



## Search

Leg. Weekly  
 Leg. Watch 2002  
 Press Releases  
 Features  
 Op Eds  
 Member Services  
 Calendar  
 Membership  
 Archives  
 Meet the Staff



Contact us at  
 members@cmta.net

## Directories

Calif. Assembly  
 Calif. Senate  
 CMTA Board

Member search:

## Secure areas

Board of Directors  
 E.Q. Committee  
 Energy Committee

## Calendar

Complete calendar

2002 Annual Meeting  
 Apr. 23, 2002  
 Sacramento

Summer Energy Conference  
 July 31 - Aug. 2, 2002  
 S. Lake Tahoe

# Turning California Around

Empowering manufacturers to lead the way

## CMTA President, Jack M. Stewart, Addresses California Local Economic Development Conference

April 3, 2002 – San Diego



### Speech Excerpts

".....I've concluded that California's attitude towards business is broken and the cure can only take the form of a completely new California industrial policy.

The business of manufacturing is the business of bringing things together and melding them into a new product of greater value ... whether iron ore and coal, chocolate and sugar, microchips and disk drives.

As long as there's been a California, there's been a thriving manufacturing sector here: from the earliest mining and days of ore, through the railroad system, the industrial age, the liberating reality of road travel, the miracle of flight and the computer revolution ... California manufacturers have led the way.

**"The cure can only take the form of a completely new California industrial policy"**

Jack M. Stewart

And as these changes have occurred, Sacramento has changed as well."



"...The issue du jour is now the Legislature's imperative du jour. Let me give you an example. The Enron controversy has swept through the State Capitol in Sacramento just as it has in Washington, bringing with it hand-wringing, hearings, discussions, legislation and heated debate.

If the Enron crisis ends up like most other crises du jour, we'll wind up with another layer of "California Only" regulations. The cost of doing business in California will increase. And, after

CMTA solutions for a healthier business climate:

[Sales tax reduction](#)

[Electricity rates, customer choice](#)

[Moratorium on regulatory fees](#)

[Energy bonds financing mechanism](#)

[Energy infrastructure](#)

[Energy contracts](#)

[Workers' compensation reform](#)

[Manufacturers investment tax credit](#)

[Protect confidentiality](#)

[Property tax Assessments](#)

[Water quality standards](#)

[E-Waste](#)

**Fall Conference & Expo** (PDF file)  
Dates for 2002 to be Determined

**CMTA Annual Gala**  
2002 Gala  
Cancelled

**Upcoming Meetings**

**Energy Committee**  
April 12:  
Sacramento

**Tax Committee**  
April 11:  
Conference Call

**HR Committee**  
June 7:  
Sacramento

**Safety & Health**  
June 14:  
Sacramento

**Workers' Comp**  
May 31:  
Sacramento

**Environmental Quality**  
April 26:  
Sacramento

**Government Relations**  
April 18:  
Sacramento

**Corporate Counsel**  
April 22:  
Conference Call

---

Contact us at  
members@cmta.net

a year or two, it will be clear that the regulations missed their target and another tier of California business bit the dust as a result.

Do you realize that in the last 10 years, dozens of corporate headquarters have literally pulled up stakes and bailed out of California?

When I first met many of you, I was Chief Deputy Director of Governor Deukmejian's Department of Commerce.

During those years, we had a half-dozen major banks headquartered in San Francisco or Los Angeles: Bank of America, First Interstate, Security Pacific, Wells Fargo, Union Bank. Today, they are either gone or controlled by corporate parents in other states or other nations.

Getty Oil gone. ARCO gone.

Southern California was home to aerospace leaders Lockheed, Rockwell, Litton, Rohr, Northrop and Hughes.

Only Northrop remains, and its California workforce is a shadow of its former self.

And gone with the passing of these corporate headquarters is the corporate leadership that played a pivotal political role in Sacramento.

Corporate leaders in Chicago, London or Bethesda just aren't as interested in or concerned about California government and politics as their predecessors who officed in San Francisco or Los Angeles or Chatsworth.

This is a "brain-drain" of major proportions."

---

"...Let me put it this way ...

Everyone in this room knows that the "brass ring" of economic development for any community is landing a major new manufacturing facility.

Why? We can probably recite this in unison ...

Because it brings with it a high-skill, high-wage workforce, with upwardly mobile entry level jobs that can make a critical difference in local revenues and economic growth. In fact, the economic multiplier for a manufacturing job is better than three-to-one, higher than any other business sector.

But, to see the treatment we get from California's political leaders, you'd think manufacturers were fly-by-night scam artists, or burst dot-com companies, not the bedrock of our economy and the cornerstone of many California communities.

You'd think they'd be grateful to manufacturers for the resources they bring to the state and falling all over themselves to ensure that the golden goose remained healthy and in the egg-laying business.

But such is not the case.

When the economy is strong and growing, the Legislature declares it "open season" on job creators.

How do they do this?

With the current political lineup in Sacramento, those in charge have the ultimate ability and inclination to bestow new benefits to their constituents via their employers or through new government spending and regulation.

This rich harvest usually takes the form of new and increased workplace mandates, business taxes, and regulatory fees and penalties.

Christmas may come but once a year, but this is a different kind of gift-giving. It's more like an ATM machine. Legislators stroll up, insert their card into the employer's bottom line, and



CMTA's Jack Stewart and Julie Meier Wright of the SD Regional EDC discuss the state's political landscape.

withdraw an amount they'd like to see go to one of their constituency.

As these costs accumulate, they are absorbed into business budgets. In a healthy economy, the costs can more easily be tolerated.

It's not always easy. It causes some pain. It makes other reductions necessary. But it can be done ... the California business community seldom whines about these things. They're too busy running a business.

Still, for many companies, after a while dragging the anchor, the ship begins to slow, then sway, and finally stop."

---

"...Now, with labor increasingly flexing their political muscle, the emergence of litigation lawyers, and most of all the economy generated by businesses, the California cash cow has become a thundering herd ... and all the special interests are lining up to get their piece of the action.

I think the conclusion of many used to be that jobs and job creators had to be held harmless from most new legislation and most new regulation. Yet today, it's new legislation and new regulation that's run up a staggering price tag on California business ... more than \$20 billion in the last few years alone:

\$4.5 billion in new U-I taxes - with more increases on the way again this year

\$5.5 billion in new electricity costs for business \$10 billion in workers' comp increases

\$1 billion in overtime costs associated with changes in the 40-hour work week

Not to mention a 40 percent increase in new health care costs, driven in large part by new legislative mandates



I think there should be a new axiom for us all in Sacramento: Nothing ever "just gets done" for business anymore. The natural inclination of things is not in our direction anymore. It's in the direction of our opponents.

If there's a close legislative call - and frankly there aren't all that many since we usually lose by decisive margins - we simply have to bring more to bear than they do. Some might ask: Why has California become such a magnet of this anti-business agenda? I have a theory.

It's not because some group of socialists have devised a scheme to decimate California's private sector - the State Assembly actually thinks it helps sometimes.

It's simple practical politics. For decades, liberal activists focused their agenda on Washington, D.C.

However, with the political restructuring that occurred in the mid-90s - both houses of Congress are now fairly balanced - and with the election of George W. Bush as President, our friends on the left find fewer and fewer allies in our nation's capital."

---

"...We all like to boast that California is the world's fifth-largest economy.

But sometimes size works against us. California is so big and Sacramento politics so intimidating that those who live and work away from the Capitol just assume that someone else is handling the problem. Someone else is taking care of business in Sacramento.

Well, let me tell you - it's not someone else's job. It's ours. It's our collective duty and our collective obligation to teach, to convey, to explain, to push harder.

Because of this, our problems and opportunities should compel us to this conclusion: California needs nothing short of a new industrial policy.

I don't mean an economic summit performed on a sound stage. I don't mean a photo-op. I don't mean a trek up to Sacramento seeking a government handout. I mean a considered

decision about what kind of California we want to be ... what kind of jobs future generations will have.

Are we going to be a state with an economy that makes things, builds things ... leaves something behind? Or an economy that waits tables, washes dishes, flips hamburgers and shines each other's shoes?

I can tell you which direction we've been heading.

In 1980, California had about the same number of manufacturing jobs and service jobs: about two million each.

Today, the number of manufacturing jobs is roughly about the same. The number of service jobs has more than doubled, to 4.5 million.

Labor statistics tell us that the average manufacturing job pays about \$20,000 per year more than the average service job. Just imagine where California would be if half of those new service jobs had been manufacturing jobs.

**"Are we going to be a state with an economy that makes things, builds things ... leaves something behind? Or an economy that waits tables, washes dishes, flips hamburgers and shines each other's shoes? "**

**Jack M. Stewart**

That would mean perhaps an additional \$25 billion in wages to California workers each year. Add to it the economic multiplier and perhaps we wouldn't be facing the largest budget deficits in California history."

---



"...Let me make another point, what I call "A Tale of Two Industries", and how it became the best of times and the worst of times for California.

The two industries are aerospace and technology, and at one time, each was the driving force behind an era of exuberant economic growth. Today, they still mean a great deal, but we've come a long way, baby, and what a long, strange journey it's been.

There was a time when the aerospace industry and California were practically indistinguishable, and I think many could never imagine a time when it would ever be different.

Now, I recognize that times change, the Cold War is over, and economies of scale need to be acknowledged. But it didn't have to be like this.

Since the recession of the early 1990s, much of aerospace production has moved out of California. And while our economy grown and recovered, those jobs never returned.

Many armchair economists conclude that they simply vanished, gone the way of carbon paper and the horse and buggy. But that is not so. They left California for the greener economic pastures of other states.

This reminds me of a refrain I used to hear when I worked for Gov. Deukmejian in the 1980s, and it helps explain where we are today. When the aerospace industry was suffering, and even contemplated relocating out of California, many people said, "Where are they going to go? Texas? Utah? Arizona?"

Well, if they're wondering where much of California's aerospace industry went, they might want to look in Texas, Utah and Arizona. Many of you personally worked with us to try to stop the exodus.

Defense is a domestic industry that can't go offshore ... but it can sure as hell go next door.

For example, when Boeing and Lockheed were bidding to build the Joint Strike Fighter, they were competing for the opportunity to build a plane within America's borders, with competing locations in Missouri and in Texas.

But neither considered building the plane in California. Why? It's simply too expensive to put together a plane in this state.

I call this the unilateral disarmament of California. I don't mean a "no nukes" peace march in Berkeley. I mean that California let it be known it wouldn't do what was necessary to maintain its leadership position ... and so, other state's eagerly filled the void."

---

"...Let me also speak a bit about the technology industry. As I mentioned before, it's very important to California, and it even inspired my association to change our name. But it's been misunderstood a bit.

It grew so much, so quickly, that it gave the illusion of long-term manufacturing growth. It was growth all right, but it was not sustainable. In the early days of the high tech boom, it was a sellers market - consumers paid the asking price for new technology. And most of those new products were manufactured right here in California.

But the boom came to an end all too quickly. Competition increased and the manufacturers who fueled the California economy soon found they could not sell computers for \$600 or printers for \$100 if they had to absorb the "California Only" costs.

While I'm certain the technology sector will recover, I'm equally as certain that it will look much different than it did just a few years ago.

This provides California with another challenge. Many of high-tech's most beautiful minds are here in California ... busy conjuring up new innovations that will be manufactured somewhere else.

Having the minds but not the machines should be a danger warning.

These are serious, systemic problems, and they go far beyond simple solutions."

---

"...We need an industrial policy revolution - economic development professionals unite!

You can be the difference, and together we must ensure that the Golden State remains a place where hard work, long nights and the best product can take you to the top ... and keep you there.

We need to focus on the opportunity before us. There's absolutely no reason why this year, and the years to come, can't be some of our very best years ... Ronald Reagan's "shining city on a hill" with a few smokestacks ... emitting steam only, of course.

**"We need an industrial  
policy revolution"**

**Jack M. Stewart**

If our state government can help institute a stable fiscal policy with a balanced budget and reforms that roll out a welcome mat to job creators, it could mean the most significant change in the manufacturing sector in a generation.

We have the tools. We have the technique. We have the talent.

But we don't have the climate: the economic wind at our backs, the calm regulatory waters, red tape woven into a red carpet of welcome.

We can win again, and in that spirit, I turn to the words of that well-known economic development expert ... Bob Dylan ... who said: 'You don't need a weatherman to know which way the wind blows.' "