

## Chapter 11

### ECONOMIC RESTRUCTURING

With the arrival of statehood and the increased democratization of power in the Islands when the Big Five lost control, some were thrilled to proclaim the arrival of a “new Hawai`i”. Others contended that the new coalition presided over by Governor Burns and his allies was no more democratic than the near feudal system that it had replaced. As in all political systems there was an element of “to the victors go the spoils”. However, unlike the old system, the people had the ballot box as a mechanism to voice displeasure should the new system get too far out of line.

In 1969, on the tenth anniversary of statehood, Governor Burns created the Conference on the Year 2000 Committee to chart a long-range plan for the next 30 years. One of the subjects being studied was race. One of the statistics that came out of the study was that Hawai`i had by far the highest percentage of interracial marriages in the United States, approaching 50%. This was used to reinforce the image of Hawai`i as a melting pot. Another hot topic was the displacement of native Hawaiians from the land, particularly on O`ahu and Maui. Young people in particular expressed a great deal of skepticism about the whole Year 2000 project. The notion of aloha was brought into question. Was it just a tourism marketing tool or was there a real feeling of sharing and concern for others? All in all, the committee raised more questions than it answered but it was a rare study of democracy in action.

The major driving force in the new Hawai`i was the changing economy rather than the new political system. The decline of the sugar industry followed shortly by reduced pineapple production created an economic environment ripe for a new source of revenue. Luckily for the Islands, tourism was expanding to more than make up for the lost income. The number of visitors to Hawai`i increased from 40,000 in 1950 to 175,000 by the time of statehood. The boom continued as numbers increased to 1.2 million by 1968 and over 7 million by 1990. Economic problems in Asia during the 90's led to a slow-down in total tourism growth in the late 1990's. By 1970 this sector of the economy was contributing more than \$1 billion dollars yearly, over four times the value of the combined income from all forms of agriculture. The contribution of tourism rose to \$10 billion by 1992 and the maximum potential is hard to guess.

Several factors accounted for the tremendous growth of tourism. Before the Second World War, tourists made their way to the Islands on expensive cruises with the Matson Line. The line built the first hotels on Waikiki Beach to create a destination resort for these travelers. With the growth of the airline industry tourism grew, but it was the development of large capacity, high speed jets that allowed the masses to escape to the tropics. Many GIs who had spent R&R time in Hawai`i during the war joined the first waves of tourists to return to the Islands in large numbers. The increase in disposable income spurred by U.S. economic growth was also a contributing factor.

The tourist boom fueled a second boom, that of the construction industry. The infrastructure needed to support this volume of visitors was tremendous. Not only did hotels appear at an amazing rate in the former swamp that was Waikiki, but resorts were built from scratch in regions not even accessible by road a few years previous to their development. In a state with a powerful and well-established system of labor unions this insured a large number of good paying jobs. All of the support industries from concrete plants to architecture firms were along on this great wave of prosperity. The construction boom carried on in high gear till the slow down of the early 90's.

Hawai`i's growth was not limited to tourists. The resident population, drawn by the booming economy as well as the desire to escape winter, increased dramatically in the decades following statehood. The population was right at a half million in 1950, and nearly 650 thousand by statehood. By the early 1990's this population had doubled, but growth has slowed since that juncture. Projections put the population approaching two million by 2020.

The demand for land on which to build this myriad of new tropical oasis led to the real estate boom that has also been a major contributing factor to the economy. Unfortunately, this boom has put home ownership out of reach for large numbers of Hawaiians. In an island environment the amount of land is physically limited in ways that mainlanders have difficulty comprehending. Land prices are necessarily very high in proportion to its scarcity. Of the 64% of Hawaiian land that is privately owned a high percentage is held by a small number of investors such as the Bishop Estate. This places even greater restrictions on the amount of land that is available for sale at any given time. With the limited number of landowners, development has mainly been undertaken by hui. This is a Hawaiian term for a group of investors. Many of the hui that developed in the decades after statehood were controlled by individuals of Chinese ancestry. By withholding land from development, the prices could be raised to even higher

levels. This has created an environment in which many of the original Hawaiian inhabitants of the islands are unable to buy land in their own homeland.

The red-hot Japanese economy in the early 90's created a massive inflow of yen that drove land prices, particularly in the Honolulu area, to astronomical levels. A simple three-bedroom tract house could be valued at one-third of a million dollars. While the market has slowed down dramatically since that period, land will never be cheap in paradise.

The geographic location of Hawai'i in the middle of the Pacific basin has always played a major role in the economy of the region. This Asian link has been further developed by the creation of the East-West Center developed in affiliation with the University of Hawai'i in Honolulu. The center was established in 1960 to provide an academic think tank to examine the potential relationship between Hawai'i and the Pacific Rim. The recent decline in the value of the yen and the general slow-down of the Asian tigers has decreased Asian investment in Hawai'i, but the strategic location of the islands and the multi-cultural makeup of the population creates a natural environment for economic partnerships between Asia and this westernmost state in the United States.

With the withdrawal of most sugar and pineapple plantations from the Islands much agricultural land has been opened up for alternative uses. The last sugar mill on the big Island closed in the late 1990's and Dole Pineapple eliminated their agricultural operations from the island of Lana'i in the 90's as well. Since they controlled the entire island, it has created the opportunity to redesign the island for alternative uses. This has led to an increase in what is termed diversified agriculture. Some of the major crops that are currently being grown for export are papaya, macadamia nuts, and coffee. All three of these crops have increased dramatically in the last ten years. Kona coffee, which is grown at mid elevations on the leeward coast of the Big Island, is considered one of the finest coffees in the world. Sunrise papayas from the Puna region on the windward coast of Hawai'i are now finding international markets. Mauna Loa macnuts from Hilo are replacing pineapple in many suitcases as the food gift of choice for friends over-seas. Floriculture has emerged as another major agricultural focus of the islands. The orchids, anthuriums, gingers, and other cut flowers produced in Hawai'i are exported around the globe. The growing of produce for consumption in the islands is also increasing. Taro, the root crop grown by Kamehameha himself in Waipio Valley, is becoming a more common component of the Hawaiian diet, in the form of poi.

The newest forest product to be grown on old sugar land is eucalyptus trees. These fast-growing trees are being marketed as a source of pulp for paper production in Japan. Tropical hardwoods such as koa and ohia are being replanted on upland slopes of Hawai`i's volcanoes. These high value woods can serve as the basis for a woodworking industry that can provide good paying, high skill jobs indefinitely if sustained yield forestry is practiced. A further benefit is habitat restoration to aid the plight of the many Hawaiian plants and animals on the endangered species list.

Another new agricultural venture in Hawai`i is the growing of timber bamboo. This giant grass exceeds six inches in diameter when mature and has a strength to weight ratio that far surpasses steel. It will become a source of low-cost housing material when treatment facilities are completed in the Puna district on the island of Hawai`i.

The twenty world class observatories on the 13,796-foot summit of Mauna Kea are creating both economic and academic resources for the island of Hawai`i. The dry, clear air at this summit creates viewing opportunities so outstanding that astronomers must schedule viewing times years in advance.

The intangible qualities of Hawai`i that keep it a magnet for tourists and residents alike must be examined and protected if the economy of the islands is to continue in a sustainable fashion. What value do you put on a tropical sunset over a grove of coconut palms? What is the value of a swim in crystal clear waters? The natural beauty of the islands along with its rich cultural heritage are recognized by many as the factors that give Hawai`i its unique appeal. How many tourists and sorts can the islands support without destroying these characteristics?

At the heart of these questions lies another question. Is Hawai`i truly developing an independent, self-sustaining economy or is it controlled by outside investors who have merely replaced the planters as the movers and shakers of Hawai`i? While there are no simplistic answers to these worthy questions, there are some rays of hope. For example, there is tax on all real estate sales in Hawai`i in which the seller is not a resident of Hawai`i. While not eliminating land speculation this law encourages ownership by residents. And measures are being taken to increase native Hawaiian land ownership, as will be examined in more detail in the final chapter. Immersion programs in the Hawaiian language have been established in many schools to encourage the growth of traditional Hawaiian culture.

It is not the purview of historians to predict the future. However, an examination of the Hawaiian sovereignty movement will be the concluding chapter. This growing movement will undoubtedly have a profound effect on the shape of Hawai`i in the new millennium.