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Texas Shows California How to Create Jobs, Study Shows

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California may have more sunshine and better beaches, but Texas has more jobs.

According to new research by the Texas Public Policy Foundation, a nonprofit free-market research institute, the second most populous state in the union created 129,000 new jobs in the past year, a 1.3 percent rate, far overshadowing the declining and most populous California, which lost 112,000 jobs during the same period.

"Texas's superior economic performance is noteworthy," said conservative economist Arthur Laffer, a senior fellow of the foundation who conducted the analysis. "It's just striking how the states with no income tax outperform the states with high income taxes."

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"And the reason is simple: employers move to the location that promises better after-tax returns. Texas constantly focuses on improving its economic competitiveness and the citizens of Texas are benefiting because of it," he said in a written statement.

The study attributed the competitive growth to the state's economic policies, including no income tax.

"Our study shows that it is these Texas policies of relatively low taxes, low spending, and less regulation that have helped the Lone Star State weather the Great Recession better than California and the nation as a whole," the report reads.

State and local government spending in Texas has remained steady at about 18 percent of the state's private economy while California's has increased from 19 percent to nearly 26 percent since 1987.

"If people needed any reminder of why Texas is the greatest place in America to live, work and raise a family, this report certainly provides it," Texas Gov. Rick Perry said in a written statement. "With all due respect to California, it's hard to beat our state's combination of low taxes, predictable regulations, fair legal system and world-class workforce. The fact that Texas has created more jobs this year than any other state is confirmation that our state is on the right track."

Yet Texas is facing a budget shortfall of up to \$21 billion – a result of the national economic downturn and the decision by Perry and state lawmakers to cut taxes in recent years while increasing spending.

The report recommends a reduction in government spending.

"To meet this challenge and avoid California's path toward overspending and economic decline, the Texas Legislature in 2011 must ensure that Texas maintains its long run trend of controlled government spending," the report says.

Texas doesn't have the lowest unemployment rate in the nation, but even the California-based Milken Institute notes that five of the top 10 metro areas with job growth this year are in Texas.

The Killeen-Temple-Fort Hood area ranked first in the institute's Best Performing Cities 2010 report. It was followed by the Austin-Round Rock area in second, the McAllen-Edinburg-Mission area in fourth, El Paso in ninth and the Houston-Sugar Land-Bayton area in 10th place

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