

Lānaʻi Economics: Part 2

Post-COVID recovery on Lānaʻi and its future

Community Meeting Summary: January 25, 2021

Guest Presenter		Summarizing Lānaʻi																					
Paul Brewbaker, Ph.D., CBE TZ Economics		<ul style="list-style-type: none"> Small, open economy 	<ul style="list-style-type: none"> Benefits from imports 																				
Current economic impact of COVID-19		<ul style="list-style-type: none"> Better off specializing in one or small number of exports 	<ul style="list-style-type: none"> Likely that more than half of Lānaʻi value-add originates in tourism 																				
<ul style="list-style-type: none"> After COVID hit, Pūlama Lānaʻi maintained most employment until Fall 2020 Pandemic caused a sudden stop in Lānaʻi tourism We experience an external shock every decade (example: 9/11, Lehman Brothers, COVID-19) We need to prepare; risk does not care if you ignore it, it will happen 		<ul style="list-style-type: none"> Tourism is a reasonable specialization in an exportable activity given Lānaʻi's endowment 	<ul style="list-style-type: none"> Repositioned product and experience to wellness theme Authentic low-density tourism 																				
Economics 101: Theory of small open economies & diversification		<ul style="list-style-type: none"> Diversification is unnecessary to justify investments in other economic activities 	<ul style="list-style-type: none"> Adding dimensions to the current economy may be risk-mitigating and fun 																				
Specialize	<ul style="list-style-type: none"> Economies specialize and export because it makes them better off than the alternative Your specialty is making a living doing something feasible and trading that work, making you and your trading partner better off 	Structure of Maui County & Lānaʻi Economy																					
Self-sufficiency	<ul style="list-style-type: none"> Small economies with intentions of existing in isolation are generally poorer. Example is North Korea If you had to grow all your food, make all your clothes, treat your own sickness... it would be difficult to do everything well, so instead, specialize 	Maui County <ul style="list-style-type: none"> Many industries make up the \$11 billion GDP (2019) including: <table border="1"> <tr> <td>22.9%</td> <td>Real estate & rental & leasing</td> </tr> <tr> <td>21.1%</td> <td>Accommodation & food services</td> </tr> <tr> <td>8.6%</td> <td>Government</td> </tr> <tr> <td>7.8%</td> <td>Retail trade</td> </tr> <tr> <td>6.9%</td> <td>Transportation, warehousing</td> </tr> </table>	22.9%	Real estate & rental & leasing	21.1%	Accommodation & food services	8.6%	Government	7.8%	Retail trade	6.9%	Transportation, warehousing	Lānaʻi <ul style="list-style-type: none"> Fewer industries make up Lānaʻi's economy Payroll employment data (2019) shows: <table border="1"> <tr> <td>43.8%</td> <td>Accommodation & food services</td> </tr> <tr> <td>18.8%</td> <td>Other private</td> </tr> <tr> <td>12.5%</td> <td>Government</td> </tr> <tr> <td>6.3%</td> <td>Trade, Transportation & Utilities</td> </tr> <tr> <td>6.3%</td> <td>Health care & social assistance</td> </tr> </table>	43.8%	Accommodation & food services	18.8%	Other private	12.5%	Government	6.3%	Trade, Transportation & Utilities	6.3%	Health care & social assistance
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Equilibrium	<ul style="list-style-type: none"> In principle, an island's owner with an initial capital endowment, sets up an equilibrium sustainable by market forces (labor, travel, recreation markets, etc.) 	<ul style="list-style-type: none"> Industries have varying degrees of volatility & GDP growth <ul style="list-style-type: none"> Retail: low volatility, medium GDP growth Real estate: high volatility, low GDP growth 	<ul style="list-style-type: none"> Don't be too worried about diversity, tourism is the low hanging fruit Opportunity to add dimensionality 																				
Economic Changes																							
E-commerce	<ul style="list-style-type: none"> Online education, new skills 																						
People leaving Hawaiʻi	<ul style="list-style-type: none"> Federal ID number requests increases (more new businesses) 																						
Remote work	<ul style="list-style-type: none"> More demand for single family homes, less for condos Decrease in retail and recreation 																						