



States Under Stress

Governors Aren't Afraid to Grab Jobs From Other States

As he prepared to leave office, Texas governor Rick Perry had reasons to be satisfied. His state had consistently led the nation in job creation, with its economic growth outpacing the rest of the country's 2 to 1 over the preceding two decades, according to the Federal Reserve Bank of Dallas.

But Perry wanted more. During his last 2 years in office, the Republican seemed to spend as much time outside of Texas as he did in the state, traveling to New York, California, Illinois, Connecticut, and other states to encourage firms to move their operations to Texas.

Governors always want to recruit companies. Perry took an unusually public and aggressive approach, however. Not coincidentally, Perry chose for his tour states that had Democratic governors. He argued that the Texas model of low taxes and limited regulation were better for business. "When you grow tired of Maryland taxes squeezing every dime out of your business, think Texas, where we created more jobs than all other states combined," Perry said in radio and TV ads that ran in the state. "Maybe it's time to move your business to Texas."

When governors of the states he visited objected to both his presence and his policies—pointing out that Texas has large numbers of low-wage jobs and the highest percentage of residents without health insurance—Perry didn't shy away from the fight. When he visited Maryland in 2013, Democratic governor Martin O'Malley not only wrote an op-ed for the *Washington Post* touting his state's virtues over those of Texas but went on CNN's *Crossfire* to debate the Texan. After

O'Malley bragged about the "great companies" in his state, Perry said, "We'll recruit them."

"You're welcome to try," O'Malley said.

For all the media attention Perry's efforts garnered, they didn't always pan out. TexasOne, the public-private partnership that underwrote Perry's travels, claimed that its efforts helped convince companies to announce the creation of nearly 45,000 new jobs in Texas during the governor's last decade in office. But the *Dallas Morning News* noted in 2014 that "not all of those positions eventually materialized."

Perry caught his biggest fish that year when Toyota announced it would move its North American headquarters from California to the Dallas area, bringing with it roughly 4,000 jobs. The company didn't cite Perry's recruitment effort as its motivation for moving, but clearly it didn't hurt. An economic development fund overseen by the governor offered Toyota a \$40 million incentive package to sweeten the deal. It beat out a \$100 million package from North Carolina, whose commerce secretary told the Associated Press it was tough to compete against the lack of corporate or personal income taxes in Texas.

But Perry couldn't win them all. He missed out in 2014 on the chance to land a \$5 billion battery factory planned by electric carmaker Tesla, which is based in California. Perry personally led negotiations with the company and went so far as to drive a Tesla Model S through Sacramento, California's state capital—a move the *Los Angeles Times* described as "stalking"—but Tesla decided to locate its plant in Nevada.