Notes on Globalization as Salvation:
The Myth That Never Dies

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For Marion Kelly, a dear friend and colleague who once, at Black Point in 1966, helped me survive the currents and who has, in various ways, kept me afloat ever since.

In his 1997 State of the State speech, Governor Ben Cayetano's prescription for economic recovery emphasized government support for building a "major regional shopping center" in Kaka'ako, pumping ten million dollars into the Hawai'i Visitors Bureau, reducing taxes on hotels, and pursuing the notion of Hawai'i as "The Health Care Center of the Pacific."

The following year, faced with deepening economic crises both in Hawai'i and East Asia, and shortfalls of public revenues, Cayetano's State of the State promoted a radical set of Reaganomics-like policies featuring sweeping changes in tax, funding, and regulatory policies.

All of these policy initiatives serve one end: To bind Hawai'i more tightly to the global economic system. What was crystal clear was the Cayetano administration's absolute belief in the commandment "globalize and thou shalt prosper."

Of course, globalization as a panacea for Hawai'i's ills is an old story. Back in the sixties, Governor John Burns proclaimed the Islands' future to be as the "hub of the Pacific," a leader in research, development, and innovative technologies. To wit, his 1964 remark that "I believe that today we have a great destiny. We are the people who are going to bridge East and West" (*Honolulu Advertiser* 1/19/1964).

Burns and his successors encouraged the massive infusions of capital from North America and the Pacific Rim that drove Hawai'i's transformation from plantation backwater to modern state. This peaked between 1987 and 1990, when general US economic prosperity, surplus Japanese yen soaking up Island hotels and businesses, and the infusion of California capital and tourists, helped stoke a sizable economic and speculative boom (Kent 1993:190-92).

In an attempt to halt economic downspin Cayetano and his circle have pushed the globalization strategy relentlessly. Special tax breaks were promoted for Hawai'i corporations involved in export operations. There were gubernatorial trips to Tokyo to convince the Japanese to send larger amounts of their devalued yen this way. To facilitate more Asian investment, the State has had Hawai'i designated as a Regional Center Authority able to offer (mostly to capitalists from Taiwan and China anxious to get money out of their countries) permanent residence for as little as half a million dollars invested. Buy a gas station or a restaurant, and you've got it made (see DBEDT 1997).

International tourism continues to be viewed as the ultimate savior. An outsized convention center was erected near Ala Moana. When direct Japan-to-Kona flights were held up by the federal government, Cayetano desperately lobbied the US Transportation Secretary. The Kona airport was expanded to accommodate direct flights from Japan and other global points. The Hawai'i Visitors Bureau heavily promotes the Islands in western Europe. In May 1998, the State pitched in $3.3 million to host the Miss Universe contest with the view of enhancing Hawai'i's image as an international resort destination.

Is the basic assumption here valid? Will more intense globalization benefit Hawai'i's people? Or rather, is the global system's domination over us at the root of much of our current *pilikia* (trouble)?

Globalization's Costs

Looking back over thirty years, we realize how monumental the long-term costs of globalizing Hawai'i have been. These include an economy slavishly dependent upon continuing overseas investment and beneficent economic conditions abroad. An unstable, generally low-wage tourism industry now generates a third of all jobs and a quarter of total economic activity (see Department of Business, Economic Development and Tourism [DBEDT] 1995, 1996). In 1998, the grossly uneven development of Hawai'i's economy with its swollen tourism sector, minuscule industry, and declining economic diversification, seems more characteristic of a third-world tourism economy than a first-world developed one.

So even amidst the 1987-90 boom, large sections of the local working and middle class were squeezed by a high cost-low wage economy. Multiple job holding was endemic. The boom fueled astronomic price rises in an already-inflated housing market.

Overseas capital gained a chokehold on the critical tourism/land development sector. US and Japanese companies traded luxury hotels around like kids swapping baseball cards. The late eighties witnessed Japanese corporations taking over restaurants, insurance firms, and shopping centers (Kent 1993:192-94).

So Hawai‘i marched to the drumbeat of transnational capital under the likes of Indonesian "global dealmaker" Sukarman Sukamto, an active figure in banking, real estate, and the construction of the Hawai‘i Convention Center. In the usual transnational pattern of leveraging political power in local political processes, Sukamto became a skillful player in Hawai‘i politics (Jokiel 1996).

Nothing has revealed the pitfalls of gambling on globalization more than the collapse of the boom in 1991 and the ensuing seven-year economic crisis. Between 1992 and 1995, economic growth was marginal (DBEDT 1993-96; Brandt 1997). A ballooned-up construction industry flattened. Tourist arrivals plunged. Areas on the Big Island and Kaua‘i experienced something resembling full-scale economic depression.

Downturns had occurred before. What was unprecedented was that the US economic expansion starting in 1993 did not (as it had in the past) spearhead new growth. In short, Hawai‘i was paying the price of being a one-crop, tourism/land development economy dependent upon badly depressed overseas economies. The plummeting of Hawai‘i's fortunes found transnational businessmen like Sukamto abandoning the Islands for the more dynamic Asian economies. New Japanese investment in Hawai‘i plunged with Japan's recession-racked economy and the weakened yen.

After major recent layoffs in plantation agriculture, energy, hotels, financial institutions, and shipyards, people are understandably more insecure about their jobs than ever. Thousands of positions are disappearing each year, many of the second and third jobs needed by hardpressed families to support vaguely middle-class lifestyles. A single week in February 1998 found the venerable Liberty House department store chain and Bank of Hawai‘i announcing permanent layoffs amounting to six hundred and seventy jobs (*Honolulu Advertiser* 2/19/1998). Personal bankruptcies are busting records. Meanwhile, the State experiences a widening income chasm, along with the shrinking of the authentic middle class and the growth of poverty. Economic failure intensifies out-migration – the State's population diminished by 14,000 in 1997 (*Honolulu Advertiser* 3/19/1998).

Globalization has become synonymous with transformed local consumption habits, such as the sanctification of mega-malls as the new universal place of worship. In Hawai'i, the logic of this process is to cannibalize that last bastion of the local economy, retail business. Since the early nineties, mainland "Big Box," large-discount, mass merchandisers Kmart, Wal-mart, Costco, etc., seeking new profit frontiers, have entrenched themselves here and in the process bankrupted local retailers who could not match their aggressive merchandising and pricing policies (*Hawaii Herald* 1997; *Honolulu Advertiser* 9/6/1995).

Because the logic of globalization processes is to reward the rich and overseas-connected and punish the poor and locally oriented, capital protects itself by making working people more vulnerable. The logic of globalization becomes the internal logic of locally-based firms. So powerful Island businessmen like Bank of Hawai'i CEO Lawrence Johnson and Richard Kelley of the Outrigger Hotels boost profits by using the new telecommunications revolution to adopt globalistic corporate strategies of labor cost-cutting, outsourcing labor, and restructuring, downsizing, and laying people off (*Hawai'i Business* 1996:12-15).

The Bank of Hawai'i transfers its merchant services to Phoenix, and Outrigger Hotels moves reservations to Denver. The local Bank of America does loan-processing in California, Matson Navigation its customer service in Phoenix, Aston Hotels its reservations in Dallas, and GTE Hawai'i its accounting on the mainland. Management jobs for locals, perhaps even more than entry-level ones, are being lost in such outsourcing. This accentuates the severe shortage of decent family-wage jobs (ibid.).

The upshot: Hawai'i now is enmeshed in the same *moral crisis* that afflicts so many other areas hooked on global capitalism. People can no longer make sense of, much less respond to, the massive changes impacting their lives. There is a sense of bewilderment and fear about the future and radical disconnection from the past. Time-honored social and family values wither under day-to-day pressures. This moral crisis gets played out in the startling rise in local out-migration to such curious destinations as Las Vegas, and in the upsurge in violent and property crime. Race and ethnic issues erupt on every question from promotions in the Kaua'i Police Department and Bishop Estate leasehold policy, to police brutality in Palolo and the matter of which immigrant gang – Samoan or Filipino – is to be supreme in the Kalihi public housing projects.

The Business/State Offensive

In swallowing the globalization mantra hook, line, and sinker, the Cayetano administration, like those before it, closed off its policy options. From New Zealand to Sweden, the logic of globalism forces governments anxious to serve local corporations and attract overseas investors to shrink public services and protection for workers. So in Hawai'i, too, Cayetano dumped the Hawai'i Democratic Party's historic commitments to mildly progressive government and adopted unabashedly pro-business policies.

One notes the nineties' corporate doublespeak – "reengineering," "restructuring," "downsizing," "privatizing" – employed by Cayetano administration officials. Like a true-blue conservative Texas Republican, Seiji Naya, the Director of the State's Department of Business, Economic Development and Tourism, blamed the State's commitments to business regulation and social welfare for economic problems (*Honolulu Advertiser* 5/5/1996; *Honolulu Star-Bulletin* 7/22/1997). The Governor notes the necessity for eliminating State regulatory commissions and cutting restrictions on business. During the 1998 Legislature, the Governor's office pushed strongly for dismantling the existing regulatory regime (source: political informants).

And using the cover of a State fiscal "crisis," the Cayetano administration carried out an assault on social services for the poor, and against the living standards of working people and State workers. State agency and non-profit social service providers have been sharply cut back. In 1995, six hundred and five government workers were laid off and hundreds of other positions eliminated. The University of Hawai'i, already operating on an anemic budget, was, after $58 million in initial cuts, told to trim $14 million more. In 1998, the University took a five-percent (or $13 million) additional cut. Given a fifty-percent increase in tuition, UH's historic mission as purveyor of higher education to all is now imperiled. Retirement benefits have been cut for new State and County workers, while future retirees' medical coverage was cut in half. The deepening of the fiscal crisis in early 1998 pointed to the elimination of a host of social service programs, hiring freezes, and public employee wage cuts (*Honolulu Advertiser*, 3/7/1998, 3/11/1998).

Cayetano's creation in July 1997 of the Economic Revitalization Task Force became the linchpin in the new assault by globalization interests. Its composition was dominated by the downtown Honolulu corporate elite, led by bank CEOs Johnson and Walter Dods, hotelman Richard Kelley, and others in the Big Business-international sector in Hawai'i. *Honolulu Advertiser* publisher Larry Fuller, in on the planning sessions, boasted how the Task Force was chosen to "represent a cross-section of decision makers" centered around "those who run the largest businesses and financial institutions" (Fuller 1997). Virtually identical to Cayetano's political bankrollers, the Task Force represented an offensive by major capital in Hawai'i to protect its levels of capital accumulation by shifting public costs elsewhere and eviscerating governmental regulation.

In fact, the Task Force package – substantially cutting income taxes and corporate taxes, increasing the general excise tax from 4% to 5.35%, more than doubling State dollars for tourism promotions and abolishing the State Land Use Commission – mimics Reagan's supply-side economic strategy of the early 1980s. That strategy had the impact of shifting income from the middle class to the rich, forcing cuts in basic programs for the poor and working class, and massively increasing the federal deficit (Sawicky & Baker 1996:1).

Given the historic failure of supply-side programs (which are in essence bribery of economic elites) to ignite real economic growth, the credibility of these Task Force recommendations quickly eroded. In response to a host of critiques, the Bank of Hawai'i and others launched an intensive lobbying campaign and a well-funded media propaganda blitz. When the State Senate in April offered its own more modest tax package, the Governor announced his forceful opposition (*Honolulu Advertiser* 4/14/1998).

One telling critique was that the Task Force package will simply not provide genuine economic stimulation. Economist Nick Johnson, for instance, in his "State Fiscal Project" analysis, writes that not only would tax cutting not positively impact economic growth, but any help it does provide "is likely to be offset by the economic damage wrought by the spending cuts necessary to keep the state budget in balance" (Johnson 1997:n.p.; see also Bartik 1996).

This is extremely relevant since the estimated shortfall of $200 million (Task Force figures) in State revenues generated by the new tax regime certainly means a further reduction in State welfare and educational services, disproportionately affecting working class and poor residents. The class bias is also quite clear in the distribution of tax benefits: Johnson argues that "the highest-income taxpayers" will receive the "largest dollar benefits and [...] largest benefits as a percentage of income" from the personal income tax cuts. Given recent State tax legislation, low income taxpayers "may actually see an increase in their personal income taxes compared with the years before 1995" (Johnson 1997:1-3).

In sum, the Task Force package is calculated to make Hawai'i more attractive for a new round of globalization by:

1. transferring the tax burden and impact of the State's revenue crisis onto the backs of local working- and lower-middle-class people and small business.

2. eviscerating the State regulatory environment to reduce the socially responsible costs of old and new capital.

3. radically increasing State expenditures to support tourism promotion.

The public hue and cry against the Task Force Program resulted in its major components being largely rejected by the 1998 legislature. But it remains the instrument of choice of political elites in the Democratic and Republican parties. During the 1998 election, Republican candidate Linda Lingle's campaign platform for rejuvenating Hawai'i's economy could have been taken verbatim from the Task Force Report. Unquestionably, the 1999-2003 Cayetano administration will promote a similar plan.

So political failure is accentuating Hawai'i's slide towards becoming a place where the rich use "free markets" to wax wealthier and isolate themselves from the chaos around them, while poorer citizens grow more hopeless and bitter, where ethnic and class tensions escalate. Rather than the "hub of the Pacific," the Islands now bid to become "the retail hub of the Pacific," as Asian tourists shop at Ala Moana and Waikele for Gucci, Louis Vuitton, Chanel and buy "American lifestyle" goods, and mainland retailers like Neiman Marcus and Nordstrom's arrive to service their needs. What Hawai'i derives from this: more low-end, retail jobs.

The experience of the Hawaiian Islands is thus a lousy advertisement for globalization. What gets confirmed here are the charges eloquently voiced by critics like David Korten and Deborah Sklair that globalization really means transnational corporations operating without responsibility or accountability to workers or the public, corrupting local government, and reducing citizenship to pigging out at the malls. As Korten (1995), a political economist with extensive experience in the Asia/Pacific region and the author of a number of books critiquing contemporary development, notes: "A global economy is inherently unjust, unstable, and unsustainable" (Korten 1995).

What is crucial is validating local and personal identity in the face of overseas capital and protecting peoples and cultures from globalization processes. This means empowering liberating and humanistic localistic values and structures. Localism as a social movement arose during the 1970s in reaction to the growing threat posed by "mainlandization." It held up the banner of "the righteousness of the land," "Ka 'Āina I Ka Pono," and the value and integrity of local place, local cultures. Unfortunately, the symbols of localism were appropriated and manipulated (then conveniently ditched) by cynical political opportunists like John Waihe'e. But the very ruthlessness of today's globalization, its overreaching agenda of undermining local cultures and imposing conformity and docility, will unleash resistance, reinvigorate localism, and give it new force. The various flickers of resistance to globalistic development that one sees at places like Waimea in Kaua'i, South Point on the Big Island, and O'ahu's North Shore are evidence.

The grand objective would be a grass-roots democratic revolution committed to greater equality, to reversing the dangerous trend towards greater class polarization, to investing in human resources, to guaranteeing a livable wage to everyone who wants to work, and to believing that a genuine social safety net is a critical foundation for a stable society. The function of the State government must be to provide a modicum of protection and security from the inherent chaos of international markets. Needless to say, a sovereign Hawaiian nation must be a centerpiece here.

We should explore the possibilities of making a "subsistence track" a genuine option for a sector of the population desiring it. Rather than the endless quest for more economic "growth" and more tourists, the focus needs to be on community-based and innovative economic development, and on utilizing a grass-roots, democratic, regulatory regime which advantages public over private goods, to make Hawai'i-based and overseas corporations instruments of *our* development. None of this will happen without the painstaking, issue-by-issue building of a broadbased political coalition of citizens devoted to transforming Hawai'i.❖

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