“Kicking The Can” Also Kicks Tourism

By Dr. Richard Kelley

When I was eight years old I enjoyed playing “Kick The Can” with the neighborhood kids in the streets near our temporary World War II home in Los Angeles. It was fun, and except for a few scrapes and bruises, nobody got hurt. Unfortunately, today’s political leaders are playing a far more dangerous, real-life game of “Kick The Can” with our nation’s public debt. Instead of making the hard decisions needed to get spending and deficits under control, they are “kicking the problem down the road,” jeopardizing our nation’s economic health – and with it, the health of our tourism industry.

Despite all the talk by politicians and media pundits about the “default crisis” having been resolved, nothing could be further from the truth. The hard facts are that our federal government is, in essence, broke (and so are a number of our state and local governments, including Hawai’i’s), and the hole is too big to plug with a little cost cutting. Although the U.S. government’s debt ceiling was raised by $2.4 trillion to avoid a technical default this week, the government is on course to continue increasing the debt over the next decade by an additional $9.5 trillion – a sum so astronomical it stags the imagination.

There was only a token $900 billion in spending “cuts” in the bill that Congress finally passed. However, the Cato Institute’s Chris Edwards points out that spending isn’t really being cut at all. “The ‘cuts’ in the deal are only cuts from the Congressional Budget Office ‘baseline,’ which is a Washington construct of ever-rising spending. And even these ‘cuts’ from the baseline include $156 billion of interest savings, which are imaginary because the underlying cuts are imaginary. … The federal government will still run a deficit of $1 trillion next year.” In plain English, that means our government will spend $1 trillion more than it takes in, adding to our current national debt of $14.6 trillion (nearly $47,000 for every man, woman and child in the country).

The bill that Congress passed with such difficulty last week assigns the job of finding an additional $1.5 trillion of so-called spending “cuts” to a “supercommittee.” This herculean task is supposed to be completed by Thanksgiving. To make such significant cuts, the supercommittee will have no alternative but to begin scaling back our nation’s huge entitlement programs, such as Medicare, Medicaid and Social Security.

The prospects of increasing national debt, cutbacks in entitlement programs and rising taxes – all against the background of a continuing weak national and global economy – shake public confidence around the world. In response, stock markets are swooning, and the price of gold is hitting new highs. (Put another way, the value of the dollar is dropping.)

All this inevitably affects travel and tourism as well. Tourism analyst Dr. Peter Tarlow predicts that America’s economic difficulties, added to similar economic challenges in Europe (which, like us, has been living beyond its means), and recent concerns about the ability of China to maintain its record economic growth, will definitely affect tourism. Leisure travel is discretionary, and people naturally scale back or cancel travel plans when they worry they might not have enough money.

With a gridlocked, financially overstretched government apparently unable to pull the U.S. economy out of its persistent stagnation – unemployment is stuck above 9 percent – and with nearly three out of four (72 percent) visitors to Hawai’i coming from the continental U.S., it is not surprising that this year’s growth in mainland arrivals suddenly hit a wall in June and dropped 3.6 percent.

International arrivals, normally about 28 percent of Hawai’i’s visitors, have been strong and up nearly 20 percent through June, at least in part thanks to the weakening of the U.S. dollar. The exception is Japan, down 9 percent through June, due to the economic disruption caused by the devastating March earthquake and tsunami in the northeast of that country.

These unsettling times are a major challenge. They require continual re-evaluation of our sales and marketing plans. Operational departments will need to adjust to a mix of visitors coming from different places than they did last year – even last month. We are going to have to be more alert, proactive and innovative than ever. But the basics of Travel & Tourism will stay the same. People will still travel to places that offer unique experiences, safety and security, excellent service, warm hospitality and value for money.

At Outrigger and OHANA Hotels & Resorts, that’s what we do every day. In our world, we cannot even think of “kicking the can down the road” and letting someone else handle the job.