California vs. Texas: Debating Their Economic Policies

California is not only overtaxed and overregulated ("California Dreamin’—of Jobs in Texas" by John Fund, op-ed, April 22); it has the wrong kind of taxes. California's Proposition 13 cut property taxes, especially land taxes, while Texas relies on property taxes to a much greater extent.

Substantial taxes on land make land speculation unprofitable and prevent real estate bubbles from expanding too far. Also, no one rolls up his acreage and carries it to a state with lower tax rates or more inaccurate and outdated assessments.

California's high income and business taxes, by contrast, give people incentive to take their skills and mobile capital elsewhere. Low property taxes contributed to the real estate bubble being so severe in California. Proposition 13 not only limits tax rates, it prevents assessments from increasing as long as the property remains in the hands of the same owner.

Nicholas D. Rosen

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I don’t know which is more discouraging: that Mr. Newsom fancies himself as "a pro-jobs Democrat" (now there's an oxymoron), or that some Democratic lawmakers would actually cancel their trips on orders from their major backers, the public employee unions.

In a prescient letter to the Journal headlined, "Golden State Drives Businesses Out" (Aug. 2, 2008), T.J. Rodgers, president and CEO of Cypress Semiconductor Corp., of San Jose, Calif., states Cypress had "closed both of our manufacturing plants in California." Further, he added, "And we are moving jobs out of California as rapidly as we can." Well, the sales tax "for the privilege of investing in the Golden State" was only 6% then; now it's around 10%.

When he was mayor of San Francisco, Gavin Newsom always considered it a privilege for any business to be based there, hence the 1.5% payroll tax the city levied should be palatable. I doubt that he has changed his stripes now that he's lieutenant governor of the state.

The delegation to Texas could have saved themselves the trip. California's taxes alone are enough to drive businesses out of the state, without all the added regulatory hurdles, and the taxes aren't going down here anytime soon. Meanwhile, Intel Corp. is building a new $5 billion plant—in Arizona. It will not be generating any tax revenue for the Golden State.

Don Crockett

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Mr. Fund tells us much, but not all, of the story of California businesses moving to Texas. Mr. Fund notes that "Texas's overall spending burden remains below what it was in 1987—a remarkable feat." It's not so remarkable. We have a lot of children in Texas, so a great deal of money can be saved by cutting spending on education for these children, or limiting their access to medical care. You can also save money on education by having kids drop out of school before graduation. We do a good job of that in Texas. Mr. Fund stretches some to find a favorable comparison of Texas public schools to California's, a very difficult task, but he is able to note that Texas schoolchildren do not have to "learn the history of disabled and gay Americans." It is certainly tough to be rich in California but not as tough as it is to be poor in Texas.

Paul Horvitz

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Texas's success in leading California—and every state in the union—in job growth stems from what I call "cowboy capitalism." This brand of capitalism does not refer to an unfettered, lawless economy run amok and out of control, but rather is a free market-oriented system based on individual liberty and limited government as envisioned by our nation's founders. Rugged Texas individualism has always stressed personal freedom and responsibility, and a general opposition to government control to attain social and economic objectives.

Even so, each state can only do so much. As I meet with financial institution leaders in the Eleventh Federal Reserve District (Texas, northern Louisiana and southern New Mexico) to discuss local economic conditions and ideas to promote growth, one concern remains paramount: uncertainty. Bankers tell us that there continues to be a negative impact on consumer spending and business investment decisions as a result of uncertainties emanating primarily from Washington.

Excessive uncertainty is the greatest enemy of economic growth. Yet great clouds of political, regulatory and economic uncertainty persist. Policy makers in Washington need to provide clarity to consumers and businesses on a credible plan to control the national debt, rein in the path of unsustainable federal government spending and reduce regulatory burdens (particularly for smaller community depository financial institutions). These actions will remove shackles, promote long-term planning and free economic actors to make wise and prudent decisions. An economic model with less government intervention and interference (aka Texas's cowboy capitalism) will outperform a heavy-handed model and create more jobs and opportunities, and stronger economic growth.

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