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Business

Economist: Texas rules century's economy

By Enrique Rangel | AUSTIN BUREAU

Wednesday, September 10, 2008

Story last updated at 9/10/2008 - 1:49 am

AUSTIN - Economists such as former Texas Tech professor Arthur Laffer agree that when it comes to economic development in each of the 50 states in the Union, the 20th century belonged to California.

But the 21st century belongs to Texas, Laffer told a large audience Tuesday, which included Gov. Rick Perry and other state officials.

Laffer, a key adviser to President Reagan and the father of supply-side economics, made his prediction as he unveiled an economic study comparing the economies of the nation's two largest states.

"The result of a head-to-head competition between Texas and California is an economic blowout," Laffer said at a luncheon sponsored by the Texas Public Policy Foundation, an Austin-based think tank that advocates conservative fiscal policies.

"The economic environment in Texas has significant advantages over California," Laffer said. "The implications of this competitive advantage are clear; Texas' economic prospects are bright and the Texas economy will significantly outperform California's."

Perry said after Laffer spoke that he was very pleased with the study's conclusion and attributed the robust state of the Texas economy to the belt-tightening measures he and the Legislature agreed on five years ago when the state government faced a \$10 billion shortfall.

"Working with the Legislature, we laid the foundation for today's economic success by creating a reasonable regulatory climate, competitive job creation fund and one of the lowest tax burdens in the country," Perry said. "Today we are reaping the benefits of these policies and are able to cut taxes while other states are cutting budgets."

State Rep. Carl Isett, R-Lubbock, who also heard Laffer speak, said he drew two lessons from it.

"First the story where California was in the late '70s with Prop. 13 doing the right things and where they are today," Isett said in reference to the ballot initiative passed in 1978 by Golden State voters to drastically reduce property taxes.

The lesson is "don't ever rest on your laurels," said Isett, a member of the House Appropriations Committee. "You see what happened in California where they had a very strong economy, a great business climate and a great climate where people could keep more of their hard-earned money to a climate of very expensive government, higher taxation in every level."

The other lesson is what the state of Texas has done since the 2003 shortfall, Isett said.

"We made hard decisions on the budget that weren't necessarily popular," he said.

"But we made the decision to protect family more than to protect government so we limited our spending and we didn't increase taxes and now we have an economy that is, by any measure, one of the best in the nation, if not the best in the nation," Isett added.

However, although California has a \$15 billion deficit and has been operating without a budget since July 1, not everyone agreed with Laffer's conclusion.

"The report badly misreads the likely outcome of current policies," Dick Lavine, senior analyst at the Center for Public Policy Priorities, another Austin think tank, wrote in a one page critique.

"Businesses invest in states with educated work forces and good economies with good infrastructures where consumers can purchase goods and services," Lavine added. "Texas' current policies will leave us with a less-educated, less-trained work force and consumers with lower median income. That isn't the way to attract economic activity."

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The center, which advocates for needy Texans, is one of the leading proponents for more money for public education and has long pushed for a state income tax, which Perry and the Republican-controlled Legislature oppose.

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