Texas Economy Defies US Trends Under Rick Perry's Watch

Now that Gov. Rick Perry is running for president, the Texas economy is in the national spotlight. Although the state has challenges, it's prospering while much of the nation sputters.

One business that takes advantage of the Lone Star State's business-friendly climate is Xtreme Power. It's a high-tech energy company that uses technology originally developed for electric cars to store alternative energy.

The revolutionary process saves energy that's ordinarily wasted.

When the company's founders were looking for a place to call home, they chose Austin. Why? For the city's high-tech workforce, connections to the energy sector and the state's tax structure.

"There's a low cost of living, not just for your personnel or your staff, but also for the company itself," Xtreme Power CEO Carlos Coe said.

Job Creation Environment
Texas financial attractions include no personal income tax, the second lowest cost of living in the nation and among the lowest taxes on business. It's an environment that's creating jobs.

According to the Texas Public Policy Foundation, the state created 129,000 jobs in the last year, more than half of the jobs created in the U.S.

Both Americans and immigrants are pouring into the state to take advantage of the employment. According to U.S. Census data, the state's population grew by 20 percent over the last decade.

"We're really benefiting from a lot of immigration from a lot of other high tax, high regulation states," said Dr. John Diamond, a professor of economics at Rice University.

One of those states is California. At the same time jobs were being added in Texas, the Golden State lost 112,000 jobs.

California is one of the most expensive places to live in America. It puts an income tax of more than 10 percent on its highest earners and has among the highest corporate income taxes.

Critics Abound

If everything is bigger in Texas, including the number of jobs created, Perry says it's because the size of the state's government has remained relatively small.

"In Texas we understand that pumping government money out doesn't create jobs," Perry told CBN News in an exclusive interview.

"What creates jobs is the private sector," he noted.

Critics argue that while Texas is creating jobs, too many of them are low wage jobs. The state is tied with Mississippi for having the highest percentage of hourly workers earning the minimum wage or less.

Another problem—nearly 20 percent of Texans don't finish high school.

"The first thing I would say, 'No job is better than a job?' Those are critics who are, for whatever reason, going to criticize Texas and, you know, I understand that," Perry said.

"The key to me is when you see high tech companies moving into the state of Texas, and they are," he said.

"You've got companies like Facebook and PayPal and eBay that are adding jobs to the state of Texas," he pointed out. "If they were concerned about the workforce, they wouldn't be coming here."

Attractrive Tax Structure

More than 50 *Fortune* 500 companies have a presence in Texas. Many are oil companies taking advantage of the state's natural resources, which tend to insulate the state's economy during tough times.

However, many economists credit the Texas tax structure for attracting business.

"As economists, we generally believe that consumption taxes are more efficient than income taxes," Diamond explained.

"And so Texas raises most of its revenue through two forms: the consumption tax or the sales tax," he said.

More than a third of the population in Texas is Hispanic and the city of Houston boasts the nation's largest Hispanic chamber of commerce.

Dr. Laura Murillo, the chamber's director, said that when the economy started to tank, more businesses started reaching out to Hispanic-owned businesses and more Hispanic-owned businesses started looking to Texas.

"Traditionally they've gone to Los Angeles or Miami. And Houston was third on their list of places to go to invest national or corporate dollars," Murillo told CBN News.

"But then that model changed because L.A. and Miami were both having serious economic issues, and suddenly Houston appeared as the place to go," she said.

When asked about the challenges facing chamber members, Murillo points to new federal financial regulations, not state burdens.

“Some of the challenges include access to capital. Because of the regulations that have come about, it is much more challenging and much more difficult for you to obtain loans and lines of credit,” she explained.

Big Challenges Ahead

Texas certainly faces challenges. Like many states, it is grappling with partially unfunded pension plans for state and local employees.

As Perry touts the Texas story on the national stage, he’s drawing plenty of critics.

“It seems silly for Perry to take credit for the state’s performance, one way or another,” Annie Lowrey wrote for *Slate* magazine.

“Economies are complicated. Trends take years and even decades to come into effect. Governors are not omnipotent,” Lowrey said.

Perry is the longest serving governor in Texas history and whether Americans think he helped the state’s economy or not, he’s not going to stop making the point that Texas is wide open for business.