

**POTENTIAL ECONOMIC IMPACTS OF
THE KYOTO CLIMATE CHANGE PROTOCOL
ON BLACKS AND HISPANICS IN THE U.S.**

Study Sponsored By

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EXECUTIVE SUMMARY

The long-term implications for Blacks and Hispanics of major energy and environmental programs have rarely been ascertained prior to their enactment, nor are these groups usually consulted to obtain their input or comments on these programs. This is unfortunate, because such programs may significantly affect minorities. This study, conducted in consultation with major Black and Hispanic organizations, examines the likely impacts of the Kyoto Climate Change Protocol on Black and Hispanic income, employment, and economic opportunity over the coming decade.

We review the major studies of the economic and employment impacts of the Kyoto Protocol and find that the consensus of these studies -- including those conducted by the Federal government -- is that implementation of the Protocol will result in severe economic consequences: Losses in U.S. GDP in the range of \$250 billion to well over \$300 billion (1998 dollars) and employment losses as high as 3.2 million jobs. Most of the job losses are concentrated in the Services, Trade, and Construction sectors, which contain disproportionately large numbers of Black and Hispanic workers. Utilizing these macroeconomic results, we estimate the economic impacts of the Kyoto Protocol on Blacks and Hispanics.

U.S. population and demographic trends over the next 50 years indicate that while Blacks will continue to account for a gradually increasing portion of the population, the projected growth in the Hispanic population is the salient demographic feature of the next half century. The portion of the population comprised of Hispanics will increase from 11 percent in 2000, to 16 percent in 2020, and 25 percent in 2050; by 2005, Hispanics will outnumber Blacks as the largest U.S. minority group, and their numerical dominance will increase throughout the forecast period. Further, Hispanics are disproportionately located in certain key states such as California, Florida, Illinois, New York, and Texas, and this concentration will increase over time.

We find that 86 percent of the Hispanic population resides in ten states that account for 40 percent of the electoral votes necessary for a majority, and that over 90 percent of the Hispanic population and 65 percent of the Black population reside in 15 states which have 51 percent of the electoral votes required to win a Presidential election. Thus, both groups will continue to be of increasing political significance.

By virtually every measure of economic well-being and security, Blacks and Hispanics are, on average, worse off than Whites, and tend to be especially vulnerable to the economic downturn and job losses likely to result from implementation of the Kyoto Protocol:

1. Black per capita income of \$18,400 is 70 percent of the overall U.S. average of \$26,400, and Hispanic per capita income of \$16,000 is only 61 percent of the average.
 2. Poverty rates for Blacks and Hispanics have consistently been much higher than those for Whites, and are currently more than three times as high -- the poverty rate for Blacks and Hispanics is 26 percent, whereas for Whites is it eight percent.
 3. Minority families have assets that are, on average, only about 20 percent of those of White families, and they thus have little to cushion themselves from the economic downturn and job losses that will likely result from implementing the Kyoto Protocol.
 4. The unemployment rates for Blacks (nine percent) and Hispanics (seven percent) are nearly twice the overall U.S. average of four percent, and those who are employed generally have less job security than their White counterparts -- both Blacks and Hispanics still suffer from the "last hired, first fired" syndrome.
 5. Blacks and Hispanics are disproportionately concentrated in jobs that pay the minimum wage or less.
 6. Both groups have relatively little discretionary income -- see page 40.
 7. Blacks and Hispanics spend a large share of their incomes on basic necessities, such as food, housing, utilities, and energy.
 8. The Kyoto Protocol, by increasing the costs of energy and energy-intensive building materials, will increase the costs of housing. This will seriously affect Blacks and Hispanics because they already spend a greater portion of their incomes on housing, and have lower rates of home ownership than Whites.
 9. Blacks and Hispanics are also more economically vulnerable to the negative economic effects of the Kyoto Protocol than Whites with respect to a variety of other measures; for example: They are less likely to have health care coverage, are less likely to have private pensions, and are more likely to be classified as work-disabled.
 10. Because Black- and Hispanic-owned businesses represent a disproportionately small share of total businesses, and tend to be smaller and less well capitalized than White-owned businesses, they are more vulnerable to the economic dislocations likely to result from implementing the Protocol.
- The major finding of this study is that there are strong indications that

implementation of the Kyoto Climate Change Protocol will have severe negative economic consequences for Blacks and Hispanics. As illustrated in Figures ES-1 through ES-8, if the Protocol is implemented, the following may result:

1. Twenty-five million Black and Hispanic workers will be earning ten percent less (ES-1).
2. Fifteen million Black and Hispanic families will see their incomes decrease in both relative and absolute terms (ES-1 and ES-2).
3. Future growth in Black and Hispanic incomes will be retarded and much of the growth in the incomes made by both groups over the past decade will be negated (ES-1 and ES-2).
4. Nearly 1.4 million additional Blacks and Hispanics will become unemployed (864,000 Blacks and 511,000 Hispanics), and the length of their unemployment will increase (ES-3).
5. Four million additional Blacks and Hispanics will be forced into poverty (ES-4).
6. Most Blacks and Hispanics will be forced to pay proportionately more for basic necessities and for energy.
7. Six million Blacks and Hispanics will have their discretionary incomes reduced, and millions more will be deprived of any discretionary income (ES-5).
8. Most Blacks and Hispanics will have to pay ten to 20 percent more for housing, and many will be precluded from buying their own homes.
9. The job losses and reductions in incomes will increase the numbers of Blacks and Hispanics who lack health insurance.
10. Blacks and Hispanics will suffer special hardship, since they have relatively poor private pension coverage.
11. Black and Hispanic jobs and incomes will be significantly reduced in every state (ES-6).
12. States' revenues will be reduced by two or three percent, and many states will be forced to reduce expenditures on health, employment, and social service "safety net" programs during a time when it would be likely that Blacks and Hispanics will become more dependent upon such programs.

13. The nation's major cities and inner city areas will suffer as hundreds of thousands of Black and Hispanic residents lose their jobs, and millions of Blacks and Hispanics experience reduced incomes (ES-7).
14. Black and Hispanic businesses will decline by 100,000 firms -- these businesses also suffer from the "last hired, first fired" syndrome (ES-8).

Implementing the Kyoto Protocol will likely impact the living standards of Blacks and Hispanics in two ways: It will decrease Black and Hispanic incomes below where they would be in the absence of the Protocol, and it will increase the costs of the basic goods upon which Blacks and Hispanics must spend their reduced incomes. One of the more significant impacts of implementing the Kyoto Protocol could be to force millions of Blacks and Hispanics below the poverty line -- many of whom have only recently managed to work their way out of poverty. The welfare reforms of the 1990s have made the social safety net at both the Federal and state levels less comprehensive, and this will have unfortunate implications for those Blacks and Hispanics whose incomes are reduced below the poverty level over the next decade because of the Protocol.

The reductions in Black and Hispanic earnings, incomes, and jobs, and the increases in Black and Hispanic unemployment and poverty will negatively impact Black and Hispanic-owned businesses -- which will already be suffering disproportionately from the general economic downturn resulting from implementation of the Protocol. Small business has traditionally represented a path to the middle class for minority entrepreneurs, their employees, and their suppliers and contractors. Thus, an indirect effect of implementing the Protocol will be to close this path for hundreds of thousands of Blacks and Hispanics.

Standard of living and quality of life will be substantially affected, as relative income growth decreases and unemployment increases for Blacks and Hispanics. Implementation of the Kyoto Protocol will likely result in substantial economic and job losses for Blacks and Hispanics in the U.S., and these adverse effects will be widespread throughout the states and urban areas.

Finally, and perhaps most seriously, implementing the Kyoto Protocol could halt and in many cases reverse the gradual, substantial economic progress that Blacks and Hispanics have achieved in recent years. In effect, a major impact of the Protocol could be to largely eliminate a decade or more of Black and Hispanic economic progress and to reduce the gains made in incomes, employment, housing, and finances. The Black and Hispanic middle classes are especially vulnerable because, more so than non-Hispanic Whites, Black and Hispanic middle class households depend on the wage and salary incomes of both spouses.

In sum, several independent studies have forecast seriously negative economic and employment consequences for the U.S. if the Kyoto Protocol is implemented. The key premise of this study -- that the Protocol will negatively affect Blacks and Hispanics -- is thus strongly supported by the findings of these independent studies as well as by analyses prepared by the U.S. Energy Information Administration. Further, the impact on Blacks and Hispanics of the energy-induced recessions of the 1970s presents a relevant example of the vulnerability of both groups to these types of economic downturns. For example, between 1973 and 1975 the Black unemployment rate increased by 50 percent (from ten percent to 15 percent) and the Hispanic unemployment rate increased by two thirds (from 7.5 percent to 12.5 percent).

These findings should serve as a warning to those who advocate radical shifts in U.S. energy policy based upon climate change initiatives without perhaps fully realizing their potential economic consequences.