

San Antonio Business Journal - September 22, 2008

<http://sanantonio.bizjournals.com/sanantonio/stories/2008/09/22/story4.html>

**SAN ANTONIO  
BUSINESS JOURNAL**  
THE ESSENTIAL BUSINESS TOOL

Friday, September 19, 2008

## Gov. Perry says Lone Star State has economic edge over California

San Antonio Business Journal - by [W. Scott Bailey](#)

The failure of **Lehman Bros.** and the sale of **Merrill Lynch** have only created more uncertainty about the state of the economy in recent days.

But Texas Gov. Rick Perry, citing a new economic study by **Arduin, Laffer & Moore Econometrics**, suggests that the Lone Star State remains well-positioned to continue to attract new business and build upon the attractive advantages it has over its heavyweight rival California.

Arduin, Laffer & Moore is an economic consulting firm based in Tallahassee, Fla., with offices in Washington, D.C., and Nashville, Tenn. Its new study — Texas vs. California: Economic Growth Prospects for the 21st Century — was commissioned by the Austin-based Texas Public Policy Foundation.

That study compares Texas and California in six categories: Taxes on labor income, taxes on capital income, taxes on consumption, overall tax environment, government spending policies and government regulatory policies. Among the findings: Texas' economic environment is more competitive than California's in five of the six categories, and equal to California's in the sixth (taxes on consumption).

The authors of the study conclude: "Both Texas and California have the allure of geography, and the economy in both states has been outperforming the national trends. But current policies matter for future economic performance."

As such, the authors add that Texas' "superior policies over the past several years" have positioned the Lone Star State to be "more resilient to the current economic downturn and will provide powerful tailwinds for the Texas economy going forward."

The opposite, the authors of the study contend, is true for California.

### Reaping the benefits

Perry says the study shows that Texas' low taxes, reasonable regulations and limited government have created a superior economic climate with a growth in income, wealth and employment that is projected to strengthen.

"Working with the Legislature, we laid the foundation for (this) economic success by creating a reasonable regulatory climate, competitive job creation fund and one of the lowest tax burdens in the country," Perry says.



Gov. Rick Perry

[View Larger](#)

“We are reaping the benefits of these policies and are able to cut taxes while other states are cutting budgets,” he continues.

Texas economist Travis Tullos says the study carries credible weight because of Laffer’s participation.

“Arthur Laffer is highly respected by people in the economic sector,” Tullos explains.

Tullos also says San Antonio stands to benefit from the advantages Texas has over a state like California.

Those advantages, he says, have “vaulted into the uppermost mindset of decision makers and economists alike.”

“And, since all economics is regional,” Tullos continues, “metro markets must wisely monitor the progress.”

Perry points to the Alamo City as one reason Texas has managed to gain positive economic yardage.

“Texas has the strongest economy in the nation and one of the best in the world because of cities like San Antonio,” Perry explains.

He adds that the findings in the new study “confirm what we in Texas have known all along: That a reasonable regulatory environment, combined with a strong local and state partnership, attracts businesses and quality jobs to vibrant cities like San Antonio.”

How vibrant?

Over the last several years, Tullos says San Antonio — based on metrics such as private-sector employment gains and per-capita income gains — has been Texas’ second strongest performer (behind Austin) among the state’s largest metros.

“San Antonio’s contribution to overall statewide growth and competitiveness has markedly displayed progress ... and shows escalating future thrust,” Tullos says.

### **Too much to handle**

According to state officials, over the last five years, Texas has created 1.2 million net new jobs. In the last 12 months, those same officials say Texas has created half of all the new jobs in the U.S.

In the battle between Texas and California, authors of the Arduin, Laffer & Moore study say the results of the “head-to-head competition between the two economic heavyweights are not even close.” Economically speaking, the study’s authors say Texas is “just too much for California to handle.”

Tullos says the recent national economic woes don’t alter the findings in the new study. He says Texas and San Antonio, at least in the short run, can still gain more ground.

Talmidge Heflin is director of the Texas Public Policy Foundation’s Center for Fiscal Policy.

Asked about mounting economic concerns nationally and the impact that could have on Texas, Heflin says state leaders need to keep their eye on the ball and not get distracted by the things they can’t control.

“What we can do is take care of business in Texas,” he says. “We can remind folks that this is still a

**good place to come and do business.”**

**Says Perry: “We must continue to apply solid conservative fiscal principles to make Texas more competitive, draw even more investment, create additional jobs and sustain Texas as a beacon of hope.”**

*All contents of this site © American City Business Journals Inc. All rights reserved.*