

Bottom Lines: New Jersey expected to fare better than its neighbors into 2012

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Worries that we're headed for another recession have faded, replaced by the spectacle of a dysfunctional Europe that would be amusing if it didn't have the power to unhinge the world economy.

We're back on the slow-growth track, but at least the Federal Reserve expects New Jersey to do better than its neighbors and the nation as a whole.

The Fed's leading index for the state - a forecasting gauge measured by its Third District reserve bank in Philadelphia - remained 2.3 in September. That "suggests expansion in the state's economy through the first quarter of 2012," the Philly Fed said.

That's better than the U.S. as a whole, with a leading index of 1.4, and the neighboring states of Pennsylvania (-1) and Delaware (0.0). That means stagnation for Delaware and contraction for Pennsylvania into next year.

The nation's slightly positive outlook is the result of a mix among states similar to that seen in the Delaware Valley.

The Fed forecasts modest growth in 40 states and a moderate worsening of economic conditions in 10 states.

Not a recession

Many people think we're still in a recession because jobs are hard to find, pay is stagnant, sales are sluggish and confidence about the future is lacking.

A recession, though, as the name implies, is when the economy shrinks, contracts, recedes. That hasn't been happening since June 2009.

For that reason alone, I think the name "Great Recession" is inappropriate for this lengthy and severe economic downturn. Yes, the downturn began with a substantial recession, but that ended.

The other reason the term is misleading is that the character of this downturn is not just that of an especially large recession, which would be followed by an especially strong rebound.

These times are defined by the financial collapse and subsequent continued weakness of the financial system, and the huge amount of debt hobbling citizens and governments alike. Those things by their nature take many years to work through and pay off. There simply is no quick solution (and many attempts at quick solutions might make matters worse).

That makes this downturn like the Great Depression, which wound up taking more than a decade to overcome. We know better how the economy works these days, so we may cut the recovery period in half.

The Associated Press early in the downturn embraced the name Great Recession, reaching in the wrong direction for something reminiscent of the Great Depression but not that bad.

We should wait until we've seen the end of the downturn - and maybe a bit longer - before we settle on a name suitable for its scope and character.

The best so far that I've heard was suggested by Paul Krugman, the Nobel economist, who said "Lesser Depression" might be appropriate.

'Lawsuit mecca'

Two new surveys attempt to quantify the damage done to businesses by state legal systems, and one found that South Jersey in particular has become a "lawsuit mecca."

The Eagleton Institute at Rutgers University found 87 percent of small-business owners want legal reform to be a priority of the state Legislature.

No surprise there, but this is a bit shocking: 40 percent of South Jersey businesses surveyed said they'd been threatened with litigation in the past five years, while statewide only 24 percent said they were so threatened.

"Overall, 1-in-4 South Jersey small businesses have actually been brought to court during the past five years," the survey said.

Other findings included:

The survey was conducted at the behest of the New Jersey Lawsuit Reform Alliance.

Another tort reform interest group, the Institute for Legal Reform of the U.S. Chamber of Commerce, commissioned a study by NERA Economic Consulting of the economic impacts of legal environments in the 50 states.

That study found that in New Jersey tort costs are 21 percent higher than need be and could be reduced \$1.7 billion annually by shifting to a lawsuit environment such as those in North Dakota, New Hampshire or Delaware.

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