The University of Hawai‘i, Public Policy, and the Process of Globalization

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University of Hawai‘i (UH) President Kenneth Mortimer leaves office in 2001, having served about eight years. During that period, Hawai‘i’s modern political machine took $1.4 billion in State funds originally marked for the University and diverted these funds to serve other purposes. The machine’s pronouncements to the contrary, supporting higher education has not been its priority for some time. This article discusses the recent evisceration of the UH, the local machine’s relationship to the UH system, and the way these factors relate to the process of globalization.

The Grand Turn Around of 1954

The lynchpin year for viewing twentieth-century Hawai‘i is 1954. Electoral politics changed: 80-90 percent of the then-US Territory’s elections were won by a Republican machine prior to that date; 80-90 percent of elections have been won by Democrats since then.[1] The pre-1954 machine was made up mainly of whites, and some wealthy Hawaiians and Portuguese, although Japanese and Chinese were also members; this machine was intertwined with a handful of Big Five economic leaders. From the 1954 revolution’s Democratic factions, a new machine grew by the mid-1960s (Stauffer 2000); this machine was made up mainly of Japanese and Chinese, although some whites, Hawaiians, Portuguese, and Filipinos were also members. This machine became intertwined with economic leaders in the Islands and, reflecting changes in the local economy, this new machine became linked with local representatives of overseas economic leaders.

Economics in Hawai’i changed from 1954. In the early 1980s, I examined the Islands’ economy and advanced the thesis that the new political machine had adopted a public policy of dependency on outside capital that had, in turn, resulted in an unprecedented decline in nearly all social indices in the Islands (Stauffer 1984).

Today, the Islands have become so dependent and accustomed to domination by outside corporations that bleed profits out of state, that it is useful to recall the economic status of local capital before 1954. Surely that pre-1954 capital operated in a wider economic network. But it was relatively autonomous within the national, regional, and world economic systems. It did not report to outside capital, as today’s local economic leaders do. The old capital saw to it that its profits stayed primarily in the Islands, in marked contrast with today’s economic leaders, who send profits outside Hawai‘i.

Capital before 1954 was allied with the local Republican machine. Ethnicity was consistent across the boards; those who controlled the machine

and its patronage systems also controlled capital and reaped its profits. This is not to say that all whites, Hawaiians, and Portuguese were bosses of the machine or captains of industry, but rather that the bosses and captains came from these ethnic groups, primarily white.

So ruthless was this oligarchy in politically and economically excluding those outside of its circle that it engendered political activists among the non-elite. This development helps explain why the post-1954 machine embraced outside capital in a successful bid to humble Big Five capital that was viewed as an enemy. Thus the relatively autonomously controlled local economy was turned around and made dependent on outside economic actors, primarily from the United States, who had been trying unsuccessfully to economically take over the Islands for decades.

Does this thesis of tying dependency to the modern machine and its policies of humbling Big Five capital hold up? Although it seems odd even to suggest that Big Five capital was once relatively autonomous, the facts are there. The local elite held more capital outside of the Islands than outside capitalists held here, through the early 1950s. A turnaround then occurred, so that by the 1970s the opposite was true. The turnaround left a hemorrhage of profits flowing out of the Islands by 1980. After all, from capital ownership comes investment profits. More profits had flowed into Hawai‘i than out of it, prior to the turnaround.

Capital ownership and profits also influences the balance of trade. Here, again, there was a shift in Hawai‘i from a positive balance of trade through the 1950s, to where Hawai‘i had a decidedly negative balance of trade by the 1970s (Stauffer 1984:1-2,9,11).

Today most people accept that the local economy is owned by outsiders; that the local “captains” of industry are, for the most part, lieutenants under outside commanders; profits of local labor flow to outsiders, perhaps to trickle down and assist some economy far away; and the Islands’ balance of trade is hopelessly negative. My thesis points out that this was not always the case, and helps explain how and why this radical economic turnaround occurred.[2]

My thesis helps explain the woeful economic statistics in Hawai‘i over the past generation by pointing to the economic changes of the 1950s. But let us pull this thread further, economic change occurred then because of a shift in political control. In other words, the humbling of Big Five capital and welcoming of a new economic relationship dependent upon outside capital, followed from public policies adopted by new political rulers.

In short, a corollary thesis is that this shift in political control – the first in 70 years – made possible the shift in economic control in Hawai‘i.[3] What changed things was the advent of an oppositional political force that had, for the first time since the 1880s, successfully taken political control away from Big Five capital.[4]

The new local political elite, which created the Democratic political machine during the 1960s appeared to do well through their partnership with outside capital. But these new leaders’ “successful” strategy, even if unwittingly, was a disaster for most local folks, who saw a precipitous decline in their quality of life (Stauffer 1984).

Globalization: Dependency and Service Industry

The effects of global capital on Hawai‘i were twofold: first, the new political machine could have maintained a reasonably autonomous role in the global economy by continuing a local policy I call “retail economics.” Instead, it chose dependency, or “wholesale economics.”

A non-dependency retail economics model would have kept hotels and other economic assets in local hands, selling directly (retail) to customers. Instead, the new machine chose the wholesale approach, generally giving away the “raw materials” of the tourist industry – local sights, sands, and surf – to overseas owners in exchange for low taxes for these owners who then got to own local assets and pocket the large direct (retail) profits from customers.[5]

The second effect of globalism dealt with the local machine’s choice of industry to publicly support. Global capital develops service industries with low wages, on the one hand, but it also develops production or information industries with high wages.[6] The local machine chose the worst of all possible worlds: dependency and the global-capital-directed development of the low-wage service industry.[7]

Previously, the Islands enjoyed an industrial-level development of agriculture, with the world’s highest-paid agricultural workers who enjoyed wages far above those seen today in the resort industry. The industrial-style plantations supported high-tech biological research[8] and even skilled labor in steelworks that produced top-rank mechanical equipment for agricultural production locally and for export. All of this infrastructure has been largely dismantled today as the old Big Five relocated to low-wage areas overseas.

Not all economic indicators have gone downhill since the 1970s. A boom in the late 1980s, for example, was fueled mainly by Japanese investment capital. The local machine still led the Islands in its continuing and deepening economic dependency, but now Asian (primarily Japanese) economic actors joined their American colleagues in holding leading outsider roles. The boom increased the net worth of the machine’s elite (who owned land or at least their homes) and hurt the 60 percent of local families who did not own homes; these families saw an explosion in both residential and commercial rents (Kent 1994).

With outside capital in economic control, and a local political machine that continues to do well, no oppositional force then or since has threatened the status quo.[9] The effects of following the twin policies of dependency and service-industry development to deal with globalization are far reaching. Social statistics have continued to decline since the 1970s. Below is a handful of quality-of-life facts about the non-elite that stand out for the generational period of the last 25 years.[10]

Woeful social statistics from the Census. Of all the statistics from the US Census Bureau, perhaps the bottom-line one for social-economic quality of life is the composite figure that shows the number of families who are settled, own their own homes and do not have to share the dwelling with other individuals.

Nationally, about 65 percent of US families have this type of living arrangement. Locally, these are the figures as of 1990: 67 percent of old immigrants (Japanese Americans and Chinese Americans), but only 41 percent of whites, 29 percent of Hawaiians, and 27 percent of new immigrants (other immigrants, including Filipinos; Census Bureau 1993). These statistics, the worst in the country, reflects the rise in land values here for the elite and the rise in rents for everyone else. For example, the concept of 20 (or 30, or more) people under one roof – including several complete households – is common here for certain ethnic groups, but relatively unknown in the continental United States.[11]

Downward pressure on wages. With the non-tourism sector of the local economy paying about twice the salaries of the tourism sector, the continued expansion of the tourist economy over the last generation has seriously depressed wages, the economy, government revenues, and the Islands' economic health and future (DBEDT 1999). The continued public subsidy and support of tourism has also contributed to the non-local-ownership of capital assets here, and to a decline in the physical environment and open spaces. Perhaps most significant, this subsidy and support is a major direct cause of population increases in Hawai'i, which again lower the local quality of life and the physical environment (Nordyke 1989:256-57).[12]

Drop in quality of life. A generation ago, Hawai'i's prices were 20 percent above the continental United States, but Hawai'i's wages were 22 percent higher, putting us two percent ahead. By 1996, however, our wages were eight percent or less above the continent's, but our prices were about 39 percent higher, leaving us 31 percent behind. Put another way, the financial quality of life here has dropped by a third. Other relevant statistics that list the rate of inflation, the rise in the cost of supporting a moderate-income household of four, and the rise in salaries, also show a drop in local financial health by at least a quarter over the previous generation (DBEDT 1999). Whether a quarter or more, the decline is evidently worse than during the Great Depression of the 1930s. The Hawai'i decline in financial quality of life over the past generation may well be the worst of any significant political subdivision in the developed world.

Uneven price rises. Even before the increases of the last half-dozen years, the cost of attending the University of Hawai'i at Mānoa had been going up, from 1970 to the late 1980s, 215 percent – faster than inflation. The cost of renting a room during the same period went up 300 percent – faster than inflation. Landlords did well; student renters did not.

Increases in rents. The increase in landholder rents was actively supported by the political machine. The machine dismantled Honolulu's rent-control in the 1960s, generally refused to build new rental housing projects for working families, and allowed the existing inventory of public housing units to deteriorate and become ghettoized. The machine also supported land-use policies that primarily benefited landowners, consultants, and developers, but that hurt local families who confronted, by the 1990s, some of the highest housing costs in the country. Related costs of living, from services to groceries, were likewise some of the highest in the country because of high commercial rents (DBEDT 1999).

Lack of support for the minimum wage. With minimum wages on the US continent often at $8 (including several cities on the West Coast), and with some continental politicians calling for minimum wages of $11 or more (e.g., the San Francisco mayoral race of 1999), the local machine kept its minimum wage only a bit over $5. The percentage of local workers paid at minimum wage, meanwhile, has been far above those working in similar fields on the continent.[13]

Uneven wage growth. Local wages, although falling behind expenses from the 1970s through the 1980s did experience some nominal rises. But again, these rises were uneven. Jobs in tourism (Hawai‘i's top industry) and the related service sector (the second-largest economic sector) have fallen behind further than others (DBEDT 1999). Of the economic declines of a quarter or more, wages of tourism and service workers – making up much of the local workforce – declined most. Indeed, these workers' quality of financial life fell much faster than that of other workers.

Decreases in social services. Following national trends, but worsened by the high local cost of living and the long-time failure of the political machine to adjust welfare rates, Hawai‘i's poor saw their purchasing power drop much more than Hawai‘i's general financial decline. A decline in Hawai‘i's services from the public sector also occurred, twinned with local increases in the most regressive of taxes, namely governmental fees.

High profit margins. Generally, US productivity meanwhile increased 33 percent between 1970 and 1994 because of increased labor productivity (*American Statistics Index*). Increased real labor productivity coupled with decreased real wages resulted in a double increase in profit margins to overseas capital.

Increases in corporate welfare. The local machine did nothing to reverse an ominous national trend that rewarded capital over labor. Nationally over the past generation, corporate income tax payments, which through the 1930s and 1940s equaled personal income tax payments, continued to decline in ratio to personal tax payments, placing continued tax pressure on individuals. By the mid-1990s, the ratio of corporate-to-personal income taxation had shifted to one-to-nine at the federal level and one-to-twenty at the state level. Instead of halting or reversing this trend, local political leaders allied themselves with big-capital supporters at the national level in calling for a total elimination of this tax on capital.

Pressure on small business. Small business people (in accounting terms, technically known as sole-proprietors, partnerships, and "S" corporations), all pay their taxes through the personal income tax, so they are lumped in with the labor half of this tax system (i.e., the personal income tax portion of the income tax), that once equaled capital's half of the system (i.e., the corporate income tax, which falls on big business, technically known as "C" corporations). The increasing tax squeeze is therefore on labor *and* small business, caused by relatively huge cuts on big business tax rates. Besides the injustices of the machine's income-tax code, the split between safety-net taxes on big business versus small business creates further unfairness. These levees include such things as unemployment taxes, workers' compensation insurance mandates, and

the like. These taxes are astronomically regressive. A small-business employer of average-wage workers pays up to 20 *times* the tax rate on these taxes when compared to a big-business employer of a million-dollar executive. There has been no discussion on raising the local corporate income tax to ameliorate the unevenness of the federal safety-net tax burden. Instead of trying to ameliorate this federal burden on small business, the local machine has placed the *highest level* of *local* safety-net taxes (insurance mandates, local unemployment taxes) on small-businesses here of any state in the country.

Regressive personal income tax. Hawai‘i's personal income tax is one of the highest in the nation. Because the machine refuses to index personal deductions to inflation, this tax is now much more regressive than even the regressive federal personal income tax system.[14] Beyond this issue of the harshness of the local machine's tax code on the middle class, lies the machine's equally harsh policies on the poor – the machine refuses to follow the federal tax code when it comes to having an earned-income-credit for the working poor.

Downward "development" in jobs. Hawai‘i's job types since the 1970s have grown most in being servants for the rich: tour guides for foreign wealthy visitors, limousine drivers, nannies, yard-keepers, maids, tutors, clerks in "financial services" companies helping the rich make their fortunes from speculative schemes, clerks in accounting companies helping the rich get their huge subsidies from not having to pay taxes, etc. These jobs often do not entitle workers to health insurance and other benefits, pensions, or high salaries. Even worse, many of these jobs are temporary.

Education and the Machine

One way to break the cycle of political-economic decline and dependency is education. But having the servant class become educated (as opposed to "trained") is a liability from the point of view of the class of wealth. Likewise, a rise in real educational levels (as opposed to "social promotions" from one grade to the next) eventually means rising aspirations and, ultimately, demands for rising wages and changes in economic policy. Education is therefore not in the best interests of the outside capital that controls the local economy: most tourist jobs require little beyond the skills of an eighth-grade education.

A debate over similar facts concerning education occurred here in the 1920s. Much of Big Five capital, then in economic and political control of the Islands, followed the anti-education line. But the pro-education forces triumphed because of two peculiar facts: (a) a sizeable sector of capital was willing to support education even if it meant eventual class suicide; and, (b) the educational system, although dominated by the ethnic group of the elite (whites), contained large numbers of teachers and other educational workers who were stridently opposed to the status quo and actively working for the downfall of their own ethnic class. Fuchs' social history, which documents these two facts, concludes that it was these things that brought about the old machine's downfall in the 1950s (Fuchs 1983:262-98).

No such debate, however, has gone on recently.[15] In addition, the local machine has first rather successfully hobbled lower education and is now doing the same to higher education. The unspoken, prevailing, public approach of the machine is not just against a well-educated work force, but also against the whole idea of a well-educated citizenry.

The difference between the struggles in the 1920s and today is that in the 1920s perhaps the strongest educational system for disenfranchised agricultural workers anywhere in the world took root and flourished. During the last generation, however, Hawai‘i’s modern machine has catered to the desires of the anti-education lobby and set a direction that has seriously reduced public support for lower and higher education in the Islands.

Further comparative research should be carried out to examine the machine of the 1920s versus the machine of today to see how they correspond in so many ways, yet ultimately diverge, in this area of public policy regarding education.

Within this context, what *are* the current public policies of the modern local machine toward the University of Hawai‘i? Although the intent of thoughts is to reduce support for the UH in view of creating a less-educated citizenry, the details of the current public policies are less clear and do not exist in writing anywhere. Instead, great obfuscation exists through written statements and speeches, with little media or other review or oversight. Having confiscated $1.4 billion from the UH system over the past six years, the UH administration trumpeted its plans in May 2000 to raise $1 million in donations. Slightly earlier, the state administration crowed over restoring a few million dollars in cuts, while the media allowed itself to be little more than a vehicle of such false self-promotion.

When Fuchs was here in the late 1950s, he arranged for dozens of interviews and hundreds of studies or reviews of data. Yet apparently, he found no insider willing to completely “spill the beans.” A review of the 70 years of control by the pre-1954 local machine found no whistle blower who was willing to critically expose the inner policies of that elite. It is therefore not surprising that no one has stepped forward from the modern machine, to the best of my knowledge, to expose its inner policies.

Since I worked closely with networks within that modern machine for many years, confidences require me to limit the specifics of what I write. Yet what I can lay out below is more than has appeared in the public record. Let me begin by sketching the outlines of six pertinent fundamental, public policies affecting the UH that have been adopted by the local political machine through its control of the political system in Hawai‘i:

1. To maintain tight, direct control over the UH.

2. To provide sports teams at the collegiate level, and to allow members of the machine and elite to exert influence over these teams.

3. To use the University’s “Research Corporation” as an end-run for the machine to circumvent normal bidding procedures.

4. To use the University for personnel patronage.

5. To use the University as a dumping ground for construction projects in order to “legally” reap monetary kickbacks and payoffs.

6. To use the University’s budget as a fund that can be slashed in order to help finance other priorities of the machine, including servicing the machine’s debt.

These policies are pursued by the local political machine within what limited local room of maneuver it has. None of these policies go against the interests of global capital. Indeed, cutting public support for the University fits within global capital’s requirement for a non-aspiring work force.

1. Tight Control

The local machine, rising up in the 1960s, felt it had to first establish, and now maintain, tight, direct control over the UH. This degree of “politicization” or “political interference” in the UH is perhaps higher than in any other state and has been commented on extensively.

From an ethnic point of view, not only is Hawai‘i perhaps the only political subdivision in the developed world outside of Japan that has an elite of color – Americans of Japanese and Chinese ancestry – but the University of Hawai‘i is apparently the only statewide public university system controlled by a board of color that, in turn, reflects the same ethnicities.[16] And it is through the Board of Regents that the machine maintains its tight control of the UH.

Beyond ethnicity, there is little difference between Hawai‘i and other states in terms of a university that is influenced by a local political machine, or a university run by people who are generally part of the same elite that politically controls the state.

Where difference exists, it is in degree. The extensive comments about the level of control here is because the local control level is relatively high, akin to direct control. A difference also exists in the long tenure of Hawai‘i’s modern machine. In no other state today has a machine ruled for as long. Therefore, the give-and-take in the halls of government – where one party rules for a while and makes appointments, and then another takes political control and makes its appointments – is less seen in Hawai‘i. Appointed boards like the Regents, or other public boards and commissions, take on a membership that reflects the machine more than in other states.

2. Sports

A second public policy of the machine concerns the personal interest by some of its members in UH sports. Although this interest is not particularly different from other states, the degree of direct involvement has sometimes been quite high and appears to exceed the norm. Some stories are quite exceptional, such as allegations against a Regent twenty years ago for his involvement with a scandal-plagued and sanctioned UH basketball team.

3. Slush Fund

A third, relatively unknown policy deals with the obscure topic of procurement and public-bidding systems. The local machine has reacted, over the years, to criticism about its corrupt insider deals by adopting various “open bid” procedures designed to make the general public think that corruption is now cleaned up – “open bid” theoretically opens up public procurement contracts to a fair and open bid system. Historically, these local “reform” procedures have simply created more red tape, that is then used to stifle competition and keep those not associated with the machine out of the government-bid process.

In most cases, the machine gets around the red tape for insider contracts by using “non-bid” loopholes in the procurement laws. But sometimes, this process is not available. A key pathway for the local circumvention of open procurement rules is then taken: the University of Hawaiʻi. The UH has, for many years, served as a kind of end-run around the procurement laws for the local machine.

As spelled out in Chapter 307, *Hawaiʻi Revised Statutes*, the University of Hawaiʻi, through its research corporation, is given the almost exclusive blanket rights within state statutes to circumvent state procurement procedures, bid laws, and laws dealing with the control and accounting of moneys and the setting up of special accounts. But this right is not available universally; it is not, for example, extended to the rank and file at the UH.

These exemptions have, however, led to all types of odd contracts, strange financial arrangements, and other insider deals being funneled through the University. Such exempted contracts have generally escaped public review – a regrettable fact, as the contracts expose some inside interests and dealings of the machine. Many of these deals have nothing to do with higher education, but because the service is a reasonably vital one to insiders, the UH holds a prominent place among the public policies of the machine.

4. Patronage

A fourth key policy for the University, like many other areas of Hawaiʻi’s government, is for UH to be available for patronage personnel payoffs. Friends of the machine get patronage jobs at the University. Following the process of how this policy is implemented can be illuminating.

In one case that has never made it into the public record. An obscure office of the University was mysteriously awarded a new, high-paying personnel position through the budget process at the state legislature. Little, if any, comment was made either in the hearing process, or in the written legislative documentation, that accompanied the state budget. The position, as is often done in such cases, was established as being exempt from the normal civil-service recruitment system. Once the budget passed and the paperwork ended

for the new position, the job was quietly filled with the machine appointee to whom it had likely been promised long before.

In another unpublicized case, an existing civil-service-exempt position opened up – a high-paying one with few responsibilities – only to be quietly filled with a machine insider. At other times, the machine established new special offices, such as those for patenting inventions, and these offices became attached to the University for administrative purposes. Repeating this scheme provides not only patronage positions to fill with rewardees, but also press releases trumpeting how the machine is "helping" the economy and state.[17]

5. "Legal" Kickbacks and Payoffs (AKA Campaign "Contributions")

A fifth key public policy of the machine for the University deals with using it for insider patronage construction jobs. The public-policy-setting level of government has created a whole network of buildings of higher education to serve as a dumping ground for badly designed construction projects. The legal kickbacks ("campaign donations") from these design and construction contracts provide the funds that now, perhaps as much as anything else, keeps the machine in power. Analyses of donations have for years shown the connection between campaign monies and companies doing business with the state – and particularly architects, engineers, and contractors involved with state construction contracts (see Lind 1992, for an example).

This policy helps explain why the new chemistry lab sinks did not at all line up with the chemistry lab faucets (at Windward Community College), or why a new building was so badly designed and constructed that entire floors remain completely empty years after the construction job was done (the Ocean Science building, UH Mānoa). The machine's purpose here is not particularly to build things that work. Instead, it is to build things in such a way as to guarantee maximum kickbacks that will, in turn, keep the machine in power. This also explains the bloated budgets for these construction jobs: the higher the contract, the higher the kickback.

When applied not only to the University but also to the rest of state government, this public policy explains much of how the machine has stayed in power and hurt the state's economy. These construction jobs do not "spur an economy" but rather burden it under ever-increasing debt.

Piggy Bank Robbing (AKA Debt Financing). One reason the state cannot fund the schools or kids' programs today is not because it has hired too many teachers – we actually have too few. What has hurt, instead, has been the machine's debt that has increased at a rate that is *five times* the rate of population growth. We used to owe, in 1958, $619.50 per household for the old machine's debt. Now we owe around *$20,000* per household for the new machine's debt.

It costs around $650 million a year or more to cover that modern debt, and this amount is *rising*. That could hire a lot of teachers and professors. It has gotten to the point today where nearly one out of every four taxpayers pays the

equivalent of *all* of their state taxes (sales tax, gas tax, you name it) to cover the machine's debt. The other taxpayers must then handle everything else: the schools, University, prisons, courts, etc. Put another way, all of us pay various state taxes and fees, and nearly a quarter of it essentially gets diverted to cover the machine's debt servicing costs. Yet a further way of putting this: we pay all our different kinds of state taxes through March or so, every year, just to cover the machine's debt.[18]

A sad state of affairs indeed. The machine has set it up so that *we* will be paying off *its* debt for a generation or more after the machine is gone. The machine has mortgaged the future of Hawai'i's children, and has robbed them not only of their future taxes, but also, as we shall see below, robbed them of the top-flight education that they will need to compete in the future.

6. Further Piggy Bank Robbing

Finally, a sixth major public policy of the machine follows from the fifth. Namely, if the machine needs to bankrupt the state under a growing debt in order to continue to stay in power, then the machine has to figure out where the governmental budget must be cut to accommodate the ever-increasing debt-servicing cost of that debt. This is a relatively new major public policy that the machine engages in with regard to the UH: to enforce significant budget cuts on public higher education in order to cover the servicing costs of the machine's debt.

Implementing this policy has been masterfully choreographed and played out over the last several years. This modern play began with installing a new top tier of management at the UH. President Kenneth Mortimer was hired in 1993 amid a chorus of criticism for the secretive method used by the machine to bring about his appointment. His credentials for the job, that begin to expose the machine's strategy in hiring him, include the publication of such works as *The Three "r's" of the Eighties: Reduction, Reallocation, and Retrenchment* (1979), *Governance in Institutions with Faculty Unions* (1977), *Faculty Bargaining and the Politics of Retrenchment* (1977), and *Faculty Bargaining, State Government, and Campus Autonomy* (1976). All were excellent items on a résumé for the part he had to perform in the drama about to be played out.[19]

The next scene of the tragedy was the passage of Act 161 in 1995 (*Session Laws of 1995*, now codified primarily within Chapter 304, *Hawai'i Revised Statutes*). This law changed public policy with regard to UH tuition funds. Previously, tuition payments went into the state's general fund, and then general-fund monies were separately budgeted to the UH. Under this former system, no real incentive existed for the UH – as opposed to the machine – to raise tuition, because any increased tuition revenue would simply go back to the general fund instead of the University.

Act 161 changed all this: Tuition revenues would now go to the UH, thus instantly creating an incentive to raise the tax known as "tuition." With some concerned community people and legislators fearing a rip-off of students, a key

provision was included in the Act (§4, later codified as §304-7.5, *Hawai'i Revised Statutes)*. This portion of the law guaranteed that general-fund support (i.e., public support) for the UH would remain at least at the existing level, as adjusted upwards each year for inflation.[20] A related clause guaranteed that tuition costs would never rise above 30 percent of the cost of education (§3, later codified as §304-16.5, *Hawai'i Revised Statutes*). The idea was that a significant amount of public revenues would and should continue to go to higher education in Hawai'i, and any new revenue from raised tuition costs should therefore go to the UH as *added* revenue, and not just as a substitute for reduced general-fund payments.

The guiding cover-story for this change was spelled out in these two explicit public policies (contained in §3, (§304-16.5, *Hawai'i Revised Statutes*):

> Moneys deposited into the [new tuition] fund shall be expended to maintain and improve the university's programs and operations and shall not be:
> (1) Used in a justification for reducing any budget request or allotment to the University of Hawaii [...]; and
> (3) [Shall additionally not be] Restricted by the governor or the director of finance. [...] Any rule, policy, or action of any agency or individual in contravention of this subsection shall be void as against public policy (§3).[21]

With elegant choreography, the Regents then acted to essentially double tuition costs, all the while assuring the University community and the broader community that with Act 161, these funds would now go to upgrade the UH. But under the politicized nature of the UH Regents, the machine extends its direct control to at least the level of a majority of the Regents and probably through the top tier of the UH administration. And the state administration, legislature, Regents, and top tier of the UH administration played their roles as the tuition hikes and promises were being made: not one of them, that I know of, publicly spilled the beans over what was going on.

Who were the authors of this show, i.e., the decision to gut the University (as we shall see below) while hiding things behind Act 161? I do not know. But whoever they were, the strategy shows subtle minds capable of great inventiveness and understanding of the art of sleight-of-hand in the public arena. Not to mention a political imagination unchallenged by any deep sense of conscience or morality.

We begin to wonder at the promises made when we notice that the legislature was at the same time drastically cutting the general-fund monies to the UH. The 1993-94 year had, for example, shown a public appropriation of operating funds at the UH Mānoa of $221,198,036. The 1994-95 year, supposedly used as the benchmark by Act 161, pegged operational support for Mānoa at $225,208,669. Now, for the 1995-96 year, the amount should have risen, in theory, to about $239 million to reflect inflation in higher education, according to the terms of Act 161. Instead, the amount was cut to $195 million by the legislature, and then reduced still further to just $174 million by administrative decree, a taking of $65 million (27 percent) from what was promised.

The next year, 1996-97, the legislature allocated a general fund appropriation of $196 million. This was reduced once more by the state administration, this time to under $174 million, when it should have risen for

inflation to about $253 million. This represented a confiscation of another $79 million, or 31 percent of what had been promised when tuition was being raised and Act 161 was being shepherded through the legislative process.

The machine could point toward the fine print of the social contract expressed in Act 161. In the two reasonably clear cardinal policies quoted above, the first ellipsis contained the fine print "unless the university requests such a reduction." Here, the compliant top tier of the University administration played its role by requesting such reductions (or, perhaps, in not protesting against requests made in their name by the machine).

The second ellipsis contained in the quoted statutory language allowed for budgetary restrictions to the UH with "the prior approval of the legislature." In fine, choreographed form, the legislature also came through.

Furthermore, Act 161, while permitting the doubling of tuition – a process that was initiated within weeks of the Act's approval – did not mandate its minimal benchmark level of public funds to kick in until the 1997-98 year. Therefore, it could be argued that the takings of 1995-96 and 1996-97 were technically permitted by the Act. Despite such obfuscation, however, the machine's actions of raising tuition while deeply cutting public funding were clearly a violation of the intent of the law and the many public statements of the machine and its cohorts.

Things came to a head with the 1997-98 budget. As now directly mandated by Act 161, the appropriation for operations at UH Mānoa should have been about $268 million. Instead the appropriated amount was under $167 million, a taking of $101 million or 38 percent. (See Figure 1).

[[include Figure 1 here.]]

At this point, it became clear that Act 161 was a ruse; that the machine, by its actions, does not particularly believe in the rule of law. Using Act 161 as a cover, the machine instituted a shocking decline in public support for higher education, a scandalous doubling of tuition, and a wrong-headed economic policy of financially pushing students out of school during a recession,[22] all while frustrating the hope of educating Hawai'i's people as a means of ending Hawai'i's cycle of economic decline.

The machine then followed through with Act 115, *Session Laws of 1998*. The benchmark guarantee of public funds was simply deleted. As one ranking UH administrator put it: the law (i.e., Act 161) was being ignored anyway, so it was put out of its misery.

In its place, the machine inserted new language (§17 of Act 115) that now tied any public appropriation for the University to the level of tuition being squeezed out of the students. Students from now on would be legally required to be financially squeezed.

Act 115 established that public appropriations for higher education were, for the first time, *capped* by law as not allowed to rise above a certain multiplier of tuition receipts. This capping had the effect of dampening any hope of increasing the number of tuition-waivers, which increased enrollments but

directly cut into tuition receipts.[23] Meanwhile, through the same Act, the machine quietly deleted the requirement that tuition payments never exceed 30 percent of the cost of education (§20 of Act 115). The machine thereby shredded the limits on how high tuition could go, or how low public support could fall.

The proposed appropriation for Mānoa operations for the 1998-99 year had been earlier set by the legislature to be about $166 million. Come 1998, the budget for that year was amended downward; less than $158 million was appropriated. It should have been $284 million according to the original contract proposed by Act 161. So, for 1998-99, the taking was $126 million (44 percent).

The proposal for 1999-2000 was $169 million, instead of $301 million, for a taking of another $132 million (44 percent). And the proposal for 2000-01 was $168 million, instead of $319 million, for a taking of yet another $151 million (47 percent, or nearly half of what should have been allocated).

In all this, the machine got remarkable compliance from its followers in the state administration, legislature, Regents, and UH administration. Students, confronted with a 47 percent cut in funding while having to pay a doubled tuition, clearly were getting it coming and going. Yet, faced with working one or two jobs each while trying to attend school, students found organizing defiance difficult. The calculated risk the machine took of overtly decimating public higher education in Hawai‘i has therefore been successful thus far, the scripted choreography masterful in its vision, implementation, and execution.[24]

As laid out above, for the six-year period since the start of this tragedy, some $654 million was “legally” confiscated from the UH Mānoa. These operational monies at only one campus are, of course, just a fraction of the total, non-construction UH budget. When we look at the whole UH budget, we see what a layperson would conclude to be a willful violation by the machine of both the spirit and letter of the law – there is no way a taking of this size, accomplished over several years through carefully planned decisions and documentation, and accounting for a system-wide confiscation of something like $1413 million (i.e., $1.4 billion), could be anything other than deliberate.[25] (See Figure 2).

[Put Figure 2 here.]

This public policy of slashing the UH and using its lifeblood to service the machine’s debt has proven to be “successful” for the machine, because it continues to get re-elected and remain in power.

Conclusion

The stated mission of a land-grant, sea-grant, space-grant university is to provide education, research, and community service. At the least, a strong public university is vital for turning around Hawai‘i’s economy. How do these goals and needs relate to the machine’s six public policies listed above?

The answer is that such things as education do not rate among the major policies set by the machine. Indeed, these policies, when looked at as a whole, have the (perhaps unintended) result of cumulatively harming the UH system's education, research, and community-service, to the detriment of most if not all of Hawai'i's people and their future generations.

FIG 1

(In millions of dollars). Source: Act 252, *Session Laws of 1994*; Act 218, *Session Laws of 1995*; Act 287, *Session Laws of 1996*; Act 328, *Session Laws of 1997*; Act 116, *Session Laws of 1998*; and Act 91, *Session Laws of 1999*.

FIG 2

(In millions of dollars). Source: Act 252, *Session Laws of 1994*; Act 218, *Session Laws of 1995*; Act 287, *Session Laws of 1996*; Act 328, *Session Laws of 1997*; Act 116, *Session Laws of 1998*; and Act 91, *Session Laws of 1999*.

Notes

1. For a review of the pre-1954 machine, see Fuchs 1983. For a review of the post-1954 machine, see Cooper and Daws 1990.

2. My 1984 thesis that these economic changes occurred due to a local public policy of dependency is sometimes challenged by two competing theses.

   The first is to point to technological change to explain the above changes. Jet transportation is an example of these tech advances. "Because of jet transportation," the saying goes, "the Islands could no longer keep outside economic forces at bay." But technological change had been going on for the previous 75 years that local capital ruled the Islands, without overthrowing that rule. Those technological changes that occurred about the time of the 1954 revolution, like the earlier ones, were tied to outside technical and economic dynamics. The fact that "jet travel" occurred about the same time as the 1954 revolution and the later shift to a dependency policy was little more than a coincidence of time – there is no direct cause-and-effect relationship between the two. Jet travel may have given indirect pressure to the change, but it did not directly lead to a breaking of local capital, an export of large amounts of profit away from the Islands, and a policy of dependency on outside capital.

   Secondly, political structural change (i.e., "statehood" in 1959) is also sometimes advanced as a competing explanation for the changes we have seen. But political structural change occurred over the preceding 75 years based on various dynamics. Again, there is no direct cause-and-effect relationship between a political change like "statehood" and the 1954 revolution and the policy of dependency. Indeed, conventional wisdom in Washington, D.C., fully expected "statehood" to bring voting Republican congressional representatives to the national capital. Statehood, like the technical advances, was not the direct cause of an imbalance in trade and an export of profits; the opposite would have been expected with the stronger political powers granted to the Islands with statehood.

3. Following from the previous note, this corollary in the text shows how technology or "statehood," per se, would have no more changed the economic or political domination of local capital than the prior broad dissemination of either steamship transportation or radio communication, or the establishment of either the "republic" or the "territory" of Hawai'i.

4. For additional historical context, see Kent 1993 and McElrath 1999. A review of how local capital had come into control of Hawai'i will help us understand more clearly the history of the Islands. We often concentrate on historical events like the 1893 overthrow of the monarchy or annexation in 1898-1900. Yet a review of the development of local capital and the pre-1954 political machine requires, in turn, a new look at historical events.

   In 1852, the most democratic constitution in the world, and the only one that guaranteed male suffrage regardless of class, was adopted by the Hawaiian kingdom. It was abolished by the coup of 1864, that ushered in a new oligarchic constitution where suffrage was limited to the wealthiest five percent of males, and candidates for public office were limited to the wealthiest half-percent of males. Even with these restrictions, the only elections that were allowed, in the whole nation, were for a minority of seats in a unicameral part-time parliament. The Islands' electoral democracy died in that year, and an era of corruption was ushered in, centered on the haole-dominated cabinet. Thus, the haole oligarchy came to have local political control.

   With the advent of reduced US import duties on Hawaiian sugar after 1876, the wealthiest man in the US West, sugar baron Claus Spreckels, bought up the plutocratic government through tens of millions of (today's) dollars in bribes given to the monarch, prime minister and on down. From about 1880 through 1886, the government was controlled by Spreckels' cabinet (half the cabinet for much of that time were his personal employees).

   Local capital, brought to heel by Spreckels' *political* control, was thereby *economically* humbled. At one point, Spreckels gained direct or indirect control of two-thirds of local sugar, while owning the shipping line to the West Coast, the sugar refining and distribution apparatus there, as well as the Hawaiian government apparatus and various corrupt economic sweetheart deals that he was able to secure from that government.

   Spreckels fell in a complex series of events in 1886 and 1887. The victor was a local political-military force indebted to Big Five capital. Local capital was therefore again triumphant in gaining political control. That Big Five capital then successfully held off all opposition, including both Big Five labor and outside capital, until the mid-1950s.

5. Criticism of over-dependence on outside investment in Hawai'i has been extensive. See Stauffer 1984; Kent 1993,1999; Kelly 1994; Kim 1994; Aoudé 1998.

6. For a discussion of a higher-wage alternative to tourism, see Herbig and Kramer 1994.

7. For more discussion on the local tourism industry, see Kent 1993; Aoudé 1993; and Rohter 1994.

8. To counteract introduced crop diseases and insect infestations, while continuously seeking and attaining higher-yielding crops, the Islands supported top research institutions that kept local pesticide and fertilizer needs low through crop cross-breading and searching out countering insect species from around the world. One legacy of this research was one of the world's top insect collections, now housed at Bishop Museum. The highest ratio of successful conversion of renewable solar energy to edible calories ever achieved was within Hawai'i's high-tech sugar plantations.

9. While no successful challenge to the status quo has been mounted, this does not mean criticism has not existed. See in particular the two "political economy" issues of *Social Process in Hawai'i* (1984 and 1994), and Aoudé 1994a (the introduction in the latter volume). Likewise, it does not mean that opposition did not exist, nor that some battles

were not lost by the modern Hawai‘i machine (see Aoudé 1999a,b; Hasager 1999; Nakata 1999; Niheu 1999; and Witeck 1999).

10. Looking back over a century, the local opposition's social-democratic "Liberal" Party published its platform in 1891, declaring that "all Government should be founded on the principles of Liberty, Equality and Fraternity;" that all people "are born free and equal before the law and are endowed with inalienable rights to life, to liberty, to property, to the pursuit of happiness and to self-protection against arbitrary concentration of power, irresponsible wealth [i.e., wealth is not responsible to public regulation], and unfair competition" ("Platform" 1891:1). The Liberals, the leading political party in the Islands at the time, failed in their attempts to take political and economic control of the Islands from the recently victorious Big Five capitalists and their allies. Opponents today are much less organized and parallel the previous group's lack of political success.

11. For this and the succeeding paragraphs in the section, I have used relatively complex methods in arriving at my conclusions. Some of the methodologies employed are discussed in my earlier article (Stauffer 1984). Other methodologies are discussed in unpublished manuscripts. For a discussion of the generally woeful policies of the Hawai‘i political machine regarding housing, see Aoudé 1994b.

12. For a review of such declines, including attacks on the quality of the physical environment, see Minerbi 1994.

13. A comparison between the local minimum wage and the local cost of living is also illuminating. The local minimum wage was first set in 1942 under the Republican oligarchy machine. The bosses of the old machine presided over the establishment of this minimum wage, and then raised it so that by 1953 the minimum wage had increased at over three times the increase in the cost of living (the wage rose from 25 cents/hour to 65 cents/hour, a rise of 160 percent, while the cost of living rose only 52 percent). The 1954 Democratic revolution initially was quite progressive, with changes reflected in many areas including the minimum wage. Through 1962, the revolutionaries increased the minimum wage at a similar rate to the previous decade. The wage rose from 65 cents/hour to $1.15/hour, a rise of 77 percent, while the cost of living rose only 23 percent. Over the next decade, however, the revolution was taken over by the new machine, and attention to the minimum wage and average working folks began to wane, as the minimum wage barely kept up with rises in the cost of living. During this time, the wage rose to $2.40/hour, a rise of 109 percent, while the cost of living rose 72 percent. Once the machine took over, attention to the plight of average folks was abandoned all together. The cost of living rose at a rate twice as fast as rises in the minimum wage: between 1975 and 1999, the wage rose from $2.40/hour to $5.25/hour, a rise of 119 percent, while the cost of living rose 208 percent (DBEDT 1999).

14. For example, look at an average household of three persons, making $37,141 in 1998 – a real-life example – that takes the standard deduction and exemptions. The federal personal income-tax code allows them $14,350 in deductions. But Hawai‘i's personal income-tax code allows them less than one-third of that. The size of a household's deductions determines its final "taxable income," and therefore controls the final amount of personal income tax to be paid. How does the state allow a working-class household to get only one-third the deductions allowed by the federal government? This is because, even though the state follows nearly all of the federal tax code, the local political machine has decided to *not* follow the Feds in increasing these personal deductions for inflation. So the current federal tax code, much criticized for its bias against average folks, is actually *three times more lenient* on them than the tax code imposed by the local machine. Put another way, the real-life example above results in this household paying a federal income tax of just $2,436, which is *less than* this household's state income tax of

$2,574. Yet, following the rules of congress, the state income tax payable by this household should be about $800, or just a third of the federal tax.

15. This is not to say that no discussion about education has occurred. The topic is, if anything, quite popular in the local media and among politicians. Some local hotels have, for example, adopted some primary schools here to help ensure that their future low-paid local employees at least know how to spell. But no real dialogue has gone on over the broader issue of giving the schools the public resources and support necessary to bring about real education and a well-educated and informed citizenry.

16. David Yount comments in his insider's history of the UH how, in recent years, a majority of seats on the Board of Regents were always held by old immigrants (1996:118); see also Kamins and Potter 1998:316-17.

17. On review, these special offices seem to exist for patronage but are relatively unproductive otherwise. One expert recently referred to the incumbent "professionals" in the high-paid positions in one such office as little more than "clerks."

18. State/machine debt statistics: in 1958, the debt was $98 million (Schmitt 1977:649; Tax Foundation 1969). In 1999, it had grown quite a bit. Exactly how much depends on what definition for debt is used. "Statement of Total Outstanding Indebtedness of The State of Hawai'i" is in some ways a good definition. It is reported to be $6.9 billion as of mid-1999 (B&F 1999), but this includes "special revenue bonds." These special state bonds (IOUs) totaled zero in 1958, but about $1.4 billion in 1999. The bonds are IOUs issued by private entities such as Queen's Hospital. They are generally private except that, unlike purely private debts, when Queen's or others make interest payments on these bonds to their lenders, those lenders enjoy tax exemption. In other words, these bonds are treated as tax-exempt bonds much like IOUs issued directly by the state. In theory, if Queen's or the others defaulted on these bonds, the state would not be directly liable. No such entity has defaulted that I know of, so whether the state would end up accepting responsibility for any of these special state bonds remains to be seen. I do, however, recall the case of Mānoa Finance and other loan companies who defaulted in the early 1980s. Although likewise not guaranteed by the state, the state had a connection with these earlier entities – just as the state has today with today's entities – and the state ended up accepting responsibility for assisting the creditors of the earlier failed companies.

The increase in state indebtedness from 1958 to 1999 is 70 times if the full state indebtedness is used, or 56 times if the special state revenue bonds are excluded. The inflation factor for 1958 was 30. It is estimated to be 172 in 1999, having increased 5.7 times (DBEDT 1999:416-17). Adjusting the size of the debt by inflation therefore means it increased 12 times (or, if the special state bonds are excluded, the increase was 10 times). The population in 1960 (closest available) was 632,772 people. In 1998 (also closest available), it was 1,193,001 (ibid.:10,12), having increased 1.9 times. Adjusting further the size of the debt by this population increase therefore means the debt increased over six times (or, if the special state bonds are excluded, the increase was 5.2 times). Therefore, even as adjusted for inflation and population growth, the state/machine debt has increased by five times or more.

The debt, as of mid-1999, totaled about $5,784.10 per person (or about $4,635.64 per person if the special state bonds are excluded). Notice, on the one hand, that the machine owes none of this – the machine's debt is, instead, owed by the people. Notice, on the other hand, that the debt is theoretically owed by all the people – not just working adults. Even a newly born infant here comes into the world saddled with this debt. A family of four therefore owes $23,136 as of mid-1999 (or, if we exclude the special state bonds, their debt is $18,543). Therefore, as stated in the text, the per-family share of the debt is about $20,000 as compared to the 1958 debt which was about $155 per person, or $619.50 per household.

Any debt, of course, gets serviced. Every year interest is paid, along with parts of the principal. There are also loan closing costs and refinancing costs. Coming up with all these debt-servicing costs for the machine's debt is rather complex: the total number is not listed by the state. One debt-servicing estimate is $636 million, gotten by cobbling together some interest and principal payments from different sources (DAGS 1999:34,75,77,82,83). But this figure is low, as certain additional servicing amounts are missing. For example, during the 1998-1999 fiscal year, some of the debt was re-financed, and re-financing costs could be considered to be part of the debt-servicing bill. After all, if the debt did not exist, there would have been no re-financing fee needing to be paid. Yet this $39 million re-financing cost (DAGS 1999:34) is not included in the $636 million estimate. Additional examples exist, and other debt-servicing expenses are likely to also exist but are not precisely known, because they have been added in with other expense categories and are thus cloaked in the official financial reports.

Pinning down even the $636 million estimate figure is an interesting exercise: the state keeps its books in different parts, with sometimes different methods of accounting. Different auditors are employed to audit the different parts. One part of the accounting books directly lists its cost of debt-servicing, but other parts do not. Even when the cost is listed, it does not include closing or re-financing costs.

The state's business department (Department of Business, Economic Development and Tourism; DBEDT) maintains various statistics and reports of business activity for Hawai'i, including many statistics for the state. It could not locate a total debt-servicing number. DBEDT also publishes the *State of Hawai'i Data Book*, which has a great amount of data, but essentially nothing on the state's debt – the 1998 *State of Hawai'i Data Book*, for example, includes just one debt figure, included within a table on page 273, but it is incomplete (1999).

The state's budget department (Department of Budget and Finance, B&F) maintains the total-indebtedness figure cited above (i.e., $6.9 billion), but admitted in a private communication that it did not yet keep the total debt-servicing figure. The outside audit company who audited part of the state's books, and had access to the audits done on the other parts of the books, agreed, in a private communication, that the figure was not listed, but did note that by going back to the raw figures, it could be calculated.

Two other economics offices, one private and one public, were also helpful. The state's accounting department (Department of Accounting and General Services; DAGS) gave the greatest assistance. In a private communication, its representative agreed that a single number was not listed; that the above estimate (i.e., $636 million) was a good basic figure; and, that any effort to get a more precise number would require going back to raw figures not included in the state's financial reports. This figure, in turn, does not include the debt-servicing costs of the special state bonds. Even raw figures for these are not known to the state as the debt-servicing is done by Queen's Hospital and the other businesses that use these state bonds. Thus the cost of servicing the total outstanding indebtedness of the state is unknown and possibly unknowable.

A related figure compares the annual debt-servicing amount to the total amount of state taxes. Total taxes, in the 1998-1999 state fiscal year, were $2.86 billion (DAGS 1999:120). This means that the debt-service, not counting the special state bonds, of that year ate up the equivalent of over 22 percent of all state taxes (i.e., about a quarter of the taxes). Naturally, if all the raw figures were gathered together to get a better handle on the total debt-servicing cost, then this figure would rise. Note that to say that about a quarter of taxes are eaten up by the debt helps us understand the size of the debt, but this statement should not be taken to mean that all debt-servicing costs come directly from tax revenues. In reality, some debt-servicing costs are paid through other arrangements.

In the text, I also noted that the debt was rising. From 1990 through 1999, for example, the state's general obligation bonded debt rose from $2,026,100,000 to $3,189,298,000, or over 57 percent (DBEDT 1999:299; DAGS 1999:187).

19. See Yount (1996:351). Observers of the University will, with this background on President Mortimer, now sense the probable source of these statements in recent years from the principal personalities of the state administration about the need for the UH to "reallocate" and "retrench" as was done "elsewhere in the 1980s." Notice as well the hitherto odd association, now prevalent on the part of the political machine, in twinning UH cuts on the one hand (i.e., "retrenchment," "reduction") with, on the other hand, "autonomy." Autonomy, when normally applied outside of President Mortimer's nomenclature, connotes not reductions, but instead increases, as an autonomous public agency is freed from overhead. Private interests, for example, have always insisted on this type of increased autonomy and funding for public boards that they control for public land use, the Aloha Tower complex, spot-development controls in Kakaʻako, or the Hawaiʻi Visitors' Bureau. Note also that President Mortimer's articles on bargaining and faculty unions should not be misunderstood as suggesting that he was particularly supportive of the faculty position in labor negotiations.

> To add to the gloom [on campus with Mortimer's appointment], the last publication [*Faculty Bargaining, State Government and Campus Autonomy*] includes a chapter called "Faculty Bargaining at the University of Hawaii," that Mortimer co-authored with Kenneth K. Lau, Emeritus Professor of Business and Law. Dr. Lau was the University's chief spokesperson during the early years of collective bargaining (Yount 1996:351).

20. Act 161, although requiring inflationary adjustments to the guaranteed general-fund payments to the UH, did not precisely define how these adjustments should be figured. I have used, in my discussion, the UH administration's own inflationary figures. In the fall of 1999, when yet another round of tuition increases was announced by the UH leadership, it was claimed by that leadership that academic inflation had been running at 6 percent; this is the inflationary factor I have used.

21. The two ellipses in the quote contain key loopholes, discussed later in the article.

22. As might be expected, the increases in tuition led to a reduction in students.

23. When tuition was doubled, the public was assured that more tuition waivers would be made available to cushion the effect on the less wealthy. This proved another broken promise.

24. The student-faculty "Death of Education" march on the State Capitol some years ago, and the student "civil disobedience" revolt of Spring 2000 are two key exceptions to the general lack of protest over this woeful financial gutting of the University. The revolt was also at least temporarily successful: *additional* tuition raises were deferred. But note that no real restoration of the missing public funds has yet occurred.

25. As noted in an earlier note, the state of Hawaiʻi operates with an accounting system that has separated its financial books into different pieces with different accounting rules applied and with different auditors examining them. The UH system's accounts are, in turn, only one portion of one of these parts of the total books. Sorting out the UH's numbers is complex, given the system of accounting. I have therefore relied on statutory financial numbers. These are, after all, the laws of the land and are presumably factual. The numbers given in the text come from Act 252, *Session Laws of 1994*; Act 218, *Session Laws of 1995*; Act 287, *Session Laws of 1996*; Act 328, *Session Laws of 1997*; Act 116, *Session Laws of 1998*; and Act 91, *Session Laws of 1999*.

I have focused on non-construction funding for the UH; the capital-improvement budget, as noted in the text, is primarily involved with securing "legal" kickbacks and often is of dubious benefit to the UH. Within non-construction funding, as contained in the

budget laws above, the largest portion of the UH system budget is given in what are referred to as the "A" operational funds. These, for Mānoa, are listed in each of the above laws under budget item G-9, except for the last Act, where the figure is listed under budget item G-10.

To see the full UH-system non-construction budget, one must also examine other budget items within the "A" operational class for each of the other UH campuses. System-wide expenses are also listed separately as another budget item, as is an overhead budget item for community-college expenses. The UH-system-wide operational budget therefore includes these other budget items as well as the UH Mānoa budget numbers that are listed in the text. A bit under two-thirds of the full budget goes to UH Mānoa, with the balance going to the other campuses. To give an example of the ratio of UH Mānoa spending to the whole system: in 1995, there was about $225 million appropriated for the UH Mānoa in class-A operational expenses, about $297 million in total operational expenses for Mānoa, and $486 million for total operational expenses for the whole UH system. The estimate in the text of $1.4 billion taken from the UH system is based on this ratio of appropriations between Mānoa and the UH system. The numbers as given in the text, including cuts, may be understated slightly because of small special operational budget items appearing elsewhere in the budget Acts.

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