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Randy Jones: What Texas can teach California

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This March, as Texas and Ohio prepared for their historic presidential primaries, *The Wall Street Journal* contrasted the economic outlooks of the two states. It illustrated the opposite policies they had pursued and the results of such – "growth" for Texas, "pain" for Ohio.

Less than two months from the general election, a new comparison is in order – this time between Texas and California.

The importance of these two states is not just about electoral votes. Combined, these states contribute 22 percent of America's gross domestic product; separately, each would rank among the 10 largest economies in the world.

But while these states are America's economic engines, Texas' purrs smoothly while California's sputters. Texas is now home to more Fortune 500 companies than any other state in America.

And as with Ohio, California's current economic pain is self-inflicted.

Businesses are better able to provide more jobs where taxes, regulations and government expenditures are low. What business or individual wants to risk their time and money if the potential rewards go to government rather than themselves?

A report released this week by the Texas Public Policy Foundation details how these states' dramatically different economic approaches have caused businesses to flock to Texas and flee California.

While Texas has a higher property tax burden, California has a higher state sales tax rate. The Golden State also assesses a corporate income tax (top rate: 8.84 percent) and taxes on capital gains, dividends and personal income (top rate: 10.3 percent) that Texas does not.

Taken together, Californians pay nearly 12 percent of their personal income in state taxes. In Texas, that tax burden is less than 10 percent – and dropping.

Additionally, California has a worse state legal climate, higher workers' compensation costs, a higher state minimum wage, and it allows industries to force workers to join unions and pay union dues. All of these increase the operating costs to employers, which decreases their ability to compete against rivals in other states and countries.

Government spending also matters to businesses. Higher government spending not only correlates to a higher tax burden but a greater likelihood that those tax dollars will be spent on bureaucracies.

Here is where the difference is most pronounced. California's per-capita government spending is 30 percent higher than Texas', and that gap continues to widen.

In the last year, Texas has added almost 250,000 new jobs – more than half of the national total. California has shed 200,000 jobs just in the last four months and boasts one of the highest unemployment rates in the country.

As employers move, so do workers. Four of America's 10 fastest-growing metropolitan areas are in Texas. As employers and workers move, so do their tax dollars. In January, the Texas Legislature will return to a cash balance in the \$10 billion to \$15 billion range. California faces a \$15 billion to \$17 billion budget deficit for next year, as well as structural deficits well into the foreseeable future.

The fortunes of Texas and California aren't the product of luck. These states are where they are today because of the policy decisions made over many years. Texas is better positioned for the future because of its leadership's unrelenting commitment to fiscal discipline and regulatory certainty.

Gov. Rick Perry and our Legislature have understood that the overwhelming majority of people can take better care of themselves with a job and its opportunity than government can with a program and its bureaucracy. The dire headlines coming out of California show what will happen if they forget that lesson.

Randy Jones is chairman of the board of the Texas Association of Business, a broad-based, bipartisan organization representing more than 140,000 small and large businesses and 200 local chambers of commerce. His e-mail address is chair@txbiz.org.