

Refusing to repeat past mistakes

How the Kyoto Climate
Change Protocol would
disproportionately threaten
the economic well-being of Blacks
and Hispanics in the United States



Detroit Unemployment Center, 1977

A study sponsored by
A. Philip Randolph Institute
Center for Energy and Economic Development
Labor Council for Latin American Advancement
Latin American Management Association
The National Black Chamber of Commerce
The National Institute for Latino Development
United States Hispanic Chamber of Commerce

Analysis conducted by
Management Information Services, Inc. (MISI)
Washington, DC

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During the recession that followed the Arab Oil Embargo of the 1970s, our nation learned an important lesson. Our entire economy was disrupted because of skyrocketing energy costs. Widespread unemployment, record-high interest rates, and rapid inflation plagued all Americans. In 1973, consumer prices rose 10 percent in just one year, making it harder and harder for minority working families to make ends meet. While all Americans suffered the economic malaise of the 1970s, the negative effect was much greater in America's minority communities. Things were so bad for minorities that in December 1993, *Ebony* published an article entitled "Inflation in the Ghetto: A Poor Man's Survival Kit," and a *U.S. News and World Report* feature from February 1974 discussed how non-Whites were among those most likely to be unemployed because of the downturn in the economy.

From that experience, we know that energy taxes or any other means of raising energy costs will have a regressive effect on society — a disproportionately negative impact on those least likely to be able to afford to pay higher costs. As energy prices increase, the costs for food, clothing, and other basic necessities also increase. The recent spike in gasoline prices confirms that this is as true today as it was in the 1970s.

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It has taken more than 20 years to overcome the economic harm done to minority communities by the energy crisis resulting from the Arab Oil Embargo. It wasn't until the economic boom of the late 1990s that many African-Americans and Hispanics were able to make the economic strides that allowed them to fully participate in the American Dream. America's minority communities are just beginning

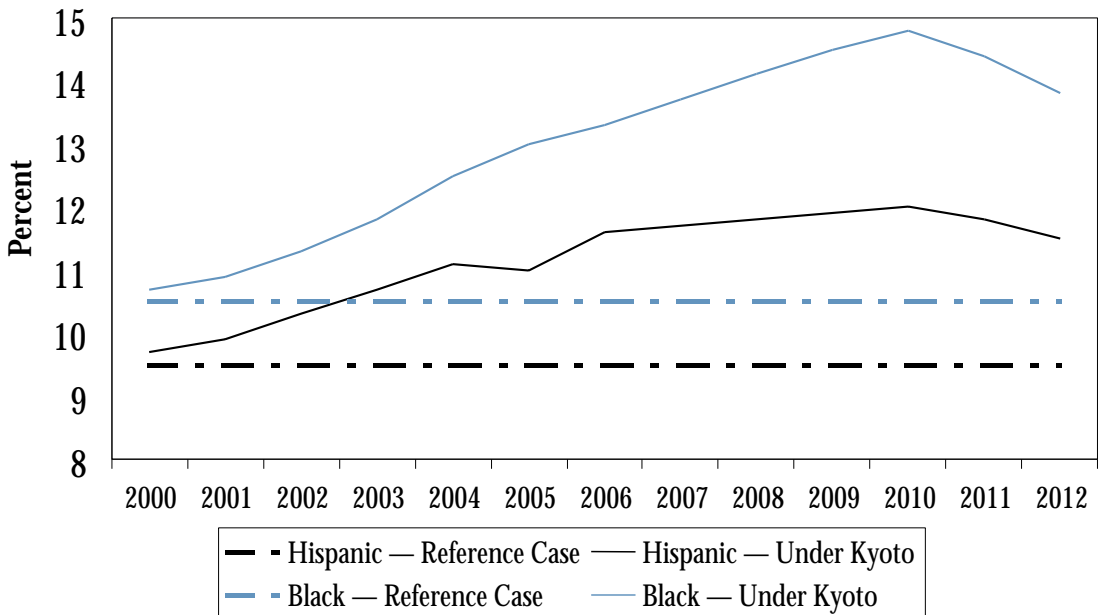
to travel the road to economic empowerment, and action must be taken to ensure that this progress is not detoured.

Today, some national policymakers are about to repeat mistakes from the past. They propose adopting the Kyoto Protocol (a legally binding, international treaty) without first understanding its potential adverse effect on the 65 million Americans who are either Black or Hispanic.

Rarely have economic analyses been performed to determine the specific impact of a proposed government regulation on America's Hispanic and African-American communities. Studies are conducted and economic models are run, but they generally focus only on the macroeconomic (big picture) effects. Policymakers fail to recognize that the higher energy costs that will result if the Kyoto Protocol is implemented will disproportionately harm America's minority communities, and place the economic advancement of millions of U.S. Blacks and Hispanics at risk.

Minority families have less discretionary income to cover the increased energy and consumer costs that even the federal government's own independent energy forecasting agency says will result from implementation of the Kyoto Protocol. Some policymakers haven't considered that Hispanic and Black workers often suffer from the "last hired/first fired" syndrome, and therefore will be among the first American workers to lose their jobs as American businesses become less competitive due to increased energy costs. The nation's leading independent economic research

Unemployment Rates for Blacks and Hispanics 2000–2012



firms, such as Standard and Poor's Data Resources International and the Wharton Econometric Forecasting Associates, indicate that between 1.5 and 3.2 million American jobs will be lost if the Kyoto Protocol is implemented, with many of those being jobs held by minority workers. These communities have been hardest hit in past recessions, and anything that slows economic growth now will stall or reverse the progress made by Blacks and Hispanics over the past decade.

Sadly, minority communities often have been left out of the policymaking process despite the fact that they represent an ever-increasing segment of the American population. To prevent this from happening again, leading Black and Hispanic organizations joined together to sponsor a study that strives to develop a better understanding of the economic disruptions that would result from implementing the Kyoto Protocol. Unlike previous analyses, this study focuses on the treaty's specific effect on America's Hispanic and African-American people.

This is an unprecedented effort, where participating leaders in the Black and Hispanic communities represented both labor and industry groups.

Participating organizations include:

- *A. Philip Randolph Institute*
- *Labor Council for Latin American Advancement*
- *Latin American Management Association*
- *The National Black Chamber of Commerce*
- *The National Institute for Latino Development*
- *United States Hispanic Chamber of Commerce.*

The Center for Energy and Economic Development assisted in coordinating this effort, and Management Information Services, Inc. of Virginia conducted the research.

The Kyoto Protocol

In December 1997, the 186 signatories to the Framework Convention on Climate Change met in Kyoto, Japan, to conclude an agreement that addresses concerns that increased concentration levels of greenhouse gases within the Earth's atmosphere will lead to climatic disruptions — *the global warming theory*. Despite continued scientific uncertainties related to this theory, the countries agreed in principle to the Kyoto Protocol — legally binding commitments by 38 industrialized nations to reduce their greenhouse gas emissions to specific levels by specific dates. This treaty would have a significant impact on domestic and international economies, as participating nations adopt radical changes to existing energy policies in order to meet the Protocol's requirements.

Under the terms of the Protocol, the United States agreed to reduce greenhouse gas emissions during the first budget period (2008–2012) to 7 percent below 1990 levels. Achieving these reductions will require a roughly 30 percent

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reduction in anticipated energy usage in America. Such a radical shift in energy policy will seriously damage the U.S. economy, according to the nation's leading economic forecasting firms as well as the independent federal Energy Information Administration (EIA).

American consumers would be forced to pay higher energy and consumer costs, and millions of American jobs would be lost to foreign countries that are not bound by the treaty's mandates. EIA released a 1998 study entitled *Impacts of the Kyoto Protocol on U.S. Energy Markets and Economic Activity*. The EIA study confirmed that the American people would pay a high price because of the Kyoto Protocol, projecting the potential total cost to the U.S. economy to be as high as \$348 billion in 2012 alone.

While the United States and only a handful of other industrialized nations will be required to reduce emissions under the terms of the Kyoto Protocol, other nations with rapidly developing economies like China, Mexico, India, and Brazil exempted themselves from having to meet the strict emissions reduction targets. These countries refused to accept any responsibility for action despite the fact that they will be among the leading emitters of greenhouse gases within the next few years.

Adding a New Perspective

Today, over 34 million African-Americans and 32 million Hispanics live in the United States, accounting for about one-fourth of our total population. Over the next 20 years, the population of both communities is expected to increase significantly. In 2020, 41 million Blacks and nearly 53 million Hispanics are expected to represent 29 percent of the total U.S. population.

Both the Hispanic and African-American communities are highly concentrated in several politically influential states. Over 90 percent of the Hispanic population and 65 percent of the Black population reside in 15 states (Arizona, California, Colorado, Florida, Georgia, Illinois, Louisiana, Massachusetts, Maryland, North Carolina, New Jersey, New Mexico, New York, Texas, and Virginia). As these communities continue to grow, they will represent an increasingly important political voice, since these 15 states represent over half of the electoral votes needed to win the presidency.

Despite a prolonged period of unprecedented economic growth in America, African-Americans and Hispanics have not enjoyed the same level of economic advancement as their White peers.

For example:

Income — Black family income is 36 percent below the national average, and Hispanic family income is 39 percent below the national average.

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As many as 3.2 million American jobs would be put at risk, with 1.4 million of those jobs being held by Hispanic (511,000) and African-American (864,000) workers.

Unemployment — The unemployment rate for Hispanics and Blacks is nearly twice the national average, and those who are employed generally have less job security than White employees.

Poverty — Currently, both Hispanic and Black families are three times more likely to fall below the poverty line than White families.

Discretionary Income — More African-American and Hispanic families are forced to devote a greater share of their earnings to housing and other necessities, leaving them much less for discretionary spending.

Vulnerable in Times of Recession — Both Hispanic and Black families, on average, are much more vulnerable to financial hardship during times of economic downturn.

For these reasons, African-American and Hispanic communities will be disproportionately hurt by the economic consequences likely to occur if the Kyoto Protocol is implemented in the United States.

Key Findings

Implementation of the Kyoto Protocol will:

Lead to even higher unemployment among Blacks and Hispanics — As many as 3.2 million American jobs will be put at risk, with 1.4 million of those jobs being held by Hispanic (511,000) and African-American (864,000) workers.

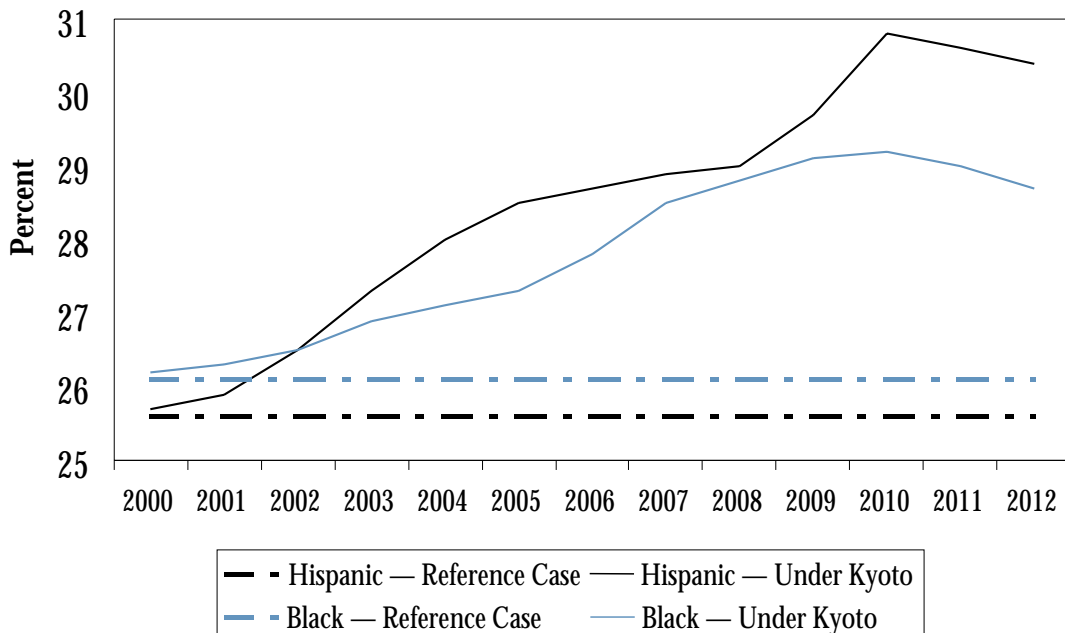
Reduce incomes — Millions of Hispanic and Black families will have their incomes reduced, both in relative and

absolute terms. Growth in minority incomes will be stymied, and the recent gains in incomes made by both Blacks and Hispanics during the 1990s will be lost.

Force families to pay higher prices — Minority families will be forced to pay higher energy costs (electricity and gasoline costs) and consumer costs (food and housing).

Cause fewer minority-owned businesses to be successful — Due to the difficulty that most minority businesses encounter in securing capital, many of those businesses will be lost if energy costs increase.

Poverty Rates for Blacks and Hispanics 2000–2012



Put more African-American and Hispanic families into poverty — Reduced wages, combined with inflationary price increases, will mean even less discretionary spending for those already struggling to make ends meet.

Implementation of the Kyoto Protocol would prevent many minority families from realizing the American Dream.

Implementation of the Kyoto Protocol will prevent many minority families from realizing the American Dream. Many will be less able to afford health insurance, buy a home, or send their children to college. In a time when more and more families will be forced to look to government assistance to survive, the economic disruptions brought about by the Kyoto Protocol also will significantly reduce state and local tax revenues. As in

the 1970s, this squeeze on local and state government budgets will reduce the likelihood that programs can be expanded to meet the increased need.

The economic boom of the late 1990s allowed many in the minority community to begin to heal the economic wounds left over from the recession of the 1970s. Hispanic and African-American families, many of whom are just lifting themselves out of poverty, will unfairly suffer the harsh reality of seeing those gains disappear if the Kyoto Protocol is implemented. Minority-owned small businesses, many of them family-owned, also will feel economic pain if the Kyoto Protocol is implemented. Nearly 100 million Blacks and Hispanics are projected to make up the American population in 2020. Their economic prosperity will be put at risk by a treaty that exempts 80 percent of the nations of the world, and that many scientists can't even agree is necessary.