



Diversifying Hawaii's Economy

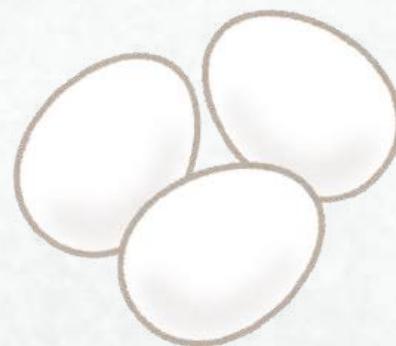
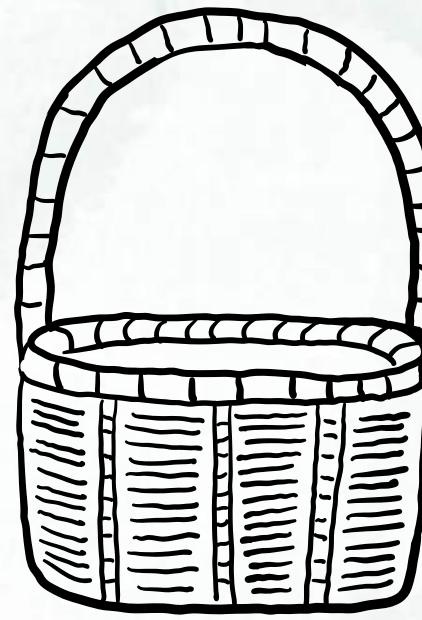
POLS 302 Native Hawaiian Politics

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Overview

- Hawaii's leading industries over time
- Negative impacts of overspecialization
- Potential opportunities and their challenges
- Policies for the future



An **economy** is a system of production, distribution, and consumption of resources.

What does it mean to diversify an economy?

Diversifying an economy means expanding the range of industries and sources of income so it doesn't rely too heavily on just one sector.

Timeline of Hawaii's Leading Industries



Subsistence Agriculture & Fishing
Ahupua'a System.
Community-based economy



Pre-1778

Whaling & Missionary Economy
Growth of churches, schools, and early capitalist structures.
Decline as petroleum replaces whale oil.



1820-60s

Resident Alien Act 1850

Captain James Cook first arrived in Hawaii 1778

Early Contact & 'Iliahi (Sandalwood) Trade
Trade with Chinese and European ships.
Led to over harvesting → environmental and economic strain.



1790s-1840s

Constitution of the Kingdom of Hawaii 1840

The Great Māhele 1848

Timeline of Hawaii's Leading Industries

Plantation Agriculture

Sugar & Pineapple production.
Mass immigration to supply labor.
Environmental damage, labor exploitation, cultural disruption, etc.
“Big Five” corporations controlled politics and economy.



Late 1800-Early 1900's

Pearl Harbor
Attack 1941

Visitor Industry (Tourism)

Statehood & accessible air travel caused the visitor industry to boom.



1959-Present

Kingdom of Hawaii was illegally overthrown 1893

Annexation of the Republic of Hawaii, Hawaii becomes U.S. territory 1898

Military Defense

After WWII, Hawai'i becomes a strategic U.S. military base in the Pacific.
Brought jobs and infrastructure but caused significant land loss and environmental impacts.



1940's-Present



Tourism Economy in Hawai'i



Tourism is Hawai'i's largest industry and primary economic driver.



Hawaii News Now. (2024, March 11). DBEDT director on diversifying Hawai'i's economy [Video]. YouTube. <https://www.youtube.com/watch?v=h7rjItU9ajs>

Hawai'i's "paradise" marketing made it a perfect tourism destination.



In 2019, tourism was 16.2% of Hawai'i Gross Domestic Product (GDP)

Jobs in the tourism industry accounted for 20% of total jobs in Hawai'i - Hotel, resort, service, transportation, retail, etc.

Negative Impacts of Tourism

Economic vulnerabilities:

- Short Term Shocks: Recessions, Pandemics (Covid-19), Natural Disasters, Maui wildfire incident
- Long Term Stagnation: GDP stalled since the 2000s, lower local spending by tourists

Rising housing costs and Hawaiian diaspora show **social challenges**, with more

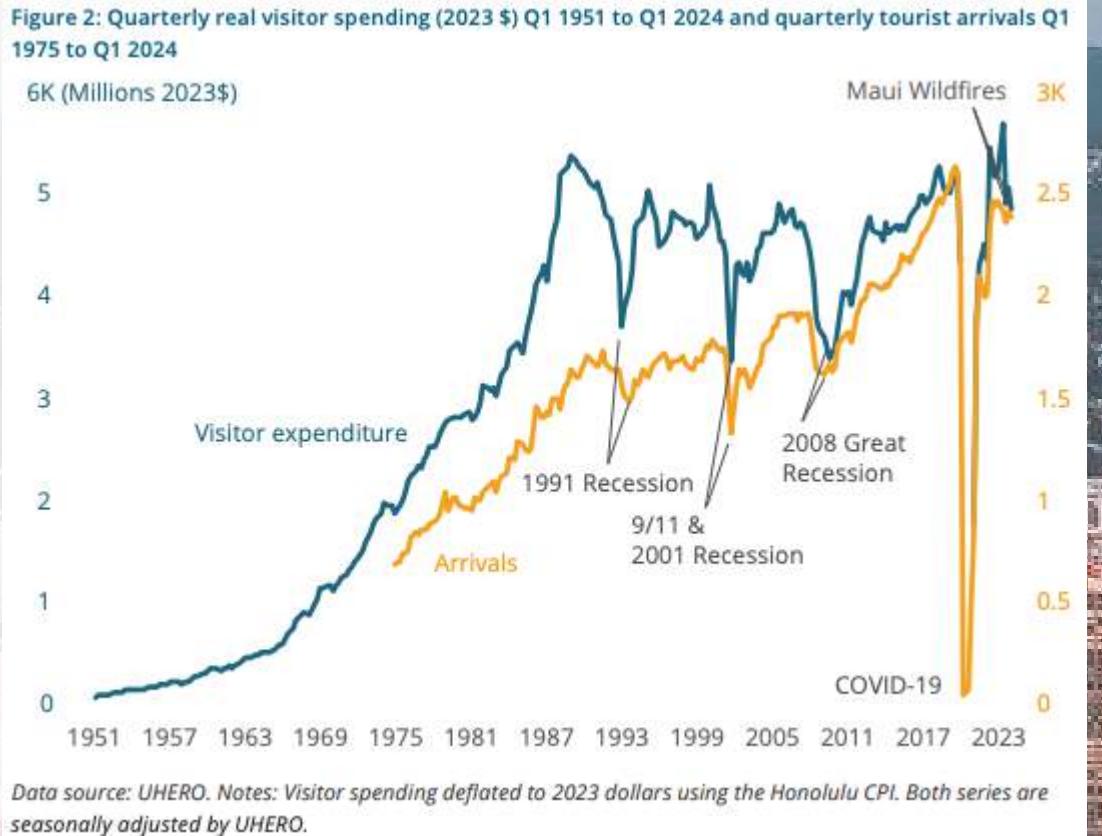
Native Hawaiians living on the U.S. mainland than in Hawai‘i (2020 Census)

Overuse of limited water and pollution of coastal ecosystems create
environmental issues

Tourism often commodifies Hawaiian **culture**:

“In reality, the tourist industry drives down wages, creating a cheap service sector. What passes for Hawaiian culture in the resorts is a trashy version of Na mea Hawaii ... Beyond this, large multi-hotel resorts consume precious groundwater, pollute estuarine and ocean environments, and ghettoize Hawaiian communities that are squeezed evermore tightly into an impoverished state.”

- Haunani-Kay Trask



Diversification Challenges

Hawai‘i faces a **regional development trap** – small, isolated economies often rely on one dominant industry, which encourages scaling up. This **overspecialization** makes branching out risky, especially for neighbor islands with fewer starting points and resources.



The approach to identifying opportunities looks at (i) industries that are more feasible, based on their relatedness to existing industries, and (ii) industries that may face development challenges, indicated by a **location quotient (LQ)** below one.

LQ = 1 → Same as national average

LQ > 1 → More concentrated locally
(strength)

LQ < 1 → Less concentrated locally
(underdeveloped)

The goal is to reduce reliance on tourism by building resilience and expanding into sectors that play into Hawai‘i’s strengths.

https://uhawaii-manoa.primo.exlibrisgroup.com/permalink/01UHAWAII_MANOA/1j16209/almag9910915996605681

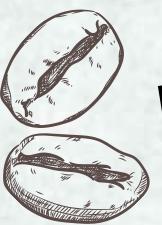
Boylan, Dan, et al. Diversifying Hawaii’s Economy. [Wong Audiovisual Center, University of Hawaii at Manoa], 2011.

Fruit and Tree Nut
Combination Farming
e.g., Macadamia Nuts



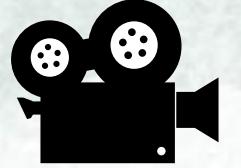
Agriculture (Niche Crops)
Face water and land limits.

Rice Farming



Kona Coffee

Film and video
production



Creative Industries
Needs skills and studios



Fashion, Visual
Arts and Design

Music and
performing arts

Publishing and
literature

Breweries and
Wineries

Traditional Hawaiian
Knowledge

Education and Knowledge
Needs skills, funding, and infrastructures



Hawaiian Language
Schools



Flight Training

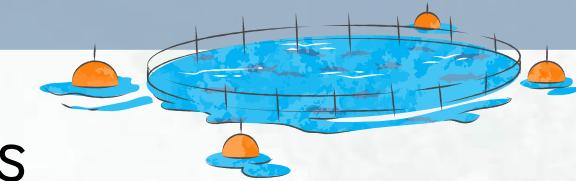
Forestry
(on Hawaii Island)

Boat Building



Shellfish Fishing/Farming

Ocean-based industries / Aquaculture
Needs sustainability, investment, and regulations.



Fish Hatcheries

Finfish Farming

Seafood Product

Preparation and Packaging

Research and Development in
the Physical, Engineering, and
Life Sciences

Conclusion

Policies Moving Forward:

- Address developmental bottlenecks: market and government failures, lack of necessary infrastructure, or insufficient specific skills
- Overcoming coordination and hold-up problems
- Avoiding over reliance on one industry
- Strategic policy design and Governance

Recent Policies and Initiatives:

- **Green Fee** (TAT ↑ to 11%, Jan 2026): Funds environmental stewardship, hazard mitigation, and sustainable tourism.
- **Hawaii Renewable Energy Technologies Income Tax Credit (RETITC)**: Provides tax incentives for homeowners and businesses installing solar and wind energy systems.
- **NSF Growth Engine CliRAIM (Climate Resilient Aquaculture Innovation Megahub)**: aims to develop climate-resilient aquaculture solutions within a regional innovation ecosystem
- **Kama'āina Come Home - Engineering Initiative**: Connects former Kama'āina engineers with local job opportunities.

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