

# San Diego Business Journal

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## Texas Takes Shine Off Golden State

By CHARLES CRUMPLEY - 9/15/2008

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Got a cowboy hat? Me neither. But it sure looks like more business folks are putting one on and moving to Texas.

That state last week made a big deal about how its economy has taken off in recent years. And it contrasted itself with California.

Actually, it makes sense to compare the two states, since they are the biggest economically and are something of rivals. But the comparison isn't pretty. While Texans apparently are spending time keeping up with their booming economy, we seem to be blowing time keeping up with the Kardashians.

The Texas study, done by the Texas Public Policy Foundation, compared the two states for the last 10 years. On average, it said, Texas' real economy grew 4.3 percent a year since 1997; California's grew 3.7 percent. But Texas has been picking up speed in recent years.

What's more, real personal income growth was much higher in Texas. Ditto for job growth.

Of course, the Texans couldn't help but gloat over their bullwhipping of California. Gov. Rick Perry reportedly said at a lunch last week that, thanks to its economic strength, Texas is cutting taxes "while other states are cutting budgets."

Texas' growth was not an accident. It took on pro-growth policies of low taxes and lighter regulatory burdens.

In the Texas report, done by the economist Arthur Laffer, the taxes of the two states were compared. Thanks to Proposition 13, Californians enjoy lower property taxes than Texans. But that advantage is overwhelmed by California's heavy taxes on just about everything else. For example, in California, the corporate income tax rate goes up to 8.8 percent and the personal income tax goes up to 10.3 percent. Texas has no such taxes.

"The significant after-tax return premium in Texas compared to California ... gives Texas a significant competitive advantage vis-a-vis California in attracting business and investors," Laffer wrote in the report. He also looked at the lighter regulatory burden in Texas as well as the much lower level of state spending there as big advantages for Texas.

But has Texas attracted more businesses? A press release that accompanied the report couldn't resist pointing out that of this year's Fortune 500 companies, 58 have headquarters in Texas compared with 52 in California, the first time Texas has led. (Los Angeles County has 15 while the Dallas area has 19 and Houston has 25.)

And Texas is attracting more people. The report looked not just at gross population numbers that include births and deaths but at so-called net internal migration, or the number of U.S. citizens choosing to move to another state. On net, a half-million chose to move to Texas since 2000 while California lost 1.2 million residents over that span.

Now, you can quibble with the report and question whether it was truly impartial, but it's hard to argue with the central point. Texas is clearly outrunning California in the economic race. And that hasn't happened by accident. It happened because local and state governments intentionally created pro-growth policies. Lots of businesses have moved there to save money, time and hassle.

It may not be long before you'll find yourself saying something like, "Say, pardner, y'all got any of them snakeskin boots?"

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