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Experts: Recovery Is a Work in Progress

By Eric Peterson

NEWARK-"It will take a serious bipartisan effort to turn things around in New Jersey," economist James Hughes told a gathering of business execs at the Newark Regional Business Partnership's economic forecast event here yesterday. "This decade could be the first since the 1930s--the Great Depression--with fewer private sector jobs in the state at the end of the decade than at the beginning.

"The state has lost 14,000 jobs so far this year, but more are likely to come," said Hughes, who is the Dean of the Bloustein School of Planning and Public Policy at Rutgers University. He termed the current situation a relatively mild, "slow-motion recession," and how it plays out will depend on the financial markets.

"Correcting all of Wall Street's excesses will take a considerable amount of time," he said. "Those excesses will continue to reverberate in New Jersey," and that reverberation could come in the form of everything from consumer retrenchment, with sales tax revenues taking a hit as a result, to cutbacks in the W/D supply chain sector.

On the positive side, high energy prices "could help regarding distribution, and the state's geographic position may again become our most important factor," Hughes said. "Costs again matter," he added, noting that cost also comes into play as far as the state's lower office costs compared to New York.

But for now, "fasten your seatbelts," Hughes said. "The economic rough ride will continue."

Joel Naroff, chief economist for Commerce Bank, agreed that the cost factor on the office side could indeed work to the state's benefit once the financial community's mess gets sorted out and it starts adding jobs again. But for now, "it is a totally insane time," he said, pointing specifically to the stock market's wild swings. "It is a time of irrational behavior. We're seeing circumstances change so rapidly that we don't know what to make of it."

And as far as the Congressional bailout plan, "failure is not an option," Naroff said. Expressing some optimism, he noted that "it finally occurred to world banks, especially in Europe, that this wasn't a US problem--it is a world problem. We'll get the job done. There will be no instant gratification, it will take time, so the damage will continue, but these plans will work in the US and around the world. We're going to get out of this."

Back home, James Bram, an economist for the Federal Reserve Bank of New York pointed to what he termed coincident economic indicators, actually a combination of factors, showing that New Jersey's economy has been lagging both neighboring New York and the country in general. "New Jersey has underperformed for the first time in a long time," Bram said. Still, while that performance has been relatively weak, "a lot of states are weaker.

"There are some rough patches ahead, but this region has historically rebounded," he said, noting as well that the New Jersey and New York economies are inextricably linked. And for both, "there are areas of vulnerability in jobs, in the short term, notably finance and Wall Street."

And all of the above could last for the rest of 2008 and into 2009, Hughes concluded. "It will take a considerable amount of time."