "the May unemployment rate in Central Texas remained at 4.3% for the second month in a row." Sure, that's "steady." But it missed the point. To get a true picture you *don't* compare to the *previous month*, you **compare to the same month the year before** – due to seasonal fluctuations in jobs.

This is where it gets impressive. **In May 2003 Austin's unemployment was 5.7%; in May 2004 it dropped significantly to 4.3%**! This is tremendous improvement. The current tally leads the state's big metros – all of whom improved year-over-year. Dallas went from 7.2% to 5.9%, Fort Worth-Arlington dropped from 6.4% to 5.4%, Houston dipped from 6.9% to 6.1% and San Antonio stayed close to Austin dropping from 5.2% to 4.8%. Any way you slice it, this is a solid recovery from the recent economic slowdown.

**In an examination of the nation's biggest cities for the best place to live – where the outdoors is of major importance – Austin, once again, cracks the Top Five.**

The editors at *Men's Journal* magazine pored over reams of data and ranked every metro area in America according to how well they “**measure up to the dream life.**” They weighed 37 variables – everything from the cost of living to the air and water quality to the amount of wilderness nearby – and **Austin ranked #5** in metros with more than 1 million in population.

Referencing **Jerry Jeff Walker's** comment (“I don't live in Texas. I live in Austin”), the editors said they “attributed that attitude to the **city's unusually large contingent of intellectuals, artists, writers, musicians and – gasp! – liberals.** It's a place where you're as likely to meet an organic squash farmer as you are an accountant.” They also praised the live music scene here.

“The fun is not all indoors: Town Lake, encircled by popular hike-and-bike trails, hugs the southern edge of downtown, and its siblings in the Highland Lakes chain are only minutes away in the **bucolic Hill Country, home to hundreds of backcountry campsites and swimming holes,** including Hippie Hollow, the only clothing-optional beach in Texas,” continued the publication.

“None of which is to say that Austin is somehow un-Texan. It is, after all, the state capital, the former home of Dubya, and **it can go brisket-for-brisket with Dallas or Houston when it comes to barbecue. (The Mexican food's not bad either.)** Plus, brash boots-and-suits Texas capitalism is alive and well here, especially in the high-tech sector.” There were more comments, but you get the idea.

The Top Five big cities, according to the national magazine, *Men's Journal*: #1 San Diego, #2 Portland, #3 Boston, #4 Minneapolis-St. Paul and #5 Austin.

**Dr. Louis Overholster** likes to point out that “when you're successful, the problem with thinking outside the box is, all they do is give you a bigger box!”

NEAL SPELCE AUSTIN LETTER (ISSN 1071-0612) is published weekly, except last two weeks of the year, for \$150 (plus tax) per year or \$249 (plus tax) for two years. To subscribe, call 512-498-9495. Periodical Postage Paid at Austin, TX 78767 by Austin Letter, Inc., 1407 Wild Cat Hollow, Austin, TX 78746. POSTMASTER: Send address changes to: Neal Spelce Austin Letter, P.O. Box 1905, Austin, TX 78767-1905.

Sincerely



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