



FEBRUARY 8, 2011

Prize Fight: Texas vs. California

By Chris Field

2/4/2011



The contrast between the Lone Star State and the Golden State pits conservative principles against the same old liberal ideas that have driven a once-thriving California to the brink of utter disaster and ruin.

In the February issue of [Townhall Magazine](#), we present a look at the policies of Texas and California and what they have meant for the success of the two states. One provides a model for what we could be if conservative, free-market ideals were actually implemented -- the other provides a model of what we will be if we stay on our present big-government, radical-progressive course. Read Dale Buss' full report, "**Prize Fight: Texas vs. California**," in the current [issue](#). Here are a couple excerpts:



Texas is gaining much of what California is losing. While California was kissing one moving van after another goodbye, Texas created 129,000 jobs last year -- more than all of the positions generated in every other state combined. One California-based company after another announced during 2010 that they would be pitching in: Los Angeles-based LegalZoom decided to create up to 600 jobs at a "second headquarters" in Austin, for instance, while San Diego-based Medtronic decided to establish its new diabetes business unit and generate up to 1,400 new jobs in San Antonio.

Net migration specifically from California to Texas was about 32,000 people in 2008, according to the Tax Foundation, making the Lone Star State the No. 1 destination of those leaving the coast. Yet even with having to absorb all those displaced Californians, the unemployment rate in Texas was about 8 percent at the end of 2010, nearly two percentage points below the national rate -- and a full four percentage points below California's.

The stark difference has developed largely because Texas smacks of a business-expansion mindset from the green hills of Austin to the ports of Houston to the oil fields of Midland to the economically fecund plains of Dallas-Ft. Worth. Meanwhile, from the verdant northern wine country to the sleek new-age coolness of Silicon Valley, from the teeming mayhem of Los Angeles to the frenzy at the port of Long Beach, California's is an economy that, while still vibrant, is struggling to shoulder the burdens of heavy taxes, deteriorating social services and a projected \$28 billion two-year deficit that would be bigger than the entire budgets of some Third World Countries.

Only a quarter-century ago, it was Texas that was foundering from the bust in oil prices and an accompanying collapse in banking, while California was entering the peak of its silicon-fueled boom. At one time, California -- not Texas or New York -- was home to the most Fortune 500 companies. Americans everywhere else looked to California for the harbingers of economic progress and the seeds of the trends that would shape our national future.

And so today, "a comparison between Texas and California is not only valid but vital for our country," says Arthur Laffer, the so-called father of supply-side economics, who spearheaded a recent analysis of the Texas and California economies by the Texas

Public Policy Foundation, a conservative-leaning think tank in Austin. "Both are large, strategically located states, with strong demographics and bountiful natural resources." ...

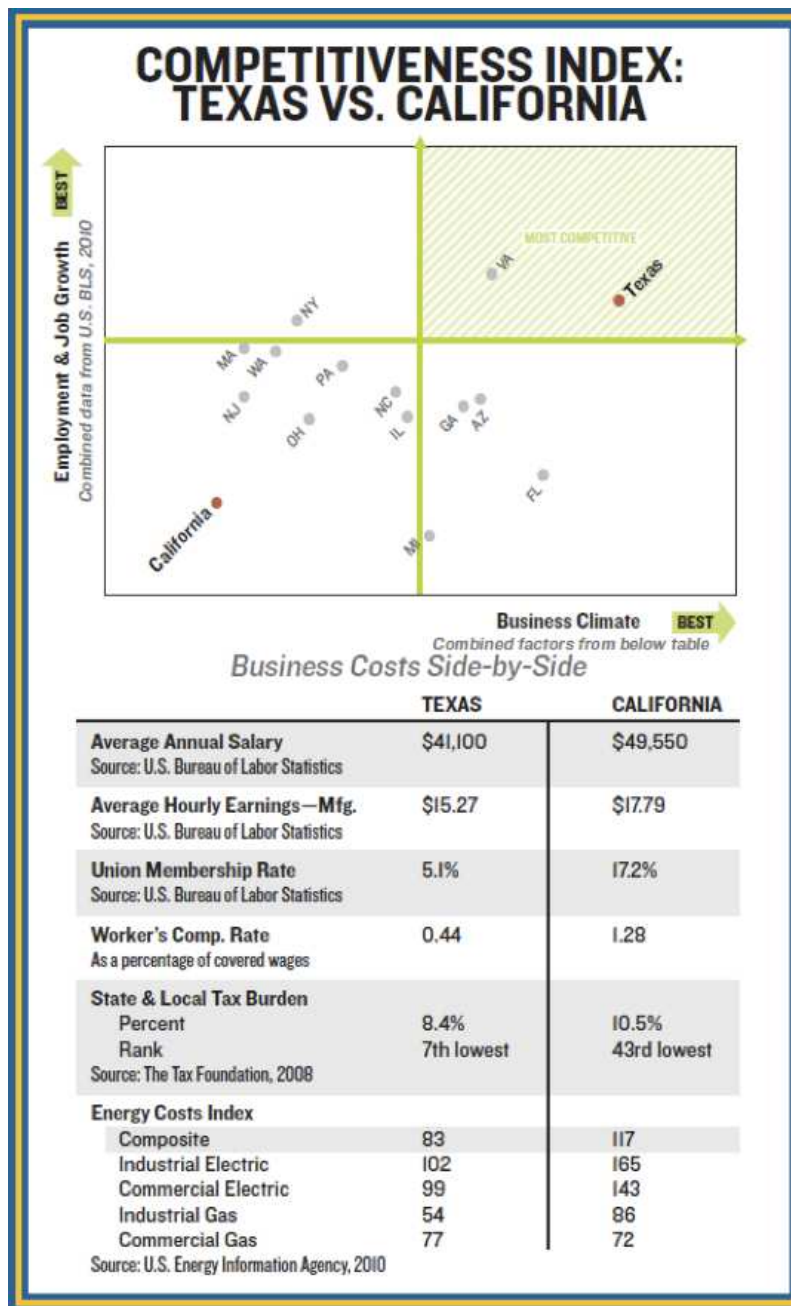
COMPETITIVE STATES 2010: TEXAS VS. CALIFORNIA						
<i>State & Local Tax Burden vs. 10-Year Economic Performance</i>						
	Tax Burden % Personal Income	Gross State Product Growth	Personal Income Growth	Population Growth	Net Domestic In-Migration as a % of Population	Non-Farm Payroll Employment Growth
Texas	8.40%	94.5%	67.6%	20.5%	3.4%	13.7%
U.S. Average	9.70%	66.34%	65.54%	10.08%	0.80%	10.42%
California	10.50%	70.1%	56.6%	10.3%	-3.9%	2.5%

Source: Texas Public Policy Foundation

In any event, Texas vs. California has become the economic donnybrook of this generation. There's no avoiding the comparison: That would be like pretending the Yankees and the Red Sox don't compete, or that China and India aren't jockeying to become the next global economic superpower. And there's no denying the contrasts: It's conservative Texas Gov. Rick Perry, who dared utter the word "secession" a couple of years ago, versus San Francisco super-liberal Rep. Nancy Pelosi; cowboy boots versus hiking boots; mesas versus mountains; tumbleweed versus jasmine; longneck bottles of cold beer versus room-temperature glasses of red wine made in the next county.

It's a good thing that the San Francisco Giants beat the Texas Rangers in the World Series in November, because that's about the last thing that has gone right for California at the expense of Texas. Broadly, that's reflected in the latest census, where California finally stood pat after regularly gaining congressional representation since its founding; Texas, meanwhile, picked up an enormous four-seat gain in the House, which is sure to amplify the red-state tide that has been encroaching on Washington.

Opportunistically, Gov. Perry goes "hunting" in California these days -- for jobs for Texas. Late last year, he sent recruitment letters to hundreds of Golden State companies touting the advantages of relocating to Texas. Enclosed was a "Competitiveness Index" that showed California in the lower-left quadrant, among a smattering of unfortunate states with low job growth and unfriendly-to-business climate, and Texas alone in an upper-right quadrant, with Virginia, as having high job growth and a friendly business climate.



"As the State of California continues to support legislation and initiatives that cause undue burden and taxation on companies doing business within the state," Perry wrote in the letter, "I invite you to consider your future in America's new land of opportunity, the State of Texas."

Indeed, Laffer's analysis found Texas a decisive winner over California in five of six tax, spending and regulatory criteria that affect a state's economic competitiveness. Overall, state and local spending in Texas has remained steady, at around 18 percent of the private economy, whereas California's has increased from 19 percent to almost 26 percent since 1987.

Most important among its one-on-one advantages: Texas has no personal state income tax, while California's steeply progressive tax can range up to more than 10 percent for the state's biggest earners. Such taxes rain revenues on state governments in good times, which are inevitably spent, but then intensify the loss of revenues that naturally occur during hard times like the recent Great Recession.

"Because Texas does not suffer from the progressive revenue rollercoaster," Laffer concludes, "its budget and economy have exhibited more stability compared to California."

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