A Little Perspective on the Economy

On Tuesday I had the pleasure of once again taking part in the Employee of the Quarter celebrations. I like these gatherings not only because they’re a great excuse to mingle with old friends and colleagues, but also because they give me a chance to pause and focus on the great work people do in every department, in every hotel, day after day, throughout the year. Too often, I believe, excellent, dedicated performance goes unrecognized. These celebrations are a welcome opportunity to honor and reflect upon some of the greatest stand-out performances by members of our ‘ohana in the past few months.

When it was my turn to speak, I took the opportunity not only to thank and congratulate the honorees, but also to offer a few words about something that’s on everybody’s mind these days, the economy.

Because the economy affects all of us in so many ways – from the empty rooms and reduced hours that result from falling visitor numbers to the repercussions that the turmoil on Wall Street is having on people’s life savings – I believe it will be useful to share the perspectives I spoke about on Tuesday with the readers of Saturday Briefing.

Following is a slight adaptation of the remarks I made:

I want to speak to you from my own years of experience about the state of the economy and Travel & Tourism.

Unless you have been hiding in a cave for the past few months, you know that our state, our nation, and indeed the whole world are going through some very difficult times economically.

The excesses of the early part of this first decade of the new millennium have overtaxed both the domestic and international financial systems.

Companies are failing. In an effort to prevent economic chaos, governments are intervening in the banking business around the world, even buying partial ownership stakes in banks.

Individuals and families are suffering – some have lost jobs, many are wondering about the value of their homes and savings.

With people feeling insecure about their finances, Travel & Tourism is way down. We are seeing this first-hand in Hawaii.

As a result, our state government is facing a big budget deficit.

The outlook is for rough going, and it is unclear how long and deep the recession we are entering will be.

As Barack Obama’s former minister Jeremiah Wright says, “The chickens have come home to roost!”

Some time ago, a wise man, who was also a frequent return guest at the Outrigger Waikiki, pointed out to me that economies are always cyclical, and that these cycles seem to follow the decades.

During my lifetime of almost 75 years, I have observed that he was generally right. This pattern does indeed seem to be the case, with occasional exceptions. The economy tends to build momentum after the first part of a decade and then go into a funk near the end of the decade.

Think of the 1990s. There was a slump from July 1990 to March 1991. Then, the national economy grew exponentially until the end of the decade, when the dot-com bubble burst.

The 1980s were the same. After a real slowdown from January 1980 to November 1982, there were eight years of exponential – many say excessive – growth. The Japanese were buying everything in sight including many Hawaii properties, the Pebble Beach golf complex and one of America’s architectural icons, New York’s Rockefeller Center. But about 1987, the savings and loan crisis came to a head and the economy crashed.

The classic boom and bust was the high-flying “flapper” era of the 1920s that ended with the Wall Street crash in October 1929, which ushered in the Great Depression of the 1930s.

By the way, some people toss around terms like “depression” pretty loosely. A depression is much, much more serious than a recession. At the Great Depression’s low point, in 1932, unemployment stood at nearly 25 percent – one out of every four American workers was out of a job! And there was no unemployment insurance program to ease the pain until 1935. There were bread lines, soup kitchens, and forlorn, hopeless people everywhere.

In today’s recession, the national unemployment rate stands at just over 6 percent. In Hawaii, it’s a little over 4 percent. We all wish these numbers were lower, but they’re not even within shouting distance of 25 percent.

Washington Post economics columnist Robert Samuelson discussed other differences between depression and recession just a couple of weeks ago. “Since the late 1940s,” he wrote, “the United States has suffered 10 recessions. On average, they’ve lasted 10 months and involved peak monthly unemployment of 7.6 percent; the worst (those of 1973-75 and 1981-82) both lasted 16 months and had peak unemployment of 9 percent and 10.8 percent, respectively.” The Great Depression, by comparison, not only created devastating unemployment but “lasted a decade.” (For Samuelson’s full article, see www.washingtonpost.com/wp-dyn/content/article/2008/10/05/AR2008100501251.html.)
As difficult as recessions—and even the Depression—have been, they and the rebounds that followed have given your company many opportunities.

Our company’s founder, Roy Kelley, could not find a job in Los Angeles in 1929, so he and his wife, Estelle, came to Hawaii to start a new life.

The slow economy of the late 1950s and early 1960s allowed us to acquire the land to develop four Outrigger hotels. Good business in the mid-1960s helped pay for their construction. When we opened up the properties in the years from 1969 to 1973, times were tough again. We had no idea where the customers for those new hotels would come from, but the boom of the mid-1970s filled them up.

The hard times at the end of the 1970s, and again, the 1980s made it possible to pick up some great properties such as the Prince Kuhio (1982), Hobron (1987) and Maile Court (1987) hotels.

The excellent economy of the first part of the current decade enabled us to redevelop the Beach Walk area into the beautiful complex of shops, restaurants and hotels you see today.

Now, at the end of 2008, we once again face challenging times. As baseball legend Yogi Berra once said, “It’s like déjà vu all over again.”

As a result, we will have to make some changes and pay more attention to everything we do. We will have to adapt our operations to the numbers and kinds of customers available. We will all have to watch every cost and work harder than ever before:

- To market aggressively
- To give each and every guest outstanding service
- To provide memorable Hawaiian hospitality

This applies to everyone, no matter what your job or title is.

Fortunately, your company is strong. We have been conservative. We are not overextended. The fundamentals of both our state and national economies also remain strong.

At the national level …

- Those who compare the current situation and the beginning of the Great Depression are overlooking many important factors that are entirely different today, and which promise a much happier outcome.
- Americans are among the world’s most productive workers, and we remain the world’s largest, strongest economy. We are not even down, much less out.
- We are blessed with abundant resources; a smart, talented, adaptable workforce; a political and economic system that rewards enterprise and initiative, and that creates new products, new services, new industries, and millions of new jobs – and remains the envy of the rest of the world.

Here in Hawaii …

- The fundamentals of Travel & Tourism, our most important industry, also remain strong.
- These beautiful islands, magnificent ocean, and delightful climate will continue to attract people – and our trade winds give us a tremendous advantage over most other tropical destinations, which are muggy and uncomfortable.
- Our tradition of Aloha and the wonderful mix of cultures and cuisines we offer are another powerful advantage we enjoy.
- So I am confident that today’s dip in tourism will again be followed by many more good years.

If we do the things I have just described, stick together and support each other, we will get through the next few months or even years, just as we have done in the past, stronger and better than ever before.

A lot of people both locally and nationally—even internationally—are working hard to get the economy back on track.

I think we are starting to see some results. Monday’s record jump in the stock market was a good sign, but we all know there is much that remains to be done, and we will continue to see ups and downs for a while, just as we saw with the stock market in the last few days.

I want to thank each and every member of our ʻohana for your patience, understanding and support in these difficult times. Please do not hesitate to contact Human Resources for any special needs or situations. Let’s hang in there and do what we’ve always done—meet the challenges we face with resourcefulness and determination to succeed.