Starbulletin.com

--Advertisements--
--Advertisements--

thINC.

A forum for Hawaii's
business community to discuss
current events and issues

Sunday, April 27, 2003

Isle economy | Hacker insights

BACK TO TOP

[EXPLAINING THE ECONOMY]

BRYANT FUKUTOMI / BFUKUTOMI@STARBULLETIN.COM

Hawaii economy

Doing better than you might expect

By Leroy Laney

In 2003, the Hawaii economy finds itself in an interesting position. In a number of ways, it is doing much better than many of us who have been forecasting it for some time think it should be.

It is the domestic sectors that are unrelated to the main export driver of tourism that are keeping performance strong. That contradicts something that regional economists usually accept as an ultimate truth -- that is, the notion that most regional economies are driven by what they sell to the rest of the world.

If oil prices drop, the Southwest economy usually slows down. When the high-tech boom implodes, Silicon Valley definitely feels it.

We make the same assumption about Hawaii and its tourism. Because everyone knows Hawaii is a tourism economy, the surest way to a weak overall economy here in our island state is to have a tourism slump.

And tourism can't seem to get a break now. Just as it tries to recover from previous blows, something else comes along to knock it back down again. Some forecasters see a contraction in overall Hawaii visitor arrivals for 2003.

So Hawaii ought to be in recession, right? Not if you look at the current numbers.

We can't deny what is actually happening. Job growth has shown a strong recovery in the last part of 2002 and early 2003. The statewide unemployment rate now stands at an unbelievably low 3 percent. (Even though some of this might be due to discouraged workers leaving the labor force, it is still quite good.)

Real -- or inflation-adjusted -- personal income growth was up by a very impressive 3.5 percent on a year-over-year basis in the third quarter of 2002, the most recent number we now have.

If tourism is so weak, where is all that strength coming from? Both income and job breakdowns show that strength in interest rate-sensitive areas like construction, finance and real estate. And health, professional and business services -- plus strong federal and state job growth -- also underpin this income and jobs picture. It's still tourism sectors like hotels, retail and transportation that show the weakness.

Most economic forecasters analyze an economy from the outside in. When a downturn threatens in the United States or Japan, Hawaii's economy should not be far behind. Hawaii's economy is far too small to foster internal growth for long if it isn't driven by some kind of injections from the outside.

Of course, interest rates are an external condition in the sense that they aren't set in Hawaii. But if one looks just at the real external conditions Hawaii now faces -- a still very weak Japan, a faltering U.S. recovery, the recent Iraq war and other geopolitical uncertainty, continued terrorism possibilities that weigh on travel, SARS scares -- the conclusion would be that Hawaii might be in terrible shape. But it isn't.

The question is how long this can continue. Several times since I made my last official forecast for First Hawaiian Bank in November, I've felt that it should be revised downward, just based on external prospects. There are some risks to being an optimist about Hawaii's economy in today's environment.

A lot of what happens to Hawaii for the rest of the year could depend on what happens to the national economy, and the outlook there is still rather uncertain. Ironically, low interest rates have had a bigger effect on Hawaii's small economy than on the nation as a whole.

Even before we started to seriously discuss the war at about the middle of last year, national forecasters were dividing into two camps.

One camp saw a return to healthy growth after geopolitical uncertainties were quickly put behind us. The other -- a small but growing minority -- saw the beginning of a much more extended period of anemic U.S. growth, perhaps not so bad as Japan, but still like it in some respects. Failure to respond adequately to monetary and fiscal ease is among those similarities.

If the war had interrupted clearly positive macroeconomic trends, then war's end should bring renewed bullish sentiment. But it didn't. We were already in a shaky recovery from the 2001 recession before Iraq grabbed the headlines.

What will it take to see the national economy enter a sustained recovery phase? We need to see sustained job growth. Only then will we have a normal recovery and acceleration to above potential GDP growth for a while, absorbing excess capacity.

The American consumer is coming off of a three-year implosion of net worth. This is true even though rising home prices have helped cushion the blow from declining equity prices. That's why the current national recovery from recession remains one of the most feeble in the post-World War II period.

So the present disconnection between the Hawaii economy and external economic conditions may not last forever. We can't even say that we "should enjoy it while it lasts," because aggregate numbers that look pretty good still mask pockets of weakness. In that sense, the mixed nature of Hawaii's post-9/11 economy continues into the current year.

But for a while, at least, we can't help but recognize that Hawaii's macroeconomic numbers make it look pretty good relative to the markets that should be influencing it.

Leroy Laney is a professor of economics at Hawaii Pacific University. He can be reached at lo9_laney@hotmail.com.

BACK TO TOP

Hacker author offers new security insights

"The Art of Deception: Controlling the Human Element of Security,"
by Kevin Mitnick
(Wiley, 368 pages, $27.50)

Review by John Agsalud

When I picked up the "The Art of Deception" for the first time, my initial thought was, "Ho hum, another book on computer security published by some ex-felon."

I couldn't have been more wrong. This is not a typical computer security text that describes the newest in encryption, anti-virus software or some other geeky accouterment.

The author, Kevin Mitnick, arguably one of the most "successful" hackers of all time, indeed knows his stuff. Released from federal prison in January 2000, he has a refreshing perspective on security, and it has little to do with the latest hardware or software.

Mitnick's take on the subject is that the weakest links in security are human beings, not machines.

Mitnick should know. By his own admission in the book and on a recently broadcast show on Hawaii Public Radio called "Technation," he divulged the various ruses he has used to steal someone's identity or break into a Web site.

Just as important, he explains how a business can protect itself. He does this by providing a number of "fictional" scenarios, illustrating the many ways that hackers can hoodwink trusting souls into violating corporate and personal defenses. The scary thing is that this is not rocket science and you don't have to be an expert to figure it out.

Virtually every anecdote told in this book made me think of someone I should recommend this book to. Clients and associates in the legal, law enforcement, criminal justice and military communities obviously sprang to mind. But even people in such traditionally low-security (relative to IT) businesses like retail and real estate can be targets.

Mitnick makes it clear: The real trick to hacking is understanding psychology. Often, it's a matter of knowing how to schmooze or flirt with someone over the phone and get them to hand you a password or some other tidbit of information.

A smart hacker can parlay this into any number of schemes. For example, by getting the right password, you could break into a voice-mail system and forward private messages into your own mailbox.

Another scam is to counterfeit caller ID. Of what value is that? If you've never spoken to someone and you want to imitate a reporter from the New York Times or even your own CEO, it's not difficult to do.

It doesn't take much to gain access to a building by "piggybacking" or following a group of office workers through a door. In other instances it doesn't even take that. Closer to home, I was once granted access to the IT department of a major bank by simply telling the guard at the gate that I had a meeting with "Mr. Fujimoto." A few minutes later, I realized I was in the IT department of the wrong bank! My agenda was completely legitimate, but it occurred to me that someone less innocent could have wreaked havoc.

The upshot is that even the most sophisticated firewall is not going to prevent a well-meaning secretary from handing over a log-in or other critical data a to the wrong person. The best policy is to speak candidly with your employees and warn them that giving out any information to strangers is a bad idea. And put the tools in place to allow them to determine just who is and is not part of the home team. Just ask Kevin Mitnick about that. Better yet, read his book. It should give every Hawaii business owner or CEO pause for thought.

John Agsalud is the President of ISDI, a Honolulu-based IT outsourcing, systems integration and consulting firm. He can be reached at jagsalud@isdi-hi.com or by calling 944-8742.

To participate in the Think Inc. discussion, e-mail your comments to **business@starbulletin.com**; fax them to 529-4750; or mail them to Think Inc., Honolulu Star-Bulletin, 7 Waterfront Plaza, Suite 210, 500 Ala Moana, Honolulu, Hawaii 96813. Anonymous submissions will be discarded.

E-MAIL THIS ARTICLE | PRINTER-FRIENDLY VERSION
E-mail to Business Editor

BACK TO TOP

© 2003 Honolulu Star-Bulletin -- http://starbulletin.com

-Advertisement-