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## **BLOUSTEIN SCHOOL REPORT WARNS NEW JERSEY ECONOMY ENTERING MOST UNCERTAIN FUTURE SINCE GREAT DEPRESSION**

James W. Hughes, the dean of the Edward J. Bloustein School of Planning and Public Policy, and Rutgers Professor Joseph J. Seneca, today issued “New Jersey’s New Economy Growth Challenges,” Issue Paper #25 in the Rutgers Regional Reports series. Following is a summary of the report’s findings.

This latest Rutgers Regional Report identifies an emerging and serious challenge confronting the New Jersey economy. While prosperity still reigns in the state, and its knowledge-based economy remains the envy of much of America, New Jersey now faces its most uncertain long-term economic future since the Great Depression. The decade of the 2000s has produced a number of global, national and regional forces that have reshaped New Jersey’s competitive economic environment.

Two factors stand out in importance.

- First, new worldwide knowledge-based competitors have cost structures that are significantly below those of the United States. Accordingly, some of the high-end economic growth of New Jersey and its northeastern peer states is leaking to these new global players.
- Second, this same cost differential places the high-cost Northeast at a disadvantage within the United States, as corporate America must continually and aggressively cut costs to remain competitive under unrelenting global pressures. The region’s once unique advantage in knowledge-based workers is fading under the stress of its high-cost environment. Labor—like capital—is mobile, and high value-added service-sector economic activity can successfully occur in lower-cost, more affordable states of the South and the Sunbelt.

Thus, the center of gravity of America’s new knowledge-based economy, just as its manufacturing-based economy did a generation ago, is shifting from the high-cost places of doing business of the Northeast to lower-cost and more affordable states. New Jersey and its advanced new-economy neighbors—New York, Connecticut and Massachusetts—have been experiencing employment declines in the post-2000 period in a number of important “new economy” sectors that historically were linked to their highly educated workforces.

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In contrast, states such as Maryland, Virginia, North Carolina, and Florida have experienced growth far in excess of the national averages in those very same sectors. In this context, New Jersey's advanced economy and standard of living are now at considerable risk. The public policy imperative to focus on economic competitiveness has never been greater.

New Jersey faces three key problems that define the economic policy challenges confronting the state's public and private leadership.

- First, since the 2001 national recession, corporate America has largely been directing its high-end investment outside of New Jersey, limiting the state's new employment growth to mainly below-average-pay job sectors.
- Second, New Jersey's once unique core science and technology economic assets—and its once preeminent research and development position—have started to erode, not only relatively, but absolutely as well.
- And third, while mergers and acquisitions are a fact of business life and ebb and flow, a number of highly visible New Jersey economic institutions have recently been acquired by out-of-state entities, resulting in losses of headquarters functions and the ceding of executive authority to other states.

Other states and nations have made aggressive investments in economic infrastructure and have proactively attempted to support the economic engines of the future. New Jersey and its peer states in the Northeast must respond to these challenges in order to continue their past economic success in a new era of intense global and national competition.

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