

## GOVERNMENT ON THE MEND BEND

As COVID numbers continue to improve in Hawaii and across the nation, a worrisome trend is forming both at the federal and state levels. The rationale behind their decisions could be debated, though the tangible impacts being revealed are unquestionable and concerning.

### The Lockdown

Our state lawmakers likely had good intentions with the mandated lockdowns, however, their sluggish response to encouraging data is causing unnecessary strain to the core of our economy. While the full impact of the lockdown is yet to be seen, we've already experienced hundreds of bankruptcies and tens of thousands of lost jobs. Our state is moving inversely where we continue to hamper our economic drivers while the COVID data is already moving in a positive direction. It is critical that our lawmakers open up our economy with measured risk.

### Furlough NIMBY

While Hawaii's historically low unemployment rate has escalated to nine percent due to the pandemic, there has been no reduction in government funding nor a willingness to shrink their budget.

We have not seen any furloughs or pay cuts for the public sector, while in the private sector layoffs, constriction, budget cuts and outright closures continue to occur. As a result, the private sector is carrying a disproportionate weight of the economic adjustments we have collectively endured. Bear in mind, it is the same constricted private sector that floats the entirety of the public sector which hasn't flexed at all during the past 15 months.

### Tax Trophy

On a related note, there is the historic vote to increase the Hawaii State Income Tax from 11% to 16% which far exceeds the highest rate of 13.3% currently held by California. A dubious honor no state should be proud to hold. Our legislature has learned nothing from the mass migration taking place in California who adopted this aggressive taxation philosophy years ago. Many are seeking refuge from tax and business friendly states across our nation. Overreaching tax policy is a well-documented path to economic breakdown.



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Highest State Income Tax Rates



## **Collect the Check**

Businesses continue to struggle getting employees to return. In the short-term, industries are losing the battle between gainful employment and government programs including unemployment extensions and additional stimulus payments. The current administration in Washington is doubling down on the stimulus philosophy, further disincentivizing the labor force. It was a fear widely discussed from the early stimulus packages to current, and along with pending inflation, is one of the major prices being paid for overplaying the “stimulus hand”. In Hawaii, it is significantly impacting almost every industry statewide.

## **Rail**

In the realm of governmental gaffs, there is no larger white elephant as it continues to balloon despite its unknown conclusion. No one knows where it is going; leadership continues to change; funding questions remain; major equipment defects have been brought to light. All the while the anticipated costs for completing the initial plan are now in excess of \$12 billion dollars without a defined path going forward.

## **Conclusion**

The underlying issue, we need our philosophies & policies to have some connection to fundamental economic health. On both the national and state levels, the approaches being adopted are short-sighted and have never led to robust economies. It is critical for us to learn from history and require our legislators to focus on achieving the highest levels of intellectual integrity, competency, economic freedom, non-partisan leadership and accountable government. We are at a pivotal point in our history and these core components must return to the forefront of our decision-making.

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