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Developing and Implementing a Sustainable Growth Strategy for New Jersey

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This short statement follows from a recent invitation from a senior Christie Administration official to submit some ideas for a *sustainable* economic growth strategy for New Jersey. It was prepared by the senior leadership team of the Institute for Sustainable Enterprise (ISE), and suggests a larger energy, environmental, and economic policy role for the Institute.

Along with our Corporate Partners — representing many of the largest corporations and employers in New Jersey — we have been discussing these issues for some time. Because of the diverse stakeholders we represent, covering a wide range of industries, as well as NGOs, municipal governments, and higher education, we are in a strong position to contribute substantively to this discourse and to the State.¹ Specifically, we are committed to enhancing the Administration's policy discussions, as well as supporting constructive public discussion², about how NJ can emerge from the deepest recession since the Great Depression, and address both the environment and economy at the same time.

We start from the premise that we need to ensure **both** adequate environmental protection **and** a strong economy; anything less is a false dichotomy with negative consequences in both the short and long term. Therefore, we recommend that we **avoid conversations regarding ways to "balance" environmental and economic concerns as if they are two competing or even opposing forces, but instead recognize the power of creating and exploiting the synergy between them.**

The health of the state economy, and the competitive advantage of NJ and the businesses that operate here, are deeply connected to the health of NJ's environment — we really can't have one without the other. **We must find creative problem-solving actions that *simultaneously* improve *both* our environment *and* our economy.**

We agree completely with Governor Christie's repeated statements that the future growth of the NJ economy is tied to the emergence of a "green economy," including renewable energy and other emerging green technologies. The demand for these new products and technologies is driven in

¹ Senior Fellow Matt Polsky participated in several regulatory reform, culture change, and beyond compliance initiatives as the former Sustainability Team Leader at the NJDEP; and other team members have extensive experience in government, the utility industry, and other sectors, as well as with entrepreneurs.

² A particular strength of ISE.

part by consumer demand for them and competitive pressures, and in part by federal and state mandates for cleaner energy, less waste, new biomaterials, conservation and protection of water resources, and so on.

These drivers create a compelling logic: a green economy can happen only if it is backed by a clear, consistent, and intentional focus on protecting and restoring the sensitive environmental assets on which our current economy rests. It also requires corporate social responsibility (CSR), involving **potentially all** NJ economic sectors, as well as alternative measures of economic and social well-being.

In our view, New Jersey needs to articulate a positive “sustainable growth” strategy that tangibly ties our economy to the growing global demand for green products and practices, and builds the market for the businesses and technologies where we have significant strengths and core competencies that can be turned into a competitive advantage. Our approach would clearly support companies going “beyond compliance” as they move through the natural stages towards greater sustainability.

One key element of a “sustainable growth” strategy is the rapidly advancing field of **Corporate Social Responsibility**. As Michael Porter & Mark Kramer said in a recent *Harvard Business Review* article on the link between competitive advantage and corporate social responsibility, “CSR has emerged as an inescapable priority for business leaders in every country.” They go on to stress that since business and society are inextricably intertwined, they should never be pitted against one another.

Ultimately, there is no business in a society that fails. **Successful corporations need a healthy society.** Education, health care, and equal opportunity are essential to a productive workforce; as are safe products and working conditions. Efficient utilization of land, water, energy, and other natural resources makes business more productive. Ultimately, a healthy society creates expanding demand for business, as more human needs are met and aspirations grow. Any business that pursues its ends at the expense of the society in which it operates will ultimately find its success to be illusory and ultimately unsustainable. So a strong commitment to CSR must also be a part of a sustainable growth strategy for businesses to be successful, for people and future generations to prosper, and for natural resources to be replenished.³

The original Michael Porter “cluster study” of New Jersey pointed out that every state economy has a competitive advantage in areas of existing concentration, *if* they can maintain the lead in innovation, investment, and the growth of related businesses. Unfortunately, too often NJ has failed to act to protect its leadership, and has lost ground to other states in the key areas of pharmaceuticals and the life sciences, while also failing to ramp up other sectors to make up for the loss of high-value jobs. We are widely recognized as the number two green economy in the US (after California), but according to the most recent Pew Research studies, have also been losing ground (and green jobs) to other regions. We believe that we still have the ability to excel in this

³ As one example, NJDEP could expand the scope and reach of its Corporate Stewardship Program, which recognizes companies that have gone beyond compliance. ISE gave an “Environmental Excellence” award to this Program, among others, last year. As another, since the State is already a partner in the Sustainable Jersey initiative, and while the ultimate decision has to be made by each municipality, the State could encourage communities to adopt the program's “Local Economies” initiative. That is, towns would develop a “Green Business Certification Program” for their businesses. If successful, this would also qualify them for 10 points towards Certification as a “Sustainable Municipality,” while helping to “Green” the economy from the bottom-up.

area, but only if we recognize that the time for action is **now**, and that significant investment is required, even as we are trying to constrain wasteful spending in other areas.

Again, we believe that these are not incompatible goals. New Jerseyans as well as other Americans are increasingly coming to terms with the realities of the new economic landscape. We are not going back to the kind of growth that we saw in the post-war period, or even to the kind of growth we experienced in the 1990s with the great expansion of telecommunications and the internet. We are living in a period where a high level of traditional economic growth is difficult if not impossible, because we are running up against the increasing environmental and social costs of practicing business as usual.

Does this mean that “growth” itself should be called into question? Some ecologists and increasingly even some economists are questioning growth per se, and criticizing the standard measures of economic activity such as GDP as failing to distinguish between wasteful practices and real wealth creation. We agree that this distinction is needed, but we also believe that growth in real wealth is not only possible but increasingly necessary.

We do not necessarily need “more” of everything, but we do need *better* — better housing, better transportation, cleaner and therefore better energy generation, smarter technologies, and smarter government. *The new mantra may not be “more is better,” but rather “better is more.”* And as more and more organizations are discovering, *sustainable business practices* are clearly the best and the smartest business practices.

Our intention as an Institute is to move more fully into this area, for a number of reasons:

1. **We believe that New Jersey needs more than one policy-development “center of excellence.”** The Rutgers Bloustein School is the pre-eminent policy institution in New Jersey, but it is virtually alone in this space. Without other centers of study and research it operates in something of a vacuum, where it is difficult to foster and maintain a robust public debate. We believe that we can complement Bloustein’s role with a focus on the importance of sustainable business operations, and on the long-standing inadequacies of policy and operational *implementation* that, more than anything, have deterred effective policy outcomes in the state.
2. **We believe in the critical importance of distinguishing between wasteful spending and necessary investment.** New Jersey is an enterprise, which includes every business and industry within its borders, and competes in a global economy. Like any enterprise, it needs to use its finite resources efficiently and effectively.

But, also like any enterprise whose stock we would consider buying, New Jersey needs to invest in its future. Every great economic advance and every great economic recovery in American history is the result of public investment, in people, in infrastructure, in technology, and in the combination of all three. All of these have been the engines of new private investment and need to be so today. New Jersey’s public investment in effective environmental regulation needs to create value or reduce overall costs, as well as reduce risks in order to facilitate new private investment.

3. We believe that economics needs to be thoroughly reexamined in the light of the emerging issues of business, social, and environmental sustainability, and that **it is only by looking**

at the economy through the lens of sustainability that we can discern what an alternative model might look like.

4. In the area of regulation, **we need to fundamentally alter our focus from conversations pitting “less regulation” against “more regulation” to conversations about how to get the *right kind* of regulation.**

In our view, regulations should establish for industry the minimum rules of the game, with incentives for companies to achieve higher performance goals. In a sense, regulation itself represents a failure of design; it is needed to some degree only because we have so far failed to emulate nature in producing fully self-regulating systems that do not need external intervention.

That having been said, commerce and industry associations, including the National Association of Manufacturers and others, have identified some of the principles of regulation that can be an effective starting point. A regulatory system consistent with these principles would:

- 1) Prevent private economic activities that impact the environment from damaging the legitimate economic interests of others
- 2) Prevent private economic interests from offloading the costs of safeguarding or restoring critical environmental assets onto the public
- 3) Emphasize support for compliance over sanctions for non-compliance, with deterrent civil or criminal penalties for willful and repeated violations
- 4) Be measured more by environmental results, as well as by social and economic benefits, including business and employment gains, than by fines or convictions
- 5) Be instituted in new areas when evidence indicates that voluntary action or industry self-regulation is failing and likely to continue to fail
- 6) Include clear definitions of the essential social benefits that cannot be achieved by reliance on voluntary compliance or industry self-regulation
- 7) Reward voluntary actions and industry self-regulation proven to be effective
- 8) Encourage voluntary actions and industry activities that exceed regulatory goals
- 9) Treat as a special case businesses and industries where regulation has been shown to increase competitiveness and innovation, as per the Porter Hypothesis
- 10) Support and be supported by integrated policies and incentives for sustainable economic development, land use, agriculture, housing, transport, and energy

At the end of the day New Jersey needs highly effective governmental agencies, including the NJDEP, which do not become captive to special interests.

5. **We believe that New Jersey has a unique opportunity to play a leadership role in this field,** leveraging its traditional strengths *and* the ground it has already gained in renewable energy and other fields.

New Jersey is not only the original home of much of America’s early innovation, it was also the first state to institute recycling, and is now the home of many new businesses and industries related to handling wastes and addressing environmental problems, to dealing with biomaterials and biochemicals, as well as pharma, medical devices, and the life sciences. We have the knowledge, the experience, and the access to markets that green technologies need, and we are already second only to California in solar and other

renewables, and so are well positioned to leverage these advantages to emerge from the recession sooner and stronger (and greener).

The opportunities that are open to us are also those that can be embraced by a strong majority of people on both the “left” and the “right.” Individuals on both sides of the political divide want economic growth that creates profits and high-paying jobs (as well as entry-level and transition jobs) without creating more problems of the sort that governments are called on to fix. We *can* have less government if our economy does a better job of creating *sustainable prosperity*, that is prosperity that does not leave us and our children with fewer resources and more challenges than we ourselves inherited.

We believe, in other words, that sustainable growth is possible, and that an alternative economic framework is needed to achieve it.

As has been noted, companies are sitting on mountains of cash and not investing it, not just because of uncertainty about economic conditions and outlooks, but because they see no game-changing economic strategies that would unleash a wave of new economic development.

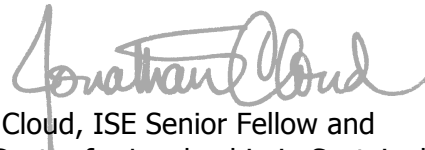
This “game-changing economic strategy” could be the Green Economy, but only if innovation, production, and consumption are driven by a different model, reinforced by state and federal policies that actively support the demand for greener products and services.

We are looking for an opportunity to contribute, in terms of research, facilitation, public discussion, and joint problem-solving; education and green jobs training; and senior-level policy input, to help NJ address these challenges.

Respectfully,



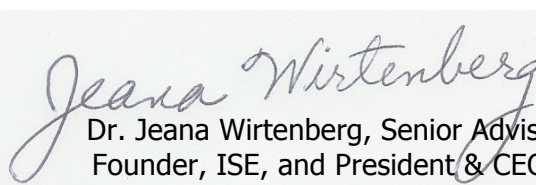
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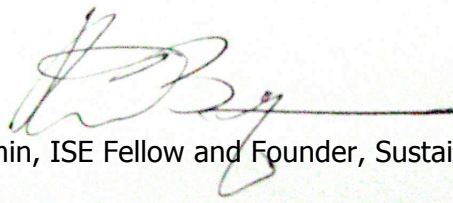
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