

The RETA-H Impact

The 2002 Economic and Social Impact Study Results

Economic Impact. The \$23.7 million invested in the RETA-H Program produced the following independent assessment of its preliminary economic impact:

- **Present Value of Economic Impact.** “The present value of the real, economic contribution of the RETA-H Program to the state of Hawai`i’s economy is most likely between \$737 million and \$2.33 billion (2002 dollars).” This present value is based upon a future stream of economic benefits to Hawai`i. (Hahn Study, page 28)
- **Present Value of State Taxes Paid.** “The present value of tax receipts flowing into the state over the future, ranges to an amount between \$49.35 million and \$156.1 million.” (Hahn, page 28)

These are statements taken from a study entitled, *Economic and Social Impact of the RETA-H Program: Final Report*, by Y.K. Hahn and Associates, dated August 30, 2002. In turn, this study is based in part upon a survey of the first 50 field projects (not including program development projects) out of a final total in 2003 of 77 field projects. This survey was completed by RETA-H staff in November 1999. It indicated that the first 50 projects:

- Created 274 independent businesses and
- 929 new jobs.
- Of the new jobs, 448 (48%) were owners while the remaining 481 (52%) were laborers.
- Of the new jobs, 568 were displaced sugar workers and 104 were family members of displaced sugar workers.
- 17,177 acres of former sugar lands were placed back into production. (First reported in RETA-H Annual Report, FY 1999)

The Hahn Study also confirmed many other benefits derived from the RETA-H Program. Following are some of those benefits:

- **Value of Diversification.** “The value to the state of further diversification that some of the farm-based and developmental projects (e.g., cacao) represent, is in the added stability of state employment and output that is possible with a more diversified product array. This diversification benefit is greater the more the returns from the new products are inversely correlated with products already successfully being produced here.” (Hahn, p. 29)
- **Addressing Market Needs that Private Markets Will Not Address.** “RETA-H money subsidized activity that just would not have occurred in its absence. . . . Private markets would have under-produced these crops. Yet, their current and future potential production provides diversification benefits to the state.” (Hahn, p. 33)
- **Fostering Entrepreneurial Activity through Creative Destruction.** “RETA-H encouraged the development of at least fourteen new products which adds to the growth and change in Hawaiian agriculture by fostering a climate of entrepreneurial and creative activity.” (Hahn, p. 35) “Characterized by the phrase ‘creative destruction’ this description fits the resilience of Hawai`i’s agricultural industry and highlights yet another strength of that industry on which the state can capitalize. One can be assured that the RETA-H Program contributed a great deal in fostering a climate of entrepreneurial and creative activity.” (Hahn, p. vii)

Social Impact. A preliminary assessment of the social impact of the RETA-H Program, according to the Hahn Study, drew five broad conclusions from the data:

- **Building a Sense of Hope.** In some part as a result of RETA-H, “community respondents have hope for the future of their communities.” (Hahn, p. 41) “Communities in the RETA-H project areas are optimistic about their future while acknowledging the difficulties they face with the removal of the historical economic sugar production base. While RETA-H cannot be solely credited with this outlook, it may at least be credited for some of the communities’ resiliency. . . . People feel that the program has helped their community.” (Hahn, p. 45)
- **Creating a Sense of Well Being.** “The program enhances the community’s sense of well being by providing self-employment and job alternatives to plantation employment and by introducing new agricultural crops that allow the community to maintain its agricultural rural lifestyle.” (Hahn, p. xiii)
- **Establishing Entrepreneurial Activity as a Viable Choice.** “Programs like RETA-H encourage entrepreneurial activity through seed capital or micro enterprise loans, working models of entrepreneurship, and local linkages created by entities like the Hawai’i Small Business Development Center Network [and Hawai’i Island Economic Development Board].” (Hahn, p. xiii) In some part as a result of RETA-H, “people who do not currently have a business of their own are expressing a willingness to consider starting a business, fifteen percent of them agriculture related.” (Hahn, p. 51)
- **Introducing a Novel Entrepreneurial Leadership Model.** “RETA-H funds support a novel entrepreneurship leadership model that directly demonstrates to project communities how businesses are formed, operated and sustained. By providing this model and specific production skills training, RETA-H funded [coordinating entrepreneurs] enabled some [displaced sugar workers] to start their own business.” (Hahn, p. xiii)
- **Promoting Rural Labor and Land Use.** “The program also encourages the location of businesses to take advantage of under-utilized land and labor resources in former sugar producing regions and contributes to economic output.” (Hahn, p. xiii)

What this study establishes is that RETA-H achieved its primary purposes—the creation of agriculturally related businesses or jobs for displaced sugar workers and the diversification of agriculture in Hawai’i. The study also shows that RETA-H did much more than that—it provided a powerful economic impact of \$737 million to \$2.3 billion to Hawai’i, delivered to the most depressed communities—the former sugar plantation communities—creating hope and optimism. It even created a greater sense in these communities that starting a business is a real option.

Hawai’i, however, benefited in another important way. This economic development program, which was federally funded, demonstrated the powerful impact of investing public monies into fostering the development and growth of small businesses, even rural businesses. The \$23.7 million investment is returning to the state between \$49 million and \$156 million in tax payments. Not only have the displaced sugar workers been helped and given hope through the creation of employment, not only is the economy improved through the diversification of agriculture in the state, but the state is rewarded with a large influx of new taxes and a simultaneous decrease in state expenses, such as unemployment and welfare payments. RETA-H indeed has been successful.

The complete Hahn Study is available on the Hawai’i SBDC Network web site at <http://www.hawaii-sbdc.org/>.