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Texas economy trumps California, says economist 📺

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By ELISE HU
KVUE News

Texas may not have California's beaches, but according to economist Arthur Laffer, it doesn't have California's money woes, either.

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KVUE's Elise Hu reports
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Arthur Laffer, known as the "father of supply-side-economics", spoke at an Austin meeting to present his report comparing Texas to California on tax and regulatory climates. Laffer declared Texas the hands down winner in an economic matchup.

"If you have two locations, A and B. If you raise taxes in A and lower them in B, producers and manufacturers are going to move from A to B. Is that going way over your head?" Laffer said.

California's state government is facing serious financial troubles, while Texas is sitting on an estimated \$7 billion surplus. Laffer argues Texas' policy of no state income taxes and low government spending is the reason the economy is strong and population is growing.

"Texas wins hands down on the tax on labor," said Laffer.

Critics of the report say low taxes aren't the only explanation for a strong economy.

"It's mainly because of oil and gas prices," said Dick Lavine, senior fiscal analyst for the Center for Public Policy Priorities.

Texas leads the nation in the uninsured, can't afford road maintenance needs and school districts are asking for more money, he argues. Lavine agrees that the Texas economy is booming, but worries that long term investment to educate the workforce is being ignored.

"I don't think we're doing anything close to what we need to be doing to prepare ourselves for the future," Lavine said.