

**DICK KOVACEVICH, CHAIRMAN & CEO
WELLS FARGO & COMPANY
REMARKS TO BAY AREA COUNCIL**

**TUESDAY, OCTOBER 14, 2003
FEDERAL RESERVE BUILDING
SAN FRANCISCO**

THANK YOU NELSON AND GOOD AFTERNOON EVERYONE. IT'S A PLEASURE TO BE HERE TO SPEAK TO YOU ABOUT ISSUES OF URGENT IMPORTANCE NOT ONLY FOR OUR BAY AREA ECONOMY BUT FOR OUR STATE, OUR COMPANIES AND OUR COMMUNITIES.

I'M WEARING TWO HATS HERE THIS AFTERNOON. ONE AS CHAIRMAN OF THE CALIFORNIA BUSINESS ROUNDTABLE. THE OTHER AS CHAIRMAN AND C-E-O OF WELLS FARGO & COMPANY.

LIKE ALL OF YOU HERE TODAY, WELLS FARGO HAS A BIG STAKE IN CALIFORNIA'S FUTURE SIMPLY BECAUSE OF OUR SIZE AND OUR LEGACY. WELLS FARGO, AS YOU MAY KNOW, IS THE LARGEST AND OLDEST FINANCIAL SERVICES COMPANY HEADQUARTERED IN CALIFORNIA. WE HAVE MORE THAN THREE AND A HALF MILLION CUSTOMERS, 35-THOUSAND TEAM MEMBERS AND ABOUT A THOUSAND STORES IN CALIFORNIA. WE'RE THE LARGEST LENDER IN CALIFORNIA TO SMALL BUSINESSES, #1 IN AGRICULTURE, AND #1 FOR MORTGAGES. SO WE UNDERSTAND HOW OUR CUSTOMERS ARE BEING AFFECTED BY CALIFORNIA'S BUSINESS CLIMATE.

LAST YEAR, WE PROVIDED ALMOST \$100-BILLION DOLLARS IN MORTGAGES IN CALIFORNIA AND FINANCED ONE OF ABOUT EVERY SIX MORTGAGES IN THE STATE. WE ALSO WERE THE MOST PROFITABLE CORPORATION IN THE BAY AREA AND IN ALL OF CALIFORNIA LAST YEAR. AS WITH YOUR COMPANIES, PROFITABILITY AND GROWTH ARE AT RISK GIVEN THE RAPID DETERIORATION IN CALIFORNIA'S BUSINESS CLIMATE.

SUNNE HAS ASKED ME – IN MY ROLE AS CHAIR OF THE CALIFORNIA BUSINESS ROUNDTABLE – TO SPEAK TO YOU ABOUT – QUOTE – “THE DYNAMICS IN THE STATE CAPITOL AND KEY ISSUES FACING EMPLOYERS IN THE COMING YEAR.” I WILL TALK A LITTLE BIT ABOUT SACRAMENTO – BUT FIRST I WOULD LIKE TO SUMMARIZE WHAT THE ROUNDTABLE BELIEVES ARE THE IMPORTANT ISSUES FACING EMPLOYERS AND OUR STATE GOVERNMENT IN THE COMING YEAR.

I HAVE GOOD NEWS AND BAD NEWS. THE GOOD NEWS IS THE RECALL ELECTION IS OVER! THE BAD NEWS IS ALL THE STUFF THAT MADE IT TO HAPPEN DIDN'T GO AWAY – AND THE POLITICAL RAMIFICATIONS OF THE RECALL CAUSED LEGISLATION TO PASS AND THE GOVERNOR TO SIGN SOME OF THE WORST JOB KILLER BILLS IN CALIFORNIA HISTORY. THE RECALL DID HELP US FOCUS ON AND DEBATE THE ISSUES – BUT THE SERIOUS CHALLENGES FACING CALIFORNIA ARE JUST AS REAL TODAY AS THEY WERE BEFORE THE RECALL ELECTION. OUR STATE HAS NOT FIXED THE BUDGET DEFICIT PROBLEM IT HAS JUST DELAYED THE DAY OF RECKONING.

I BELIEVE THERE IS ONLY ONE WAY OUR STATE CAN SOLVE ITS BUDGET PROBLEMS AND STILL SATISFY THE NEED TO INVEST IN EDUCATION, INFRASTRUCTURE, AND SOCIAL SERVICES.

AND THAT “WAY” IS TO HAVE A VIBRANT ECONOMY – WHICH MEANS WE NEED TO HAVE MORE PRIVATE SECTOR JOBS WHICH WILL, IN TURN, INCREASE REVENUE AND TAX RECEIPTS AND PRODUCE RAPID ECONOMIC GROWTH. THERE ARE SOME OBSERVERS WHO BELIEVE CALIFORNIA HAS A SUPERIORITY COMPLEX. WE POUND OUR CHEST AND PROCLAIM THAT IF WE WERE A NATION WE’D BE THE FIFTH LARGEST ECONOMY IN THE WORLD. THE REST OF AMERICA MAY SAY “SO WHAT?” DO WE REALLY WANT AN ECONOMY LIKE FRANCE OR ITALY THAT RIVAL US FOR THAT POSITION? CALIFORNIA’S POLICIES AND ACTIONS INDICATE THAT WE ARE MORE CLOSELY FOLLOWING THE ECONOMIC POLICIES OF EUROPE THAN THE POLICIES OF THE ENTREPRENEURIAL AND FREE ENTERPRISE SYSTEM THAT HAVE MADE THE UNITED STATES THE ECONOMIC ENVY AND GROWTH ENGINE FOR THE ENTIRE WORLD.

IT DOESN’T DO CALIFORNIA MUCH GOOD TO BE THE WORLD’S FIFTH LARGEST ECONOMY IF ARIZONA, NEVADA, COLORADO, TEXAS, OREGON, WASHINGTON STATE AND NEW MEXICO – AMONG OTHERS – CONTINUE TO LURE EMPLOYER AFTER EMPLOYER AND JOB AFTER JOB FROM US. I COULD NOT HELP BUT NOTICE THAT THE GOVERNING COUNCIL OF IRAQ RECENTLY PASSED AN ECONOMIC PLAN.

IT CALLED FOR OPEN TRADE, PRO-ECONOMIC GROWTH AND A FLAT-RATE TAX ON CORPORATE AND INDIVIDUAL INCOME OF 15 PERCENT. IF IT WORKS IN IRAQ, LET’S TRY IT HERE IN CALIFORNIA!

CALIFORNIA STILL FACES VERY COMPLEX, VERY DIFFICULT ISSUES. THEY CANNOT BE SOLVED WITH SOUND-BITES OR ONE-LINERS. THESE ISSUES ARE GOING TO TEST THE RESOLVE OF EVERYONE WHO CARES ABOUT THE FUTURE OF OUR STATE. FIXING THESE PROBLEMS WILL REQUIRE COURAGE. IT WILL REQUIRE FOCUS. IT WILL REQUIRE DISCIPLINE AND HARD WORK. MOST IMPORTANT OF ALL, PERHAPS, IT WILL REQUIRE LEADERSHIP, THE ABILITY TO COMPROMISE, AND TO BRING THE WARRING FACTIONS OF DEMOCRATS AND REPUBLICANS TO DO WHAT’S BEST FOR CITIZENS OF OUR STATE NOT WHAT’S BEST FOR THE POLITICIANS. WHAT EVER HAPPENED TO GOVERNMENT OF THE PEOPLE, BY THE PEOPLE AND FOR THE PEOPLE? HOPEFULLY, OUR NEW GOVERNOR WILL CHANGE THE ENVIRONMENT IN SACRAMENTO. I AM, PERHAPS, UNIQUE IN THIS ROOM TODAY. I WAS LIVING IN MINNESOTA WHEN THAT STATE ELECTED JESSE VENTURA. ALL I CAN TELL YOU IS . . .IT WILL BE INTERESTING.

RECENT TRENDS IN CALIFORNIA I ADMIT ARE VERY DISCOURAGING:

- FOR A FIVE-YEAR PERIOD – 1995 TO 2000 – THIS STATE HAD NET OUT-MIGRATION OF 755-THOUSAND PEOPLE. ROUGHLY THE POPULATION OF SAN FRANCISCO COUNTY LEFT THE STATE.
- THE LAST TWO AND A HALF YEARS MORE THAN 200-THOUSAND JOBS WERE LOST IN THE SILICON VALLEY.
- ADJUSTED FOR INFLATION, CALIFORNIA RECENTLY HAD THE STEEPEST DECLINE IN PERSONAL INCOME OF ANY STATE IN THE UNION.
- MANY EMPLOYERS HAVE FROZEN HIRING OR CUT THEIR STAFFS TO REDUCE COSTS – IN PART BECAUSE OF THE STATE’S OVER-REGULATED, ANTI-BUSINESS CLIMATE.
- CALIFORNIA BONDS ARE AT, OR NEAR, JUNK BOND STATUS.
- JEFFREY MELTON OF BAIN AND COMPANY WILL REVIEW WITH YOU NEXT THE PRELIMINARY RESULTS OF A STUDY ON CALIFORNIA’S BUSINESS COMPETITIVENESS. IT SHOWS THAT THE COST OF DOING BUSINESS IN CALIFORNIA IS 30 PERCENT HIGHER THAN IN OTHER WESTERN STATES, THE COST

OF REGULATION IS 105 PERCENT HIGHER EVEN EXCLUDING THE COST OF MUCH LONGER APPROVAL PROCESS, AND THE UNCERTAINTY OF EVEN GETTING THE APPROVAL. AND THE COST OF WORKERS' COMP IS 300 TO 500 PERCENT HIGHER. THE COST OF ENERGY 60 PERCENT HIGHER.

SO, WHAT MUST WE DO? WE AT THE ROUNDTABLE BELIEVE OUR STATE MUST DO AT LEAST FIVE THINGS.

FIRST, WE HAVE TO FIX CALIFORNIA'S WORKER COMPENSATION SYSTEM. IT IS BROKEN. WE HAVE THE HIGHEST RATES IN THE NATION. THEY HAVE QUADRUPLED SINCE 1999.

IN JUST THE LAST TWO YEARS WORKERS' COMP COSTS HAVE GONE FROM \$9 BILLION TO \$25 BILLION. THESE ARE NOT "PREMIUMS." THESE INCREASES ARE A DIRECT TAX ON JOBS. WHO PAYS FOR ALL THIS? ALMOST ENTIRELY – BUSINESSES.

IN SOME INDUSTRIES WORKERS COMPENSATION COSTS ARE ALMOST 100 PERCENT OF WAGES. PRIVATE INSURERS HAVE ABANDONED THE MARKET. THE STATE COMPENSATION FUND HAS ASSUMED UP TO 60 PERCENT OF THE RISK. IF THE STATE FUND WERE A PRIVATE FIRM, IT WOULD BE DECLARED INSOLVENT.

SECOND, WE MUST REFORM OUR STATE'S LITIGATION PROCESS. WE MUST STOP PRIVATE ATTORNEYS FROM ENGAGING IN SHAKE-DOWNS AND BOUNTY-HUNTING. SPECIFICALLY, SECTION 17-200 OF THE STATE BUSINESS AND PROFESSIONS CODE MUST BE OVERHAULED.

A PRIVATE ATTORNEY IN CALIFORNIA SHOULD NOT BE ALLOWED TO FILE LAWSUITS UNLESS THERE IS AN IDENTIFIED CLIENT, UNLESS ACTUAL ECONOMIC LOSS CAN BE SHOWN, AND UNLESS THE CERTIFICATION REQUIREMENTS FOR A CLASS ACTION CAN BE MET. ISN'T THAT JUST COMMON SENSE?

ALSO, I AGREE WITH TOM CAMPBELL THAT THE GOVERNOR MUST APPOINT TO THE BENCH TRIAL JUDGES WHO ARE SERIOUS ABOUT IMPOSING SANCTIONS ON SUCH NUTTY LAWSUITS – LAWSUITS THAT COST CALIFORNIA BUSINESSES TENS OF MILLIONS OF DOLLARS A YEAR. PUTTING A COMPANY TO THE EXPENSE OF DEFENDING ITSELF AGAINST LAWSUITS THAT HAVE NO MERIT IS THEFT – THEFT AGAINST EVERY CALIFORNIA TAXPAYER.

THIRD, WE MUST DEFEAT OR MODIFY ANY BILL THAT IS A JOB KILLER. IT'S AS IF THE STATE HAS CHANGED THE TITLE OF THAT OLD SONG BY JOHNNY PAYCHECK TO "TAKE THIS JOB AND MOVE IT."

THE NEW FAMILY LEAVE BENEFIT LAW IS A GOOD EXAMPLE. IT HAS NO MECHANISM TO PREVENT FRAUD AND ABUSE BY A SMALL NUMBER OF EMPLOYEES – FRAUD THAT WILL DRIVE UP COSTS AND REDUCE PRODUCTIVITY.

OTHER BILLS THAT WE AT THE ROUNDTABLE BELIEVE ARE JOB-KILLERS ARE BILLS THAT WOULD:

- LIMIT THE ABILITY OF EMPLOYERS AND EMPLOYEES TO AGREE TO ARBITRATE DISPUTES,
- JEOPARDIZE EXISTING AIR POLLUTION PERMITS, AND
- MANDATE HEALTH CARE COVERAGE ON EMPLOYERS.

WITH RESPECT TO THAT LAST ONE, WE'RE ALL VERY CONCERNED ABOUT THE UNINSURED IN CALIFORNIA. COMPANIES SUCH AS WELLS FARGO ALREADY PROVIDE HEALTH CARE BENEFITS TO THEIR TEAM MEMBERS AND THEIR DEPENDENTS, INCLUDING, IN WELLS FARGO'S CASE, MOST OF OUR PART-TIME TEAM MEMBERS. BUT A BLANKET, MANDATED APPROACH TO COVERING THE UNINSURED WITHOUT REGARD TO COST WILL NEGATIVELY AFFECT OTHER EMPLOYEE BENEFITS THAT COMPANIES OFFER. IT'S ESTIMATED THAT THIS NEW MANDATE WILL INCREASE THE COST OF DOING BUSINESS BY AN ADDITIONAL \$7 BILLION TO \$11 BILLION. IT'S VERY SIMPLE – IF THE STATE OF CALIFORNIA IS GOING TO MANDATE AN INCREASE IN WHAT COMPANIES NOW CONTRIBUTE TO THEIR EMPLOYEES' HEALTH CARE THEN THOSE COMPANIES WILL HAVE TO REDUCE OTHER EMPLOYEE BENEFITS.

AS HEAD OF WELLS FARGO I CAN TELL YOU THIS ABOUT THE JOB AND BUSINESS CLIMATE IN CALIFORNIA. SINCE THE NORWEST-WELLS FARGO MERGER FIVE YEARS AGO, WE'VE GROWN FROM JUST OVER 100-THOUSAND TEAM MEMBERS TO ALMOST 140-THOUSAND TEAM MEMBERS. WE'VE ADDED MAJOR EMPLOYMENT FACILITIES IN THE TWIN CITIES, IN DES MOINES AND PHOENIX. I WILL TELL YOU VERY FRANKLY THAT BECAUSE OF THIS STATE'S ANTI-BUSINESS CLIMATE WE DID NOT EVEN CONSIDER CALIFORNIA FOR ANY OF THOSE FACILITY EXPANSIONS.

FOURTH, THE PERCEPTION OF CALIFORNIA AS AN ANTI-BUSINESS STATE MUST CHANGE. A STUDY BY THE COALITION FOR CALIFORNIA JOBS COMPARED CALIFORNIA TO 15 OTHER STATES THAT COMPETE WITH US FOR BUSINESSES AND JOBS.

IT COMPARED THE STATES ON A VARIETY OF CRITERIA INVOLVING DEMOGRAPHICS, WORKFORCE CHARACTERISTICS, BUSINESS COSTS AND PERSONAL QUALITY OF LIFE. WHICH STATE DO YOU THINK CAME OUT #1? COLORADO AND UTAH TIED FOR FIRST. THE TWO STATES OF THE 16 THAT RANKED LAST? NEW YORK AND CALIFORNIA.

CALIFORNIA HAD AN OVERALL GRADE OF "F" – INCLUDING:

WORKERS COMP	"F"
WAGES	"F"
EDUCATIONAL ATTAINMENT	"D"
CONSTRUCTION EMPLOYMENT	"D"
FINANCIAL ACTIVITIES EMPLOYMENT	"D"
STATE AND LOCAL TAXES	"D"
NATURAL GAS COSTS	"D"
ELECTRICITY COSTS –	"D"
RESIDENTIAL CONSTRUCTION	"D"
HOME OWNERSHIP	"D"
HOUSING AFFORDABILITY.	"D"

WE AT WELLS FARGO KNOW WHAT IT'S LIKE TO BE A TARGET OF THIS ANTI-BUSINESS ATTITUDE BY CALIFORNIA STATE GOVERNMENT. LET ME GIVE YOU JUST ONE RECENT EXAMPLE. THE CALIFORNIA STATE DEPARTMENT OF CORPORATIONS EARLIER THIS YEAR TRIED TO SERIOUSLY DAMAGE OUR REPUTATION AND ACTUALLY TRIED TO SHUT DOWN OUR CALIFORNIA MORTGAGE BUSINESS. IT TRIED TO ENFORCE A MISGUIDED CALIFORNIA LAW WHICH PROHIBITS THE CHARGING OF MORTGAGE INTEREST RATES MORE THAN ONE DAY BEFORE THE MORTGAGE IS RECORDED EVEN THOUGH THE BORROWER HAS RECEIVED THE LOAN BEFORE THAT TIME. THE DEPARTMENT

ACCUSED US OF OVER-CHARGING CUSTOMERS WHICH WAS A GROSS MIS-REPRESENTATION OF THE FACTS.

WE PREVAILED IN THE COURTS – WHICH RULED THAT THE INTEREST RATE DID NOT APPLY BECAUSE FEDERAL LAW PRE-EMPTED IT AND THAT WE ARE REGULATED, AS A NATIONAL BANK, BY THE O-C-C NOT THE STATE. BUT THIS NEEDLESS DISPUTE WITH THE DEPARTMENT OF CORPORATIONS IN OUR OWN HOME STATE CONFUSED OUR CUSTOMERS AND DAMAGED OUR GOOD NAME. BUT – AND GET THIS, AFTER BEING VILLIFIED AND SLANDERED IN THE NEWS MEDIA BY A STATE GOVERNMENT AGENCY, GUESS WHAT HAPPENED? THE CALIFORNIA LEGISLATURE, UNDER NO PRESSURE FROM WELLS FARGO, CHANGED THE LAW! THE VOTE TO DO SO WAS 40 TO 0 IN THE SENATE AND 75 TO 1 IN THE ASSEMBLY. I’M NOT MAKING THIS STUFF UP.

THE AREA OF JOB LOSSES THAT IS THE MOST OBVIOUS IN CALIFORNIA IS IN THE MANUFACTURING SECTOR. OVER THE PAST YEAR ALONE CALIFORNIA HAS LOST MORE THAN 60-THOUSAND MANUFACTURING JOBS. MANY OF THESE JOBS ARE HIGH PAYING. THEY HAVE GOOD BENEFITS AND HIGH POTENTIAL FOR PROMOTION. THEY’RE THE KIND OF JOBS A LOT OF WORKERS ARE ELIGIBLE FOR. THERE’S NO REASON CALIFORNIA CAN’T BE A MANUFACTURING HUB. PROFESSIONAL STAFFS OF MANUFACTURING COMPANIES MAY WORK IN, SAY, SAN FRANCISCO BUT THE MANUFACTURING CAN BE DONE IN FRESNO OR BAKERSFIELD OR NORTHERN CALIFORNIA OR ELSEWHERE.

VERY FEW MAJOR U.S. CITIES ARE MANUFACTURING HUBS. BUT THERE ARE FACTORIES IN THEIR SUBURBS. THERE’S NO REASON WE CAN’T BE COMPETITIVE IN THAT REGARD. NOT EVERYBODY’S AN M-B-A FROM CAL OR STANFORD. YOU NEED JOBS FOR WORKERS IN THE LOWER PAY SCALES WHO MAY NOT HAVE COLLEGE DEGREES. THAT’S WHAT WE’RE NOT DOING.

FIFTH, NO NEW TAXES. THE STATE’S OVERTALL TAX BURDEN – MEASURED BY SHARE OF PERSONAL INCOME – IS FOURTH HIGHEST IN THE NATION. STATE AND LOCAL TAXES ARE EIGHTH HIGHEST. A RECENT STUDY RANKS CALIFORNIA’S TAX CLIMATE 49TH WORST IN THE NATION. THANK GOD FOR MISSISSIPPI! OUR PERSONAL INCOME TAX RATES ARE THE HIGHEST IN THE NATION FOR PEOPLE EARNING \$40-THOUSAND. THE STATE’S UNEMPLOYMENT INSURANCE FUND – FUNDED ALMOST TOTALLY BY EMPLOYER CONTRIBUTIONS – IS ESSENTIALLY BANKRUPT.

A BIG PART OF THE STATE’S BUDGET PROBLEM WAS CAUSED BY AN OVER-RELIANCE ON ONE-TIME REVENUE FROM INCOME TAXES ON STOCK OPTIONS AND TECH STOCKS. THE TAX BURDEN STILL OVER-RELIES ON PERSONAL INCOME TAXES. IN 2000, ONE-THIRD OF THE STATE INCOME TAX WAS PAID BY JUST 44-THOUSAND TAXPAYERS. THEN, TAXES FROM CAPITAL GAINS AND STOCK OPTIONS IN CALIFORNIA DROPPED IN ONE YEAR FROM \$18-BILLION DOWN TO \$8 BILLION. IN HINDSIGHT, SOME OF THAT OPPORTUNISTIC REVENUE SHOULD HAVE BEEN PUT INTO A RAINY-DAY FUND.

SUNNE ASKED ME TO SHARE A FEW OF MY THOUGHTS ABOUT THE “DYNAMICS AT THE STATE CAPITOL.” WHAT CAN I SAY?

I FOR ONE DO NOT UNDERSTAND HOW ANY STATE THAT HAS COME TO RELY SO HEAVILY ON INITIATIVES AND REFERENDA CAN BE EFFECTIVELY GOVERNED. AT SOME POINT, SO-CALLED “DIRECT DEMOCRACY” SUBVERTS THE ORIGINAL INTENT OF A REPRESENTATIVE REPUBLIC.

I THOUGHT WE ELECTED PEOPLE TO THE STATE LEGISLATURE WHO ARE SMART ENOUGH, WELL-INFORMED ENOUGH, ETHICAL ENOUGH, COURAGEOUS ENOUGH TO VOTE AS OUR REPRESENTATIVES – TO MAKE THE TOUGH CALLS INSTEAD OF PUTTING THAT RESPONSIBILITY BACK ON THE SHOULDERS OF THE PEOPLE WHO ELECTED THEM. CAN YOU IMAGINE THE C-E-O OF A PUBLICLY-TRADED COMPANY ASKING THE STOCKHOLDERS TO TELL HIM OR HER WHAT TO DO EVERY TIME A TOUGH CALL HAD TO BE MADE? IT WOULD BE CHAOS AND INEFFICIENCY. COMPLEX ISSUES, ESPECIALLY THOSE REQUIRING TRADE-OFFS, CANNOT BE DECIDED BY REFERENDA.

EARLIER IN MY REMARKS I MENTIONED THAT IT'S GOING TO TAKE COMPROMISE TO MAKE PROGRESS ON SOME OF THESE VERY TOUGH ISSUES.

COMPROMISE IS A WORD ONE RARELY HEARS IN SACRAMENTO. WHY IS THAT? ONE REASON COULD BE THAT LEGISLATIVE DISTRICTS IN CALIFORNIA ARE THE RESULT OF BOUNDARIES DRAWN FROM VERY PRECISE COMPUTER PROGRAMS. THIS MAKES DISTRICTS SAFE FOR ONE PARTY OR THE OTHER. AS THE WALL STREET JOURNAL REPORTED RECENTLY, THIS IS A PRACTICE THAT CALIFORNIA PIONEERED AND PERFECTED. SO WHAT DO WE HAVE AS A RESULT?

MANY LEGISLATORS TEND TO COME FROM EITHER THE VERY LIBERAL OR THE VERY CONSERVATIVE BASE OF THEIR PARTIES. THAT MEANS POLARIZATION, PARTISANSHIP, RANCOR, NAME-CALLING, VETO GAMES WITH THE GOVERNOR AND ENTRENCHED IDEOLOGUES ON BOTH SIDES OF THE AISLE.

WE AT WELLS FARGO CERTAINLY LEARNED THIS FIRST HAND. WE SPENT FOUR YEARS TRYING TO WORK WITH LAWMAKERS ON BOTH SIDES OF THE AISLE TO HELP CRAFT A COMPROMISE ON A CALIFORNIA LAW TO PROTECT THE ABILITY OF COMPANIES TO SHARE INFORMATION ABOUT THEIR CUSTOMERS AMONG A COMPANY'S VARIOUS BUSINESSES. IMAGINE THE TIME LEGISLATORS COULD HAVE SPENT ON MORE IMPORTANT ISSUES – LIKE CALIFORNIA'S FUTURE OR THE BUDGET – IF THEY HAD BEEN MORE WILLING TO SEEK COMMON GROUND ON THIS LEGISLATION EARLIER IN THAT PROLONGED AND VERY COSTLY PROCESS.

WE ALSO NEED TO BE CONCERNED ABOUT THE EFFECT OF TERM LIMITS ON STATE REPRESENTATIVES. TERM LIMITS MEAN FEWER LAWMAKERS HAVE EXPERIENCE IN THE ART OF COMPROMISE.

SO – WITH ALL THIS TO WORRY ABOUT – WORKERS COMP, BOUNTY-HUNTING ATTORNEYS, JOB-KILLER BILLS, A LOUSY BUSINESS CLIMATE AND TALK OF MORE TAX INCREASES – IS CALIFORNIA A HOPELESS CAUSE? OF COURSE NOT. I'M PROUD TO CALL CALIFORNIA AND SAN FRANCISCO THE HOME OF WELLS FARGO. IT'S BEEN OUR HOME FOR 151 YEARS AND WE HOPE IT WILL BE FOR MANY YEARS TO COME.

CALIFORNIA HAS SO MUCH GOING FOR IT – DIVERSITY, CREATIVITY, INNOVATION, ITS ENTREPRENEURIAL SPIRIT, A GREAT CLIMATE, A LARGE AND DIVERSE WORKFORCE, WORLD-CLASS UNIVERSITIES, THE GATEWAY TO ASIA. IT STILL HAS A GREAT ABILITY TO ATTRACT HUMAN, FINANCIAL AND SOCIAL CAPITAL – THE BEST AND THE BRIGHTEST. THERE ARE GOOD REASONS WHY 35-MILLION PEOPLE HAVE CHOSEN TO LIVE HERE. IF CALIFORNIA REALLY WANTED TO, IT COULD BE THE MOST ATTRACTIVE PLACE TO DO BUSINESS. IT DOES NOT HAVE TO BE THE WAY IT IS TODAY.

OUR VISION SHOULD BE CLEAR AND CONCISE – “CALIFORNIA: THE BEST PLACE IN AMERICA TO DO BUSINESS.” WE NEED TO BE MORE COMPETITIVE WITH OTHER STATES FOR BUSINESS. WE NEED TO MAKE IT EASIER, NOT HARDER, FOR COMPANIES TO DO BUSINESS HERE.

HERE IS THE MAJOR POINT I WANT TO EMPHASIZE TODAY. THERE ARE PEOPLE OUT THERE WHO BLAME THE NATIONAL ECONOMY, THE BUSH ADMINISTRATION, AND EVERYBODY BUT THEMSELVES FOR CALIFORNIA’S CURRENT ECONOMIC STAGNATION. THEY SAY WE’RE NO DIFFERENT FROM OTHER STATES IN JOB LOSSES, ETC. THEY’RE MISSING THE POINT. WHO WANTS TO BE AVERAGE? WHAT COMPANY HERE TODAY STRIVES TO BE AVERAGE? CALIFORNIA HAS SO MANY GOD-GIVEN NATURAL ASSETS, IT SHOULD BE THE #1 ECONOMIC GROWTH STATE IN THE NATION. #1 SECOND TO NONE. THE ONLY REASON IT ISN’T IS BECAUSE HUMAN INTERACTION HAS SAPPED THE STRENGTH OF OUR SUPERIOR ADVANTAGES. HUMAN BEINGS CAUSED THE PROBLEM. HUMAN BEINGS CAN FIX IT, FAST. IT NEED NOT TAKE YEARS.

LONG-TERM, OUR BUDGET DEFICIT COULD DISAPPEAR WITH A MORE FAVORABLE BUSINESS CLIMATE, MORE JOBS AND MORE ECONOMIC GROWTH. DO WE HAVE THE POTENTIAL WILL TO DO THAT? I DON’T KNOW. ALL I KNOW IS IF WE DON’T CALIFORNIA WILL NEVER ACHIEVE ITS POTENTIAL.

IF WE WERE EVEN JUST CLOSE TO COMPETITOR STATES IN COSTS AND WHAT WE OFFER, THEN WE WILL WIN – BECAUSE OF WHAT CALIFORNIA HAS TO OFFER BUSINESS. OUR ECONOMY CAN BE THE FASTEST GROWING IN THE NATION IF WE REMOVE THESE IMPEDIMENTS AND COMPETITIVE DISADVANTAGES. AND THAT SHOULD BE OUR GOAL, OUR COLLECTIVE VISION – THE FASTEST GROWING ECONOMY IN THE NATION. IF WE ACCOMPLISH THAT, OUR BUDGET, EDUCATION, INFRASTRUCTURE AND SOCIAL PROBLEMS HAVE A CHANCE OF BEING RESOLVED.

I WOULD LIKE TO CLOSE WITH THIS QUOTE FROM A LEGENDARY CALIFORNIAN.

QUOTE – “THE KEY TO PROSPERITY LIES IN ALLOWING INDIVIDUALS THE FREEDOM TO USE THEIR TALENTS TO PRODUCE THE GOODS AND SERVICES THAT THEIR FELLOW CITIZENS DESIRE. IN THE DECADES AHEAD, AMERICA AND THE WORLD WILL CONTINUE TO LOOK UPON CALIFORNIA AS THE LAND OF OPPORTUNITY. PEOPLE ARE DRAWN TO CALIFORNIA BY THE TREMENDOUS OPPORTUNITIES THAT STEM FROM OUR DIVERSE AND BALANCED ECONOMY. ONE OF THE STRONGEST GUARANTEES OF A BRIGHT FUTURE FOR CALIFORNIA IS THAT PEOPLE WANT TO COME HERE. CALIFORNIA IS THE ENGINE OF THEIR DREAMS, AND THE FOUNDATION OF THE FUTURE.

IN THE ERA TO COME, HUMAN CAPITAL, ABILITY, DRIVE AND INTELLIGENCE WILL BE THE CORNERSTONE OF SUCCESS FOR OUR STATE. CALIFORNIA WILL BE THE GROWTH CENTER FOR HUMAN INVENTION THAT TRANSCENDS PHYSICAL RESOURCES. CALIFORNIA WILL CONTINUE TO BE THE FOCUS OF THE HOPES AND DREAMS OF MEN AND WOMEN ACROSS AMERICA AND AROUND THE GLOBE. IT WILL HOLD OUT FOR PEOPLE EVERYWHERE WHAT I’VE ALWAYS LIKED TO CALL ‘THE MAGIC OF CALIFORNIA.’” UN-QUOTE.

THOSE WORDS ARE AS TRUE TODAY AS THEY WERE 13 YEARS AGO WHEN THEY WERE SPOKEN BY THE FORMER GOVERNOR OF CALIFORNIA AND PRESIDENT OF THE UNITED STATES, RONALD REAGAN.

THE MAGIC OF CALIFORNIA IS STILL HERE. IT'S UP TO US, THE NEXT GENERATION, TO KEEP THAT MAGIC ALIVE.

THANK YOU FOR YOUR TIME AND ATTENTION – I'D BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

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