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President

Report

TO MEMBERS

2008 Survey: Biggest Threat to NJ is Cooling Business Climate

While global warming is capturing world news headlines, a story of at least equal concern is making state news headlines: the cooling of New Jersey's business climate.

For a third year in a row, in their response to NJBIA's fall survey, many more businesses than not say they are unhappy with New Jersey's business climate. They also remain deeply concerned about the state's near-term economic outlook.

As president of the New Jersey Business & Industry Association, I don't like being a bearer of bad news. However, it's my job to report what our member companies tell us.

Half of the 1,300 businesses responding to this year's survey said they believe economic conditions in New Jersey will deteriorate in the first six months of 2008, about the same as last year. Only 13 percent expect improved conditions.

At the same time, only 19 percent say New Jersey is a good place for expansion of their business facilities, near last year's record low of 17 percent. And large majorities say New Jersey is worse than other states in controlling government spending, taxes, health costs and the cost of government regulations.

The reason for these views is no secret. The costs of doing business in New Jersey are among the highest in the nation, a fact documented by a string of US business-climate studies. This makes New Jersey less competitive with other states—states that are aggressively pursuing our companies and our jobs!

Some will say that businesses are too pessimistic, that they see the economic glass half empty when it is really half full.

I agree that New Jersey has important economic strengths, from its highly skilled workforce and its location at the heart of the country's richest consumer market to its good transportation network and beautiful communities.

But I would be doing a disservice to NJBIA's members if I failed to advocate their deeply held concerns and frustrations about our state's business climate. I should also point out that these concerns are not occurring in a vacuum:

- New Jersey's current economic expansion, in terms of the rate of job creation, has been one of the weakest on record. Over the last few years, the state has added an average of about 23,000 private-sector jobs annually, far below the 70,000 added yearly in the 1980s and 1990s expansions. Also, the rest of the nation has added jobs at twice the rate we have over the last four years.
- A new Rutgers University study shows that growing numbers of people are leaving New Jersey. In 2006, 72,500 more left the state than moved in. If people continue to leave at this rate, New Jersey could experience a net population loss by 2009.
- In a recent Monmouth University/Gannett poll, half of New Jerseyans said they were thinking of leaving the state, and most of this group said high costs—from property taxes to housing prices—was the motivating factor.
- New Jersey voters torpedoed two state referendums in the November elections, signaling they want borrowing cut and spending and taxes curbed. Voters rejected a \$450 million stem-cell research initiative and a proposal to dedicate another half-penny of the recently increased sales tax to property tax relief.

The underlying message, whether from the state's citizens or its businesses, is the same. Costs are too high in New Jersey, and they are undermining its economic health. Citizens are voting with their feet by leaving the state. Businesses are voting by creating fewer jobs.

The optimist in me believes that the Governor and the Legislature will heed these warnings and take steps to keep New Jersey growing. The realist in me wonders if they truly understand. ❧