

Economists, Corzine Clash Over Economy

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Plainsboro — "These are deeply challenging times, but we will emerge even stronger than before," Gov. **Jon S. Corzine** told about 100 chief executive officers and business leaders at the annual New Jersey Economic Policy Forum.

Plans to "turn entrepreneurs loose" by reconsidering burdensome regulations and cut back state spending will help New Jersey ride out the economic meltdown, Corzine added.

But the state still needs to change some fundamentals, and its ability to emerge from the current economic morass depends on a national recovery, countered some state economists at the event, held earlier this month at the Wyndham Princeton Forrestal Hotel and Conference Center.

New Jersey is burdened by costly housing, living expenses and taxes, according to economist **James Hughes**, dean of the Bloustein School of Planning and Public Policy at Rutgers University.

"More than 80 percent of respondents to the [Bloustein] C-Suite Executive Survey cited housing, cost of living and taxes as disadvantages to locating in or expanding in New Jersey," he added. The series of surveys assesses the economy from the viewpoint of chief executives and other leaders in the state.

But New Jersey "has many challenges, but also has many advantages," Corzine said, touting several reforms he's been seeking since early October.

"Even though 2009 looks like a tough year, we've accelerated construction efforts in New Jersey, and are focusing on home-loan modifications," he said, referring to plans that include a new Hudson River commuter-rail tunnel to Manhattan, and efforts to require banks, in certain circumstances, to engage in mediation before foreclosing on residential property.

"We're looking to institute \$4 billion in state spending cuts during the next two years," he said, adding that the state's revenue is likely to drop by a similar amount.

"We've already reformed New Jersey's corporate taxes with the 20-year net-loss carry-forward," Corzine added, referring to a recently passed measure that can let businesses cut their future corporate tax bills by applying current-year losses against future profits.

Bloustein economist **Joseph Seneca** said the state has some "powerful advantages" — including its proximity to airports; its high-quality, well-educated work force; and its access to the New York-to-Virginia base of customers — but echoed Hughes' concerns.

"CEOs [in the survey] were asked whether they're likely to expand their business in a few years," he said. "While 61.3 percent say they plan to expand, only about 37.5 percent plan to do so in New Jersey. High taxes, the cost of living here and steep government regulation all act as deterrents to expanding in New Jersey."

New Jersey will not stage a recovery independently of the rest of the country, he said.

"We can't pull out of this on our own," Seneca told **NJBIZ**. "We may have created many of our own tax and regulatory problems, but finding solutions to them will be even more difficult in a

constrained national economy."

Added Hughes, "We may see economic activity begin to recover in the second quarter of 2009, but the labor market is not likely to benefit from it until 2010. Meanwhile, we have a way to go before we can rebuild business' confidence in the state of New Jersey."

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Business Leaders Weigh In

The Economic Policy Forum attracted a wide range of business executives. Here is what some had to say about the economy:

Gil Medina, former state commerce commissioner, now executive managing director of the commercial real estate brokerage firm **Cushman & Wakefield** of New Jersey:

"New Jersey's economy never peaked the way that some states, like California, did. So we didn't fall as far, either. I'm an optimist, and I think the national economy may bottom out in the first quarter of 2009 and then begin to recover.

"At Cushman & Wakefield, we've seen the vacancy rates creep up a bit, but we're also seeing asking prices for Class A property also moving up. So the demand for high-quality property is still there.

"Right now we're shedding our least-productive brokers, but we're replacing them with highly productive brokers from other companies. So net, our employment level has remained steady during this time."

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Maxine Ballen, chief executive officer of the New Jersey Technology Council in Mount Laurel:

"We're optimistic about plans to encourage alternative energy and green initiatives. For a number of years now, neighboring states have been eating our lunch, but we may start to see some change. But other states, including Utah and Florida, are becoming more aggressive about recruiting startup companies, and in some cases, we're losing companies to states that we never thought would be our competitors."

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S. Maurice Rached, director of transportation services at **Maser Consulting P.A.**, a municipal and environmental consulting firm with offices in Hamilton and elsewhere:

"The federal government has been putting a lot of money into loosening the credit markets, but we're still waiting to see the results.

"Despite that, we think that 2009 will be good for our company, as the state and the nation spend more on roads, bridges and other infrastructure."

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Bob Franks, former congressman, now president of Bridgewater-based HealthCare Institute of New Jersey:

"I'm not surprised at the survey's findings. The basic issues facing New Jersey remain, although

the governor's proposal for an investment tax credit [tied to the purchase of equipment and other long-lived assets] might present a good opportunity."

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Jim Bourke, partner at the Red Bank office of the CPA firm **Withum, Smith & Brown**:

"New Jersey faces some huge problems, including an unfriendly tax structure and business environment. It drives some high-net worth individuals who own

companies here and want to minimize their tax bill to talk to us about relocating to Pennsylvania. On the other hand, Governor Corzine has gained some good momentum by offering the net operating loss carry-forward provision and making or considering other changes."

— Martin C. Daks