

The Economic Case for Texas Statehood

From 1836 to 1846 Texas was known as the Republic of Texas, its own independent nation. During this period Texans struggled with foreign relations, economic instability, and large amounts of debt. It did not take long for many Texans to be on board with the idea of annexation to the United States in order to provide economic and political stability. When Texas finally joined the Union, it gained economic advantages that served to transform its finances, accelerated growth, and helped shape the modern state of Texas. These advantages that included debt relief, expanded markets, long term development, and infrastructure support proved to alter Texas' trajectory at a fundamental level and contributed to the state's status today.

When Texas was an independent republic, it faced considerable financial difficulties. The government struggled with great amounts of debt, a weak economy that depended on cotton and ranching, and limited international trade. For example, the Republic of Texas borrowed money in order to fund the revolution and just continued to do so during its time of independence. By 1845, they were millions of dollars in debt. Further, because of the difficult challenge that diplomatic recognition proved, establishing foreign trade was a reliable contributor to the economy. This ruled out resources such as international loans. The lack of predictable trade and government revenue, many saw economic survival as tied to joining a larger market.

One of the most direct ways to see a benefit of the annexation of Texas was the relief of Texas's financial burdens. Part of the negotiations resulted in the United States agreeing to pay off a large part of the Republic's debt. This was significant because their finances were now under a system with the support of established credit and the fiscal structure of an entire nation. Texas was now free to have confidence in the economy and have the ability to attract investment.

A second advantage to joining the Union was access to America's infrastructure and market. When Texas was an independent republic the struggle to connect with trade networks, lack of transportation systems, and virtually no institutional support was very apparent. The United States automatically connected them with the quickly expanding markets for goods such as cotton, agricultural products, and livestock. Another benefit Texans then had access to was to expand and integrate with national production and trade. The expanded market integration resulted in population growth, increased settlement, and down the road infrastructure development. This helped unify the state economically.

A third crucial economic advantage of Texas' annexation was the exponential growth in population size, this strengthened the labor force and increased productivity statewide. In *Secession and the Union in Texas*, Walter L. Buenger explains many Texans wanted to join the Union because they believed their economic future depended on it in regards to the fact that stability encourages migration and investment. As a part of a bigger nation, Texas gained the appeals of federal protection, improved credit systems, and more succinct property rights. By growing the population, output of agricultural products like cotton and cattle skyrocketed, which were critical to the early economy of the state. Not only this, but internal markets also grew resulting in higher demand for transportation, trade, and infrastructure. The sparsely populated republic quickly transformed into a rapidly developing state with a solid economic foundation.

More modern research has proved the theory that the annexation of Texas produced long lasting growth benefits for the state. In one study by economists Robert Maseland and Rok Spruk titled *The Benefits of U.S. Statehood: An Analysis of the Growth Effects of Joining the USA*, compared growth outcomes of areas that joined the United States with scenarios where they remained independent using historical and economical models. The results showed

statehood notably improved long term economic growth, Texas was an area that experienced some of the most significant improvement in per capita income gains. Their research, and others like it, highlight that accessibility to all the U.S. economy had to offer not only helped in that immediate time period, but contributed to Texas's economic trajectory for decades to come.

Beyond these previous advantages, joining the United States meant security and investment support towards economic development for Texas. As a part of the nation, Texas received federal protection from threats from Mexico and other groups. On top of physical safeguarding, federal support also meant stimulation for infrastructure improvements. The funding and planning would have been proven difficult for an independent nation. Economic transformations such as the oil bloom in the twentieth century that dramatically increased Texas' economy and power can be traced back to the foundation laid by the federal support.

Economic advantages of the Republic's annexation helped shape Texas both culturally and geographically. In an unusual turn of events, Texas was allowed to keep control of public land which allowed for the state to manage the resources the land provided for future development (*Annexation of Texas*). This can be seen through the development of industries like cattle ranching, agriculture, and eventually energy. These sectors created wealth that would prove to define much of Texas' identity and ultimately influence the entire U.S. economy.

Although Texas was only a republic for one decade, that time was filled with economic instability, diplomatic challenges, massive debt, and uncertainty for the future. Joining the nation of the United States in 1846 offered clear economic advantages such as relief from debilitating debt, access to wider markets, secure institutions, and long term growth opportunities. These changes did not just help the immediate state of Texas, but provided the foundation for many economic forces that shape the state of Texas to this day. Annexation proved a turning point in

Texas's history, one that shifted the state from hazardous independence towards lasting success in the Union.

Work Cited

Buenger, Walter L. *Secession and the Union in Texas*. University of Texas Press, 1984.

Maseland, Robbert, and Rok Spruk. "The Benefits of U.S. Statehood: An Analysis of the Growth Effects of Joining the USA." *American Economic Association Annual Meeting*, 2020, www.aeaweb.org/conference/2020/preliminary/paper/rdeHDaaT. Accessed 15 Feb. 2026.

"Annexation of Texas." *Texas State Library and Archives Commission*, www.tsl.texas.gov/treasures/earlystate/annex-01.html. Accessed 15 Feb. 2026.