

State of the Dream 2007: Voting Blue... Staying in the Red

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January 9, 2007

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United for a Fair Economy raises awareness that concentrated wealth and power undermine the economy, corrupt democracy, deepen the racial divide, and tear communities apart. We support and help build social movements for greater equality.

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Summary

The new Democratic majority has a first 100-hours agenda to give a boost to those on the lower rungs of America's economic ladder. At the end of his life, Dr. Martin Luther King became focused on economic justice and the eradication of poverty for whites as well as people of color.

But Dr. King also knew that democracy demands parity among America's races. A good way to measure fairness is to see whether Blacks' and Latinos' share of jobs, income, and other economic benefits is the same as their percentage in the overall population. Using that measure, we can easily see that people of color still lag far behind their white counterparts in our economy today.

Although it is encouraging to see that Blacks and Latinos disproportionately benefit from the minimum wage increases and college loan interest rate reductions contained in the 100-hour plan, it is discouraging to learn the reason why. Our analysis shows that it is only because they are disproportionately over-represented among those working at or below poverty level and among those with few assets and resources to pay for college. In the case of prescription drugs and alternatives to oil, the changes may benefit whites more than people of color.

It is evident that the 100-hour agenda does not address the economic race gap. So, while the number of Blacks and Latinos assisted is positive, the impact of the assistance will not change the relative economic inequities among the races. African-Americans, the Democrats' most loyal supporters, should expect more in hour 101 and beyond.

Key Findings

Impact of 100-Hours Agenda on Racial Economic Inequality:

- Overall none of the plans addresses the existing racial economic divide. To do so would require adding affirmative action elements and other more targeted methods of reaching Blacks and Latinos to the proposed legislation.
- Two of the proposals - increasing the minimum wage and decreasing college loan interest rates - provide economic support to low-income Blacks and Latinos. But not only are their numbers higher in the lower-income and lower-asset tiers of our economy, their unemployment rates are rising and college enrollments are falling due to the skyrocketing cost of a college education.
- The Medicare proposal helps only middle-income Blacks and Latinos, who represent only a relatively small of the overall population of seniors.
- The energy proposal offers the promise of high-wage jobs, but would not help Blacks and Latinos much since they are under-represented among those receiving advanced degrees in math and science and among those residing in the Midwest.

If a minimum wage increase of 70 cents were approved every single year, a minimum wage worker, supporting a family of three, still would not rise above the poverty level until 2013.

Increasing Minimum Wage:

The proposal would increase the minimum wage by 70 cents three times during the next three years. If the same increase of 70 cents were approved every single year after that, a minimum wage worker, supporting a family of three, still would not rise above the poverty level until 2013.

Workers earning less than \$7.25 an hour (the proposed minimum wage at the end of the next three years) are disproportionately African American and Latino. While white non-Hispanic workers are 69 percent of the overall workforce, they are only 59 percent of those earning under \$7.25 an hour. African Americans are 11 percent of the workforce but 16 percent of workers under \$7.25; for Latinos the numbers are 14 percent and 21 percent. But higher unemployment rates and the loss of union jobs undercut the gains from raising the minimum wage.

Reducing College Loan Debt:

The \$5,600 saved by typical college students will not help African American and Latino students as much as white students. Black families have only 15 percent of the wealth of white families resulting in less capacity to handle debt; moreover Black college graduates on the average earn half as much as the overall population of college graduates over their lifetimes, making college debt burdens more onerous for non-whites.

Decreasing Prescription Costs for Medicare:

The government will save money on the subsidized drugs purchased for low-income seniors. Beyond that it mostly serves middle-income seniors by reducing their out of pocket costs, a group disproportionately made up of whites. For very low-income seniors of color, Medicaid benefits may have been just as good or better.

Early indications with Medicare Part D suggest that the complexity of the program has led to low participation rates among low-income seniors, particularly seniors of color. Therefore, Congress' second pledge, to simplify Medicare Part D by offering an option directly administered by Medicare, is vital to closing racial disparities in access to drugs.

Reducing Oil Subsidies, Investing in Alternative Energy Research:

Of 153,725 jobs created in 2005 by the ethanol industry, our analysis using the most generous methodology estimates that the upper bound of the number of jobs that went to Blacks is only 13,835. The industry is located in the Midwest; the largest concentrations of African Americans and Latinos are in the South and Southwest.

New incentives for the education of scientists, engineers, and mathematicians

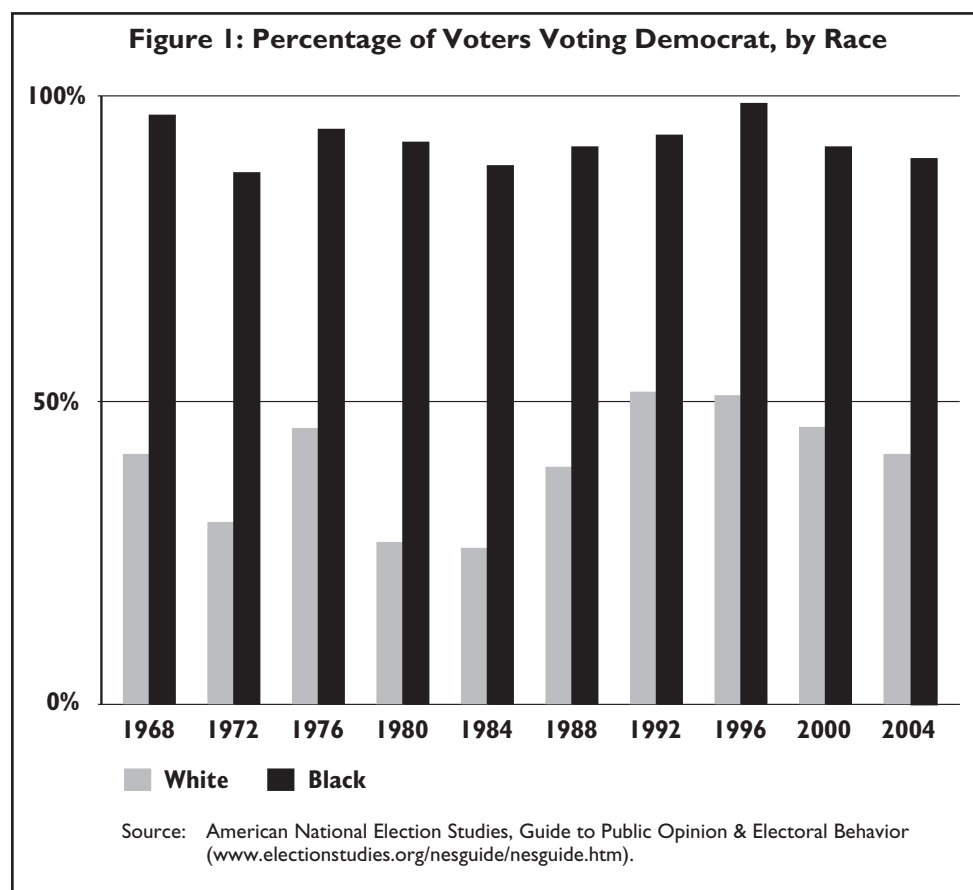
will not benefit students of color without specific funds for affirmative action programs. Currently, only 6.2 percent of African Americans and 4.1 percent of Latinos get graduate degrees in these fields.

Introduction

Democrats have been seen as allies of this nation's racial minorities.

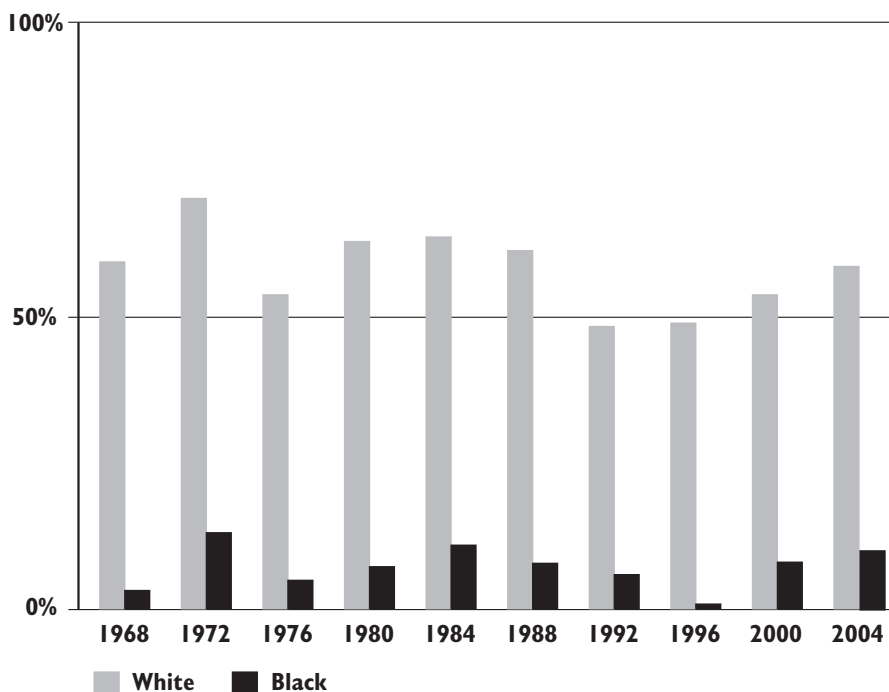
African Americans: the Democrats' Best Friends

For the last half-century, African Americans have been the Democratic Party's best friends. Pictures of John and Bobby Kennedy alongside Dr. Martin Luther King have been given places of respect on the walls of many an older African American's home. Democrats have been seen as allies of this nation's racial minorities – even more than that – as political leaders willing to take risks to champion the cause of racial equality.



This admiration and loyalty has been carried into the voting booths as well. The African American vote has been solidly Democratic from the era of the Civil Rights movement to the most recent election in November 2006. African Americans made up 10 percent of the total vote in the 2006 election, with 89 percent voting Democrat.¹ A sampling of the past 35 years mirrors this trend: in 1968, 97 percent of African Americans voted Democrat; in 1980, 93 percent; and in 1996, 99 percent. These rates are proportionately higher compared to white counterparts who voted 41 percent Democratic in 1968, 37 percent in 1980 and 51 percent in 1996.²

Figure 2: Percentage of Voters Voting Republican, by Race



Source: American National Election Studies, Guide to Public Opinion & Electoral Behavior (www.electionstudies.org/nesguide/nesguide.htm).

While the voting allegiances of Latinos are more mixed, their vote is growing in importance as their population has increased to 14.4 percent of the population.³ In the 2006 election, the Latino vote shifted from Republican to Democratic, largely due to the anti-immigrant stance of Republicans in key Latino states such as Arizona: only 29 percent of Latinos voted Republican.⁴ With African Americans and Latinos now constituting 27.2 percent of the US population and both voting solidly Democratic in 2006, there is a great opportunity for the new Democratic majority to demonstrate their commitment to serving the needs of this significant segment of their base.

Dr. King’s Unfinished Business: Economic Equality

Before his life was tragically cut short, Dr. Martin Luther King was agitating for an “economic bill of rights.” The right to vote and to have equal access to all institutions including schools, workplaces, and public sector programs were significant victories, but those rights, he noted, did not change the fact that so many Americans of all races still lived in poverty, nor did it change the relative poverty of African Americans to whites.

Since Dr. King’s death, our nation has not created any rights to a fair share of the economy. On the contrary, we have instead embraced an economic approach

that says, “Every man, woman, and child for him/herself. Let the market sort it out.” The result has been a redistribution of the nation’s resources from the poorest to the richest. According to Forbes, the 400 richest Americans are now all billionaires. The latest reports from the Census Bureau (Aug. 2006) show that 37 million people or 12.6 percent of all Americans still live below the poverty line, surviving on less than \$20,000 a year for a family of four. One out of four children in these United States under the age of 18 live in poverty. Forty-three percent of the poor are Black, and 24 percent of Latinos are poor.⁵ In 2006, in the richest country in the world, Dr. King would be appalled at our lack of progress both in terms of reducing poverty, and in terms of reaching racial economic parity.

In 2006, in the richest country in the world, Dr. King would be appalled at our lack of progress both in terms of reducing poverty, and in terms of reaching racial economic parity.

An Opportunity – and a Test – for Democrats

New leadership in the U.S. House of Representatives has set an ambitious agenda for its first legislative session as the majority party. The goal is to pass legislation within the first 100 hours to address a number of issues that the leadership believes reflect priorities of their party and their expectant constituents. Of the half-dozen areas being targeted, four have significant economic objectives and implications. It is telling that at a time when voter disenchantment is so high, the economy is central to the response for addressing voter concerns.

The stated goal for the new economic proposals is to help low- and middle-income people. It is a “colorblind” agenda, to be universally applied. The specifics for each proposal are straightforward:

Minimum Wage

Raise the federal minimum wage from \$5.15 to \$7.25 over two years.

College Loans

Cut interest rates in half for new student and parent loans that are subsidized by the federal government. For student loans, the rate would go from 6.8 percent to 3.4 percent. For parent loans, the rate would go from 8.5 percent to 4.25 percent.

Medicare

Enable Medicare to negotiate lower drug prices with drug companies, as the Veterans Administration does.

Energy Independence

Roll back the multi-billion dollar subsidies to large oil companies and invest that money in alternative fuel research and development.

Through Dr. King’s Eyes: Using a Race Lens

While these are worthy programs and represent honorable goals, if we look at them through the lens of race, as Dr. Martin Luther King would, they do not explicitly address the racial economic inequities in our country.

On a basic level, it can be assumed – as the Democrats probably did – that people of color will automatically benefit, since they are disproportionately among those who will gain from such policies as increasing the minimum wage or decreasing the cost of college loans.

But even if the number of people of color who benefit is disproportionate to their number in the total population, since we do not have racial economic equality, people of color need to gain disproportionately in order to close the gap. If disparities exist before benefits are applied, and the benefits are distributed evenly, the disparities will remain the same.

Imagine a running race with one team starting half a lap behind the other team. It doesn’t matter how many runners are on each team, if we let all of them walk for a lap, or give them all a rest after a minute of running, or give any benefit to all of them, the team that starts behind will tend to finish behind. In the United States, the white team has always been ahead, and will remain so even if all the economic proposals in the 100-hours agenda are put in place.

In this report, we will examine how far behind African Americans in particular are in the areas targeted by the new agenda; Latino information is included in some cases. Our report suggests that “colorblind” policies are not enough. A longer-term agenda specifically designed to close the racial economic gap will be needed to fulfill the dream of Martin Luther King.

I. The Wages of Poverty

100-Hours Agenda:

Legislate a three-stage increase in the federal minimum wage from its current level of \$5.15 per hour, to \$5.85 sixty days after the law goes into effect, \$6.55 one year later, and \$7.25 one year after that.

In November 2006, a bill raising the minimum wage by 70 cents in three increments over two years was announced as part of the first 100-hours agenda by Speaker-elect Nancy Pelosi to be acted on in January 2007. The same bill had been introduced and rejected by the 2006 Congress.

A minimum wage increase is necessary, but is the proposed increase sufficient enough to lift African Americans and Latinos out of poverty? Will it enable people of color to reach wage parity with white Americans?

Working Hard and Staying Poor: A Growing Crisis

Congress last raised the minimum wage in 1997. With inflation eating away at it year by year, the value of the minimum wage has fallen to its lowest level in over 50 years.⁶ The 1979 minimum wage of \$2.90 was worth \$7.23 in 2005 dollars.⁷ There is no state in the nation where a family, or even an individual, can cover the basic cost of living with \$10,712, the pay of a full-time minimum wage job.

Poverty wage issues such as living wage campaigns in over 100 cities and towns, student campaigns against sweatshops, union organizing in the low-paid service sector, have been among the hottest topics with activists of the last decade. This movement has racked up victory after victory but has nevertheless found one target completely unmovable: Congress!

According to columnist Holly Sklar,

On Dec. 2, [2006], we [broke] the record for the longest period without a raise since the minimum wage was established in 1938. The prior record of nine years and three months lasted from Jan. 1, 1981 until the minimum wage increase on Apr. 1, 1990. ...

Congress has had eight pay raises since 1997 and is scheduled for a \$3,300 'cost of living adjustment,' raising congressional pay on Jan. 1 to \$168,500 not counting health coverage, pensions and other benefits.

Congress should refuse pay increases until the minimum wage is raised enough to keep workers out of poverty instead of in poverty.⁸

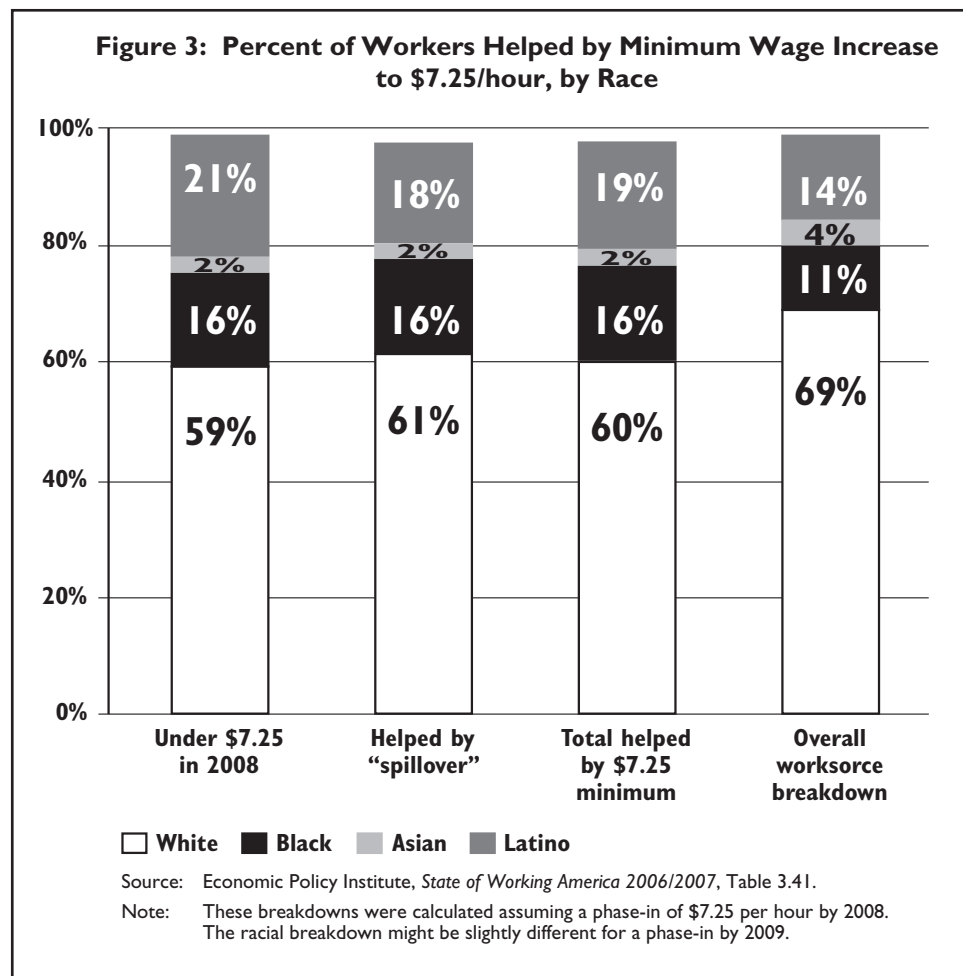
With inflation eating away at it year by year, the value of the minimum wage has fallen to its lowest level in over 50 years.

Workers earning less than \$7.25 an hour are disproportionately African American and Latino.

The number of workers earning \$5.15 per hour (or less) is relatively small - 1,882,000 out of 75 million hourly wage workers in 2005, or about two and on half percent.⁹ Far more numerous are workers earning above the minimum wage but below the proposed 2009 level of \$7.25. About 13 million workers are expected to be earning less than \$7.25 an hour in 2009.¹⁰

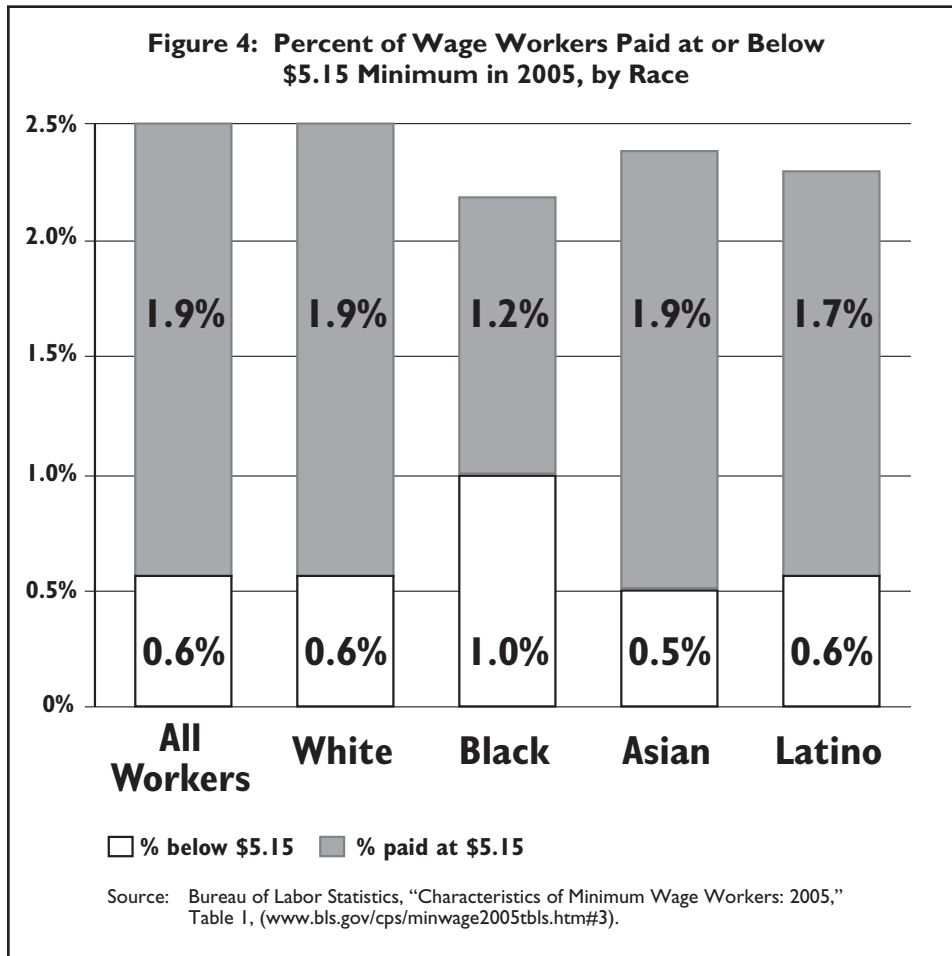
Workers who earn less than \$7.25 an hour are disproportionately African American and Latino. While white non-Hispanic workers are 69 percent of the overall workforce, they are only 59 percent of those earning under \$7.25 an hour. African Americans are 11 percent of the workforce but 16 percent of workers earning under \$7.25 an hour; for Latinos the numbers are 14 percent and 21 percent. (See Figure 3, left and right columns.)

If the minimum wage were raised to \$7.25 an hour, many workers earning at or slightly above that wage would also get raises, to keep their pay in line with those currently earning less than them. The Economic Policy Institute has calculated the racial breakdown of those benefiting from this spillover effect and found that they are also disproportionately Black and Latino.



African Americans are almost twice as likely as any other race to be paid less than the minimum wage. While the ratio improves when these workers are combined with workers paid exactly \$5.15 an hour, it still far exceeds the proportionality of Blacks relative to the entire population. (As it does for Asians and Latinos.)¹¹ These ultra-low-paid jobs include many part-time jobs and many held by teenagers, and are therefore not as representative of the millions of poverty-wage jobs as the more numerous \$6 and \$7 jobs.

African Americans are almost twice as likely as any other race to be paid less than minimum wage.



Poverty wages contribute to the extremely high poverty rates among communities of color.¹²

Black and Latino families with children are much more likely to suffer hardship than non-Latino white families. The Center for Budget and Policy Priorities analyzed Census data to compare how many families experienced overcrowded housing, hunger or lack of medical care in 2002 to 2003. Their findings:

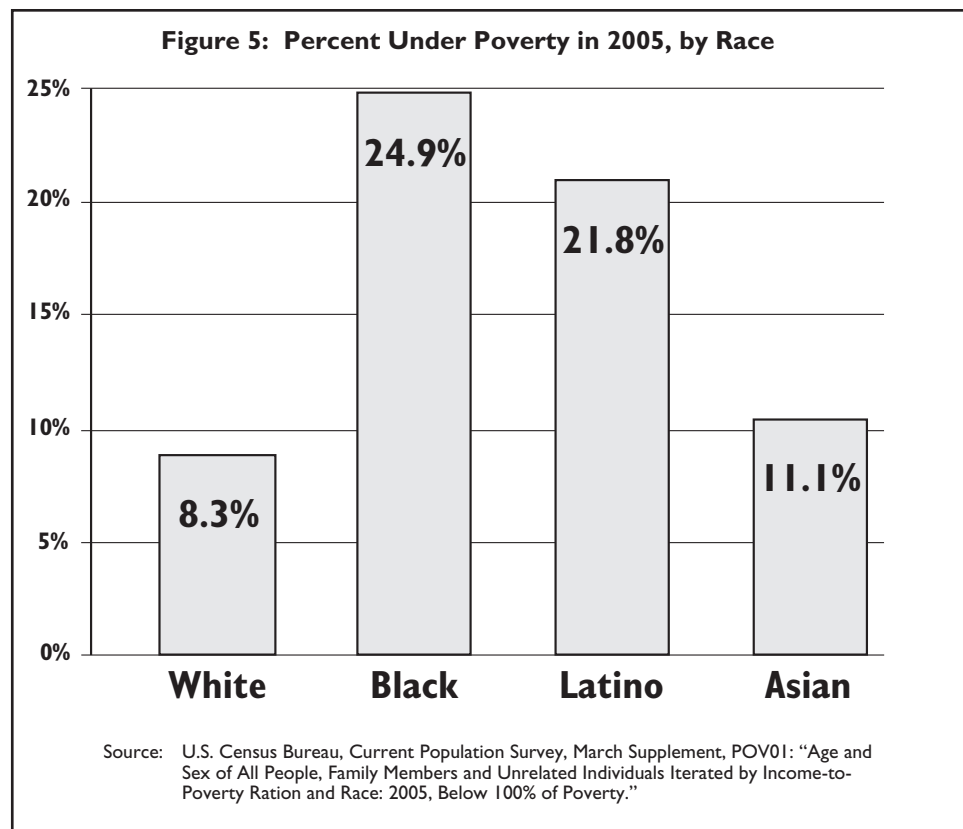
Between one-fourth and one-third of African American families with children (28 percent) experienced at least one of three hardships - overcrowded housing, hunger, or the risk of hunger (termed "food insecurity")

by the government), or lack of needed medical care – in the 12 months before the survey was conducted in summer 2003. This was double the comparable rate for non-Latino white families with children (14 percent).

Nearly one in three families with children headed by a Latino citizen (31 percent) experienced at least one of these three hardships, not significantly different from the rate for Black families.

Hardship rates are still higher among Latino families headed by a non-citizen. Nearly half (47 percent) of families with children headed by a Latino non-citizen experienced one or more of these three hardships.¹³

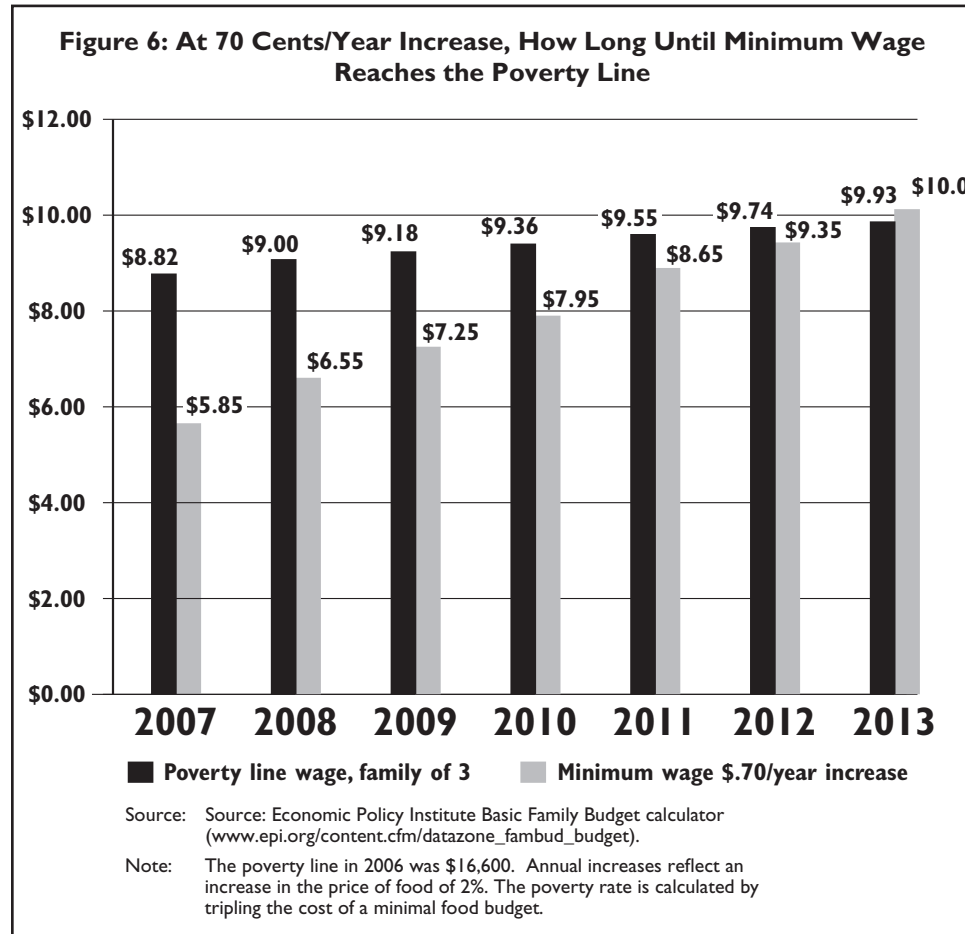
Many people with urgent unmet needs are unable to get emergency help. A report released on December 14, 2006 by the U.S. Conference of Mayors found that in 23 cities surveyed, an estimated 23 percent of requests for emergency food assistance went unmet. Requests for food aid grew seven percent from 2005 to 2006, after growing 12 percent from 2004 to 2005. More than a third of adults requesting food aid were employed. Requests for emergency shelter rose nine percent from 2005 to 2006; requests from families with children rose five percent.¹⁴



Too Little Too Late

The proposed increase in the minimum wage would not get low-wage workers out of poverty. In fact, even if similar increases of 70 cents a year were approved every single year – a historically unprecedented occurrence – a minimum wage worker wouldn't hit the federal poverty level (three times a minimal food budget) until 2013.

The proposed increase in the minimum wage would not get low-wage workers out of poverty.



Key States Where Wage Hikes Would Help People of Color

Many states, impatient with federal inaction, have already raised their state minimum wages, in some cases above \$7.25 in 2009.¹⁵ Thanks to Let Justice Roll, ACORN and many unions, referenda to raise the minimum wage on the November 2006 ballot passed in six out of six states.

As a result, if the federal minimum wage rose to \$7.25 by 2009, workers would get raises of between 25 cents and \$2.10 per hour in 33 states and the District of Columbia. (See Table 1)

While some of these states have notably whiter-than-average populations, others are among the states where the most African Americans and Latinos live. Of the ten states where 60 percent of African Americans live, according to the

U.S. Census, five would be affected by a federal minimum wage increase: Texas, Florida, Georgia, North Carolina, Maryland, and Louisiana. The first three of these each have more than two million Black residents.

Table I: States Affected by Minimum Wage Hike to \$7.25

34 States Affected by Minimum Wage Hike		Racial Breakdown of Population of Affected States	
Alabama	Missouri	African American	22,896,070
Arizona	Montana	Latino	20,923,238
Arkansas	Nevada	White	114,988,727
Colorado	New Hampshire	Mixed-Race & Other	6,759,063
District of Columbia	New Mexico		
Florida	North Carolina		
Georgia	North Dakota		
Idaho	Ohio		
Indiana	Oklahoma		
Iowa	South Carolina		
Kansas	Texas		
Kentucky	Tennessee		
Louisiana	Utah		
Maine	Virginia		
Maryland	West Virginia		
Minnesota	Wisconsin		
Mississippi	Wyoming		
		Total	165,567,098

Source: U.S. Census Bureau, American Community Survey, 2005.

Similarly, of the ten states with the greatest Latino/Hispanic population, Colorado, New Mexico, Arizona, Texas, and Florida would be affected by a \$7.25 minimum wage.

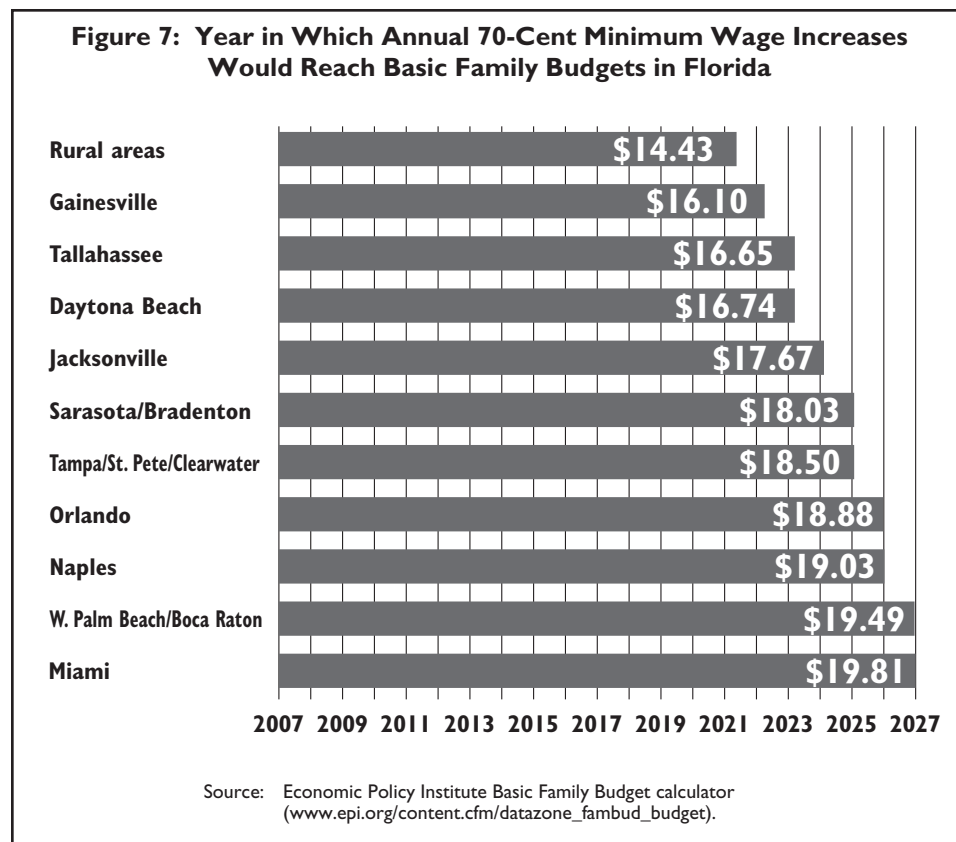
In all, almost 23 million African Americans and almost 21 million Latinos live in the 34 states that would get a raise.

To get a sense of how African Americans and Latinos will fare under an increased minimum wage, we studied one state with high populations of these racial minorities: Florida. Our assumption is that other states with high concentrations of African Americans and Latinos will mirror our findings for Florida.

Florida is home to 2,536,034 African Americans and 3,414,414 Latinos, who make up 34 percent of the state's population. It has a state minimum wage of \$6.67 in 2007, adjusted for inflation.

The Economic Policy Institute researched the cost of living in metropolitan and rural areas across Florida and released a 2005 "Basic Family Budget." It includes just bare necessities such as food, shelter and taxes, with no extras. According to this study, it would be impossible to support three people on \$7.25 per hour anywhere in the state. The hourly wage needed to cover the basics (working 40 hours a week for 48 weeks a year) is so far above the proposed higher minimum wage that even if increases of 70 cents were added each and every year, the minimum wage wouldn't hit the cost of living until 2021 in the lowest-cost rural areas - and not until 2027 in Miami!

This projection assumes zero inflation, which is unlikely, so the actual year when the minimum wage would minimally support a family would probably be even further into the future.



A Work and Pay Equity Agenda

In March 1968, Martin Luther King spoke these words, “When there is massive unemployment in the Black community, it is called a social problem. But when there is massive unemployment in the white community, it is called a depression.” Today, there is still a massive social problem in the Black community.

Yes, Congress should raise the minimum wage. But increasing the minimum wage is only a small part of the solution, and the problem remains. People of color expect bigger and bolder policies from the new Democratic majority in the days to come. Such ideas could include:

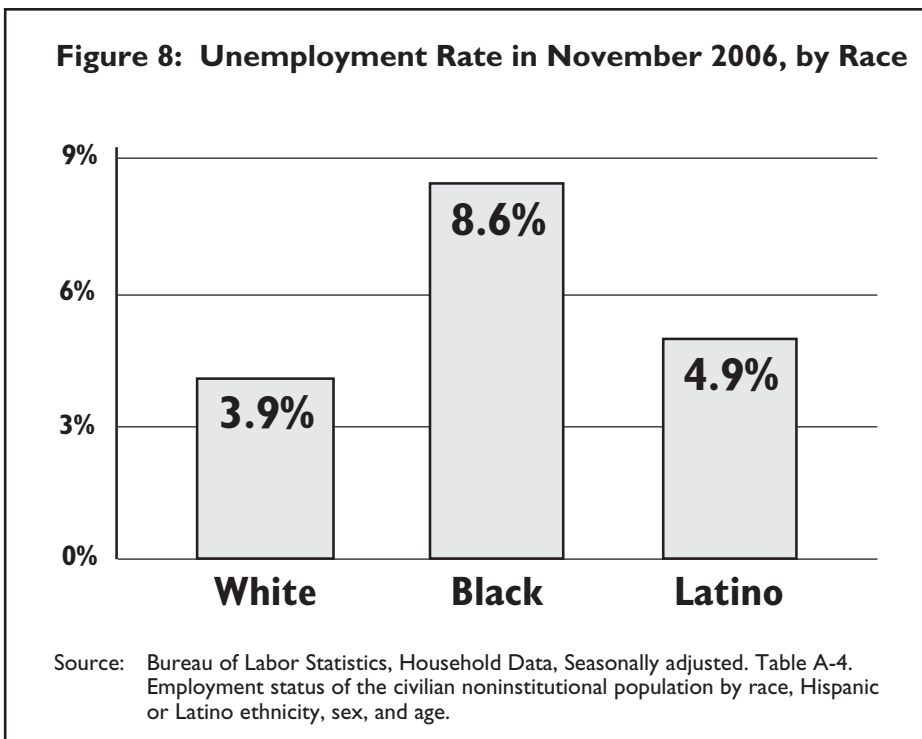
- **Full Employment**

Worse than a minimum wage job is no job at all. The official African American unemployment rate was 8.6 percent in November 2006, or more than double the white unemployment rate of 3.9 percent. Of Latinos, 4.9 percent were unemployed.

Less than 59 percent of African American adults held jobs in November 2006, compared with 64 percent of whites and 65 percent of Latinos.

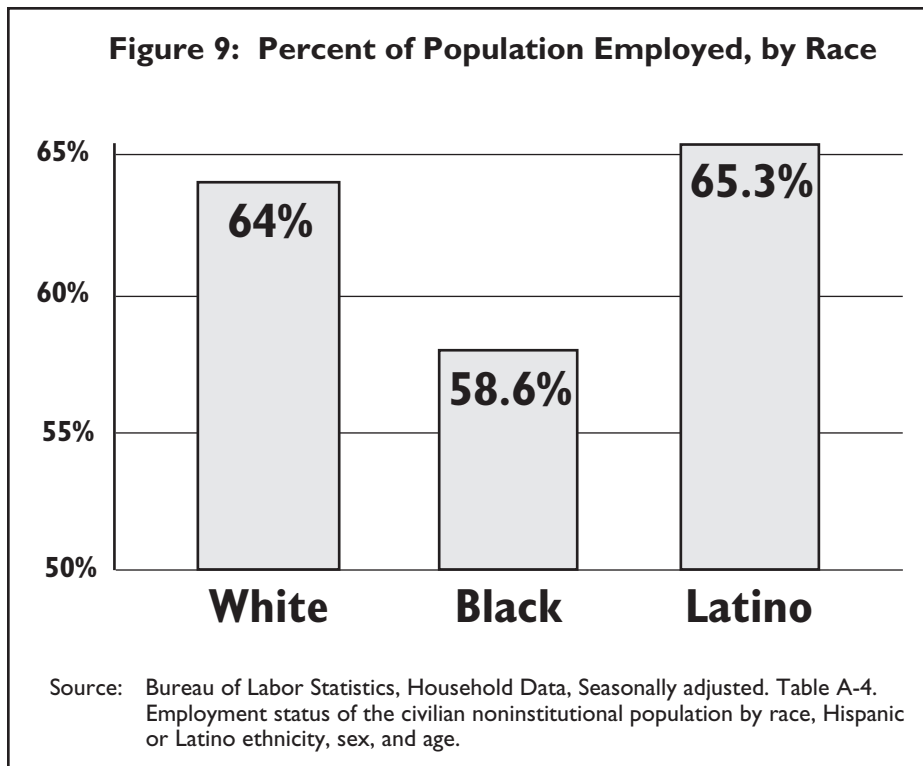
The official unemployment rate only counts those actively looking for a job, not those who have dropped out of the job market or are incarcerated. In fact, less than 59 percent of African American adults held jobs in November 2006, compared with 64 percent of whites and 65 percent of Latinos.

Unemployed people of color also tend to remain jobless for longer periods than the white unemployed. In 2005, unemployed white people were unemployed



for only an average of 17 weeks; unemployed Asian people were unemployed for an average of 23 weeks; unemployed Black people were unemployed for an average of 23 weeks; and unemployed Latinos were unemployed for an average of 16 weeks.¹⁶

Congress has many tools in its tool belt to reduce unemployment. Public works jobs are the most surefire method. Some of the money now going to tax cuts for the super-rich and padding military procurement could be spent to hire unemployed people to improve deteriorated schools, install renewable energy generators, and other much-needed improvements. Full-employment as a policy goal was seriously debated in the 1950s and again in the late 1970s. Martin Luther King recommended for his Economic Bill of Rights a massive federal jobs program to bring every American into the economy. But for the last 25 years, our nation has tolerated high levels of unemployment – especially in communities of color.



• Labor Rights for All

Currently, the erosion of wages is related to the globalization of our economy. With NAFTA under President Clinton and more recently the Central America Free Trade Agreement (CAFTA) under President Bush, leaders from both parties acted with disregard for U.S. jobs – and the interests of working people of all countries – by enacting trade policies that favor multinational corporations. New immigrants have arrived to escape poverty back home, and their undocumented status makes them vulnerable to labor abuses.

A 2002 ruling by the United States Supreme Court stated that undocumented workers are not entitled to back-pay as a remedy for unfair labor practices and they are not entitled to reinstatement. In a downward spiral, this ruling gives employers incentives to hire undocumented workers for low-wage, non-union jobs, while more undocumented immigrants are desperate enough to accept jobs with very low pay and poor working conditions. Congress should make clear that any job on U.S. soil is covered by basic labor law, including the minimum wage and the right to organize. The prosecution of these rights must be de-linked from the INS.

• The Employee Free Choice Act

Unionization has been the most important way that African Americans have been able to make their work pay. When hourly wage jobs paid a wage sufficient to allow savings and home ownership, as they did in the auto and steel industries in the decades after World War II, it was because they were ensured by a union contract.

Unionization has been the most important way that African Americans have been able to make their work pay.

IRMA'S STORY

Irma has lost a job again. This is the third job she has lost since the recent crackdown on undocumented workers in Dallas, Texas. Her employers were very accommodating when they needed her cheap labor, but were fast to let her go at the slightest sign of trouble. She is still trying to get the last paycheck from layoff number two.

Mind you, this does not mean that Irma has joined the ranks of the unemployed. In order to feed, clothe, and house her eight-year-old daughter and her two-year-old son as a single mother, she has to work three jobs. She lost her favorite gig, decorating ice-cream cakes at a chain ice-cream shop. She did not earn as much as other workers with "good papers," but she earned almost seven dollars an hour. The two jobs she has left are fast food part time minimum wage work, and the \$154.50 a week she earns will not allow her to make her \$540 rent this month and still feed her children. Plus, she was not expecting the layoff, so she had splurged on new K-Mart coats and shoes for the kids this winter. For a change, they were glad not to rely on the clothes from the St. Luke's Church donation bin.

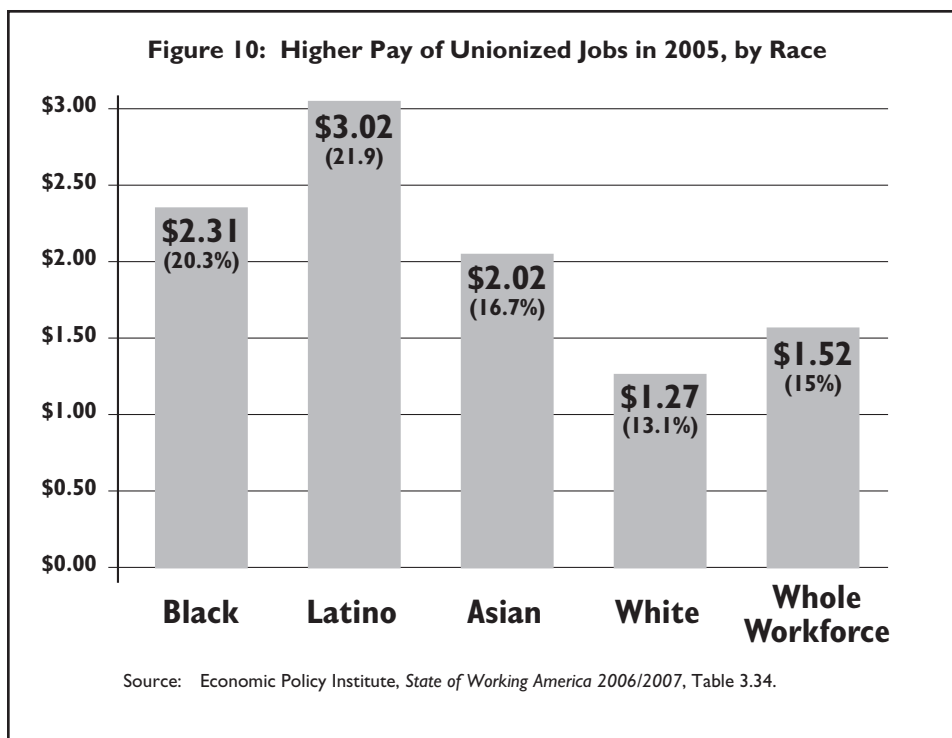
Irma is worried because things do not seem to be getting better. She is making less than when she first came to Dallas from Honduras 10 years ago. She thought that she would put up with hours and hours of low wage, back breaking work for a while, but that eventually she could afford a better life for her and her children. Right now, she is barely holding on. The only silver lining is fewer childcare woes. So many of her friends are losing jobs now that she can swap childcare for a sleeping space in her living room any time. She just hopes that she and her children will not be the next one in need of a friend's couch or living room floor to sleep on.

Unionized jobs pay an average of \$1.52 more than non-union jobs, or almost 15 percent more. This union premium is greater for people of color: \$2.31 or 20.3 percent for African Americans, \$3.02 or 21.9 percent for Latinos, and \$2.02 or 16.7 percent for Asians, compared with \$1.27 or 13.1 percent for whites.¹⁷ (See Figure 10) Union jobs are also more likely to include health insurance and other benefits.

The share of the U.S. workforce covered by a union contract has been steadily falling since the late 1970s, hitting a low of 12.5 percent in 2005. One reason is flagrant violations of labor law by unscrupulous employers.

Congress could toughen up penalties for employers who violate labor laws, as well as anti-discrimination laws.

More than 25 million private civilian workers and 6.9 million federal, state and local government employees do not have the right to negotiate their wages, working hours and employment terms, according to the Brussels-based International Confederation of Free Trade Unions. Supervisors, most agricultural workers, independent contractors, household workers, and state and local government employees in the 14 states without collective bargaining laws have no legally protected right to join a union. And the situation is getting worse.



During the last Congress, a bipartisan group of sponsors introduced a bill called the Employee Free Choice Act. It was intended to strengthen protections for workers' freedom to choose by requiring employers to recognize a union after a majority of workers sign cards authorizing union representation. It also would provide for mediation and arbitration of first-contract disputes and authorize stronger penalties for violation of the law when workers seek to form a union.¹⁸ The new Congress should promptly pass this or a similar law.

Table 2: If employers allowed a fair process for choosing a voice, millions more workers would have a voice on the job today.

Nonunion workers who say they want to join a union:	57 million
Percentage of U.S. workers that belongs to unions:	12.5%
Percentage of U.S. workers that would be in unions if workers could choose freely:	57%

Sources: Peter D. Hart Research Associates, 2005; Human Rights Watch, *Unfair Advantage: Workers' Freedom of Association in the United States Under International Human Rights Standards*, 2000; Membership survey for the AFL-CIO, Peter D. Hart Research Associates, 2005; National Labor Relations Board annual reports; Federation Mediation & Conciliation Service annual report, 2004.

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2. Closing the Education Gap

100-Hours Agenda:

Cut the interest rate on federally subsidized college loans in half to encourage participation in college by decreasing educational debt: reduce student loan interest rates from 6.81% to 3.4%, and parent loans rates from 8.5% to 4.25%.

Post-secondary education is growing in importance in today's economy. The number of jobs that offer decent wages, health insurance and pensions for those without more than a high school education has plummeted over the last 25 years.¹⁹ Most recently, job cuts in the auto industry pushed thousands of workers into downward mobility, a disproportionate number of them African American.

But there are other changes in the economy. Education experts Anthony Carnevale and Jeff Strohl have estimated that between 2002 and 2012, ten million new jobs will be created for those with bachelor's degrees, a 37 percent increase. While the U.S. will have a surplus of more than three million workers with high-school degrees or less, there will be a shortage of about seven million workers with at least some college education.²⁰ In some professions such as nursing or IT, workers from abroad are being recruited – not in order to depress wages – but simply because qualified Americans are not to be found.

With more than one out of four young African Americans between the ages of 16 and 19 unemployed, there is a huge opportunity to prepare them to fill the job vacancies. For those over 19, Black unemployment rates are more than double white rates: white unemployment according to the most recent data for November 2006 stood at 3.9 percent, while Black unemployment was 8.6 percent.²¹ Helping African Americans get the necessary postsecondary education for those new jobs would not only help close the unemployment and wage gaps but would also add \$250 billion to the GNP and produce an extra \$85 billion in tax revenues.²²

Free to Owe: College Debt Burden Grows

Much progress in higher education has been made since Martin Luther King's time. In 1960, barely 200,000 African Americans were enrolled in college, and three-fourths of that number attended historically Black universities and colleges. By 1970, as a direct consequence of the civil rights movement and the passage of anti-discrimination and affirmative action laws, 417,000 African Americans age 18 to 24 were attending college, and three-fourths of these new students were at predominantly white institutions. Five years later, 666,000 African Americans age 18 to 24 were enrolled in college, more than one of every five Blacks in their age group.²³ The total number of African Americans under age 35 who held college degrees more than tripled in these same years, from 96,200 in

Much progress in higher education has been made since Martin Luther King's time, but in recent years, progress has slipped.

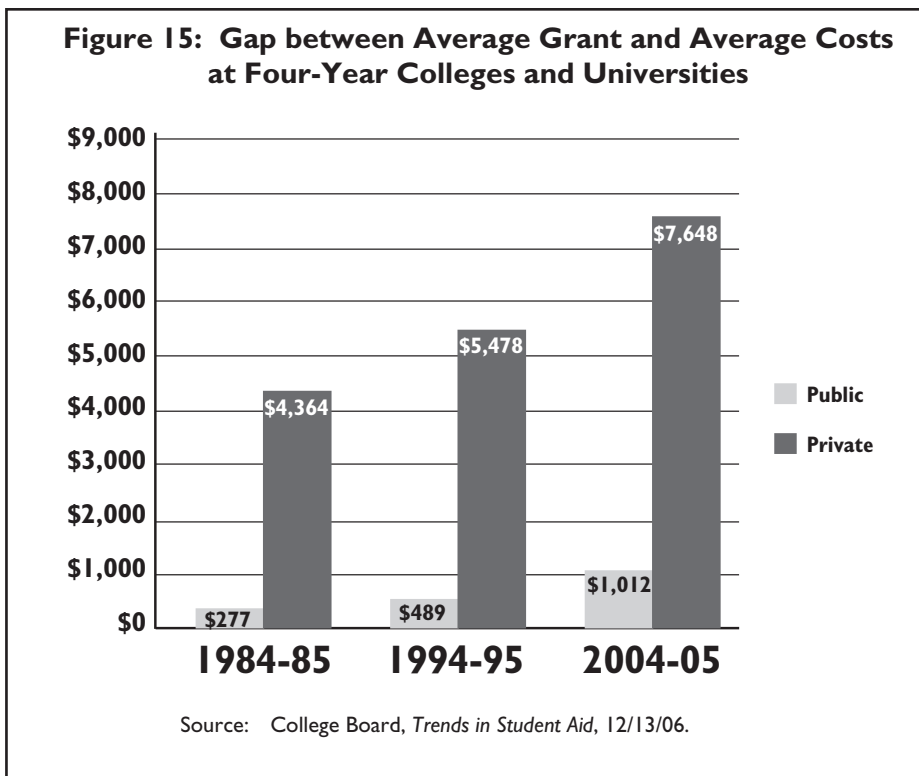
1960 up to 341,000 by 1975. Between 1990 and 2000, Black enrollment in law schools went up by 50 percent, and Blacks earning PhDs doubled.²⁴

But in recent years, progress has slipped. There has been an erosion of affirmative action, including under Bill Clinton (the last Democratic President), who declared proudly that he had “done more to eliminate affirmative action programs I didn’t think were fair ... than my predecessors.” College enrollments for young people of color have slipped. For example, at Texas A&M, Black and Latino enrollments fell from 3.4 percent and 11.5 percent to 2.6 percent and 9.8 percent; at the University of California at Berkley, African American and Latino freshmen fell from 7.8 percent and 14.6 percent in 1997 to 3.9 percent and 10.8 percent in 2001.

Black graduation rates are slipping as well, leading to a widening of the racial education gap. Blacks have a 42 percent graduation rate, 20 percent points below whites.²⁵

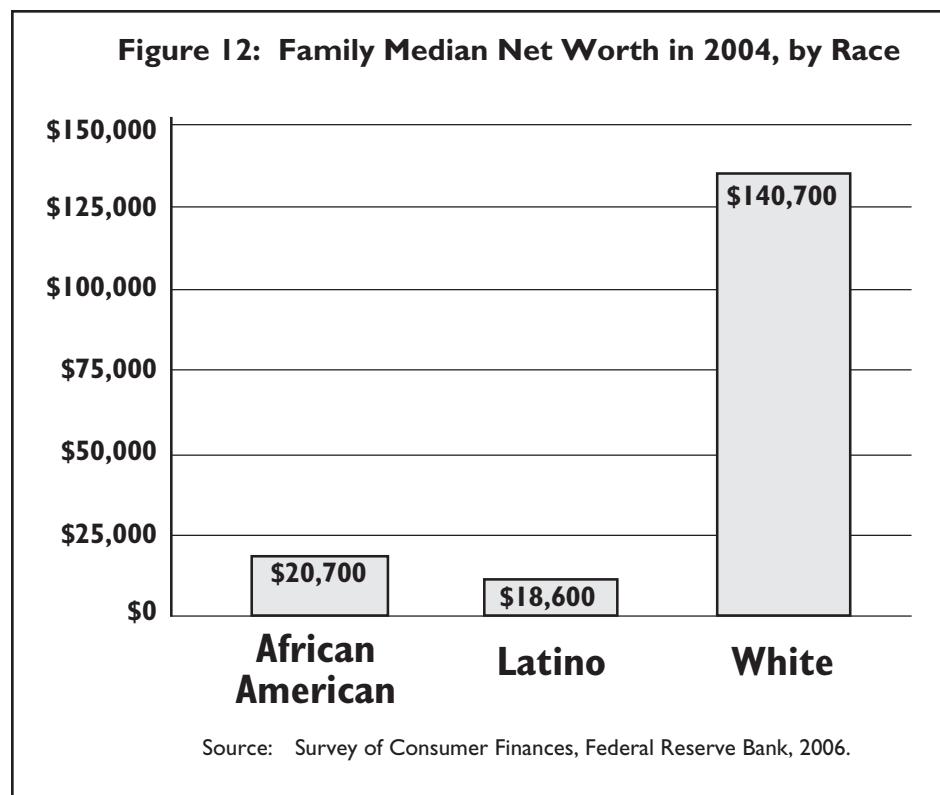
College tuitions have soared - rising 36 percent at private 4-year colleges, a shocking 51 percent at public four-year institutions and 30 percent at community colleges between 1995 and 2005.²⁶ It costs, on average, roughly \$13,000 per year to attend a public university. The Journal of Higher Education calculates that each thousand dollars of additional tuition decreases the probability of a person staying in college by about 12 percent.²⁷

Our campuses are grooming for success the children of the already successful. According to the U.S. Census Bureau, as of 1998, in families with annual incomes above \$75,000, 65 percent of their children between age 18 and 24



attended college. Only 24 percent of that same age group attended college from families earning under \$25,000 annually. Research funded by the Century Foundation found that as of 2004, at the nation's 146 most selective colleges and universities, about 74 percent of all students came from households from the wealthiest socioeconomic quartile. Students from families in the lowest socio-economic quartile currently make up only 3 percent of all students at these elite institutions.²⁸

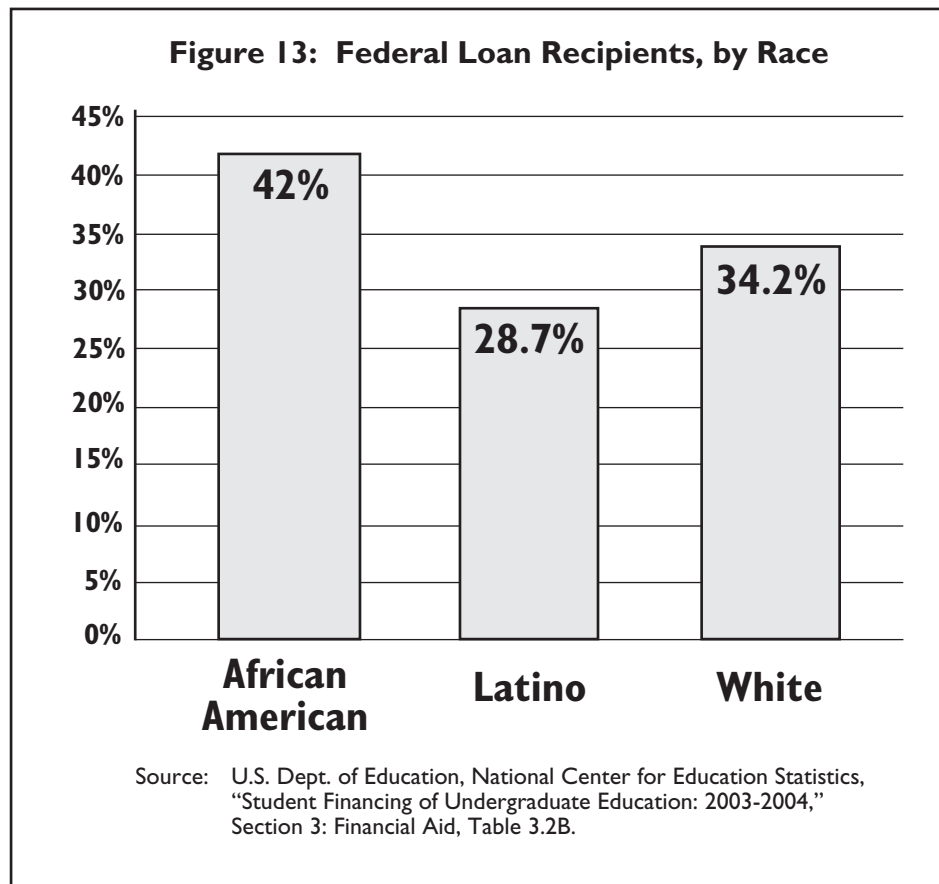
Black families make only 60 cents for every dollar of white income, and even more to the point, have only 15 cents of financial assets for every dollar of white wealth.



Clearly, assistance is needed for those who cannot afford the rising costs of getting credentialed. While students of color receive more loans – 34.2 percent of white students receive federal loans compared to 42 percent of African Americans and 28.7 percent of Latinos – given that Black families make only 60 cents for every dollar of white income, and even more to the point, have only 15 cents of financial assets for every dollar of white wealth²⁹ – the greater number of Black students receiving loans is not adequate to the task of bringing up Black college enrollment and graduation rates.

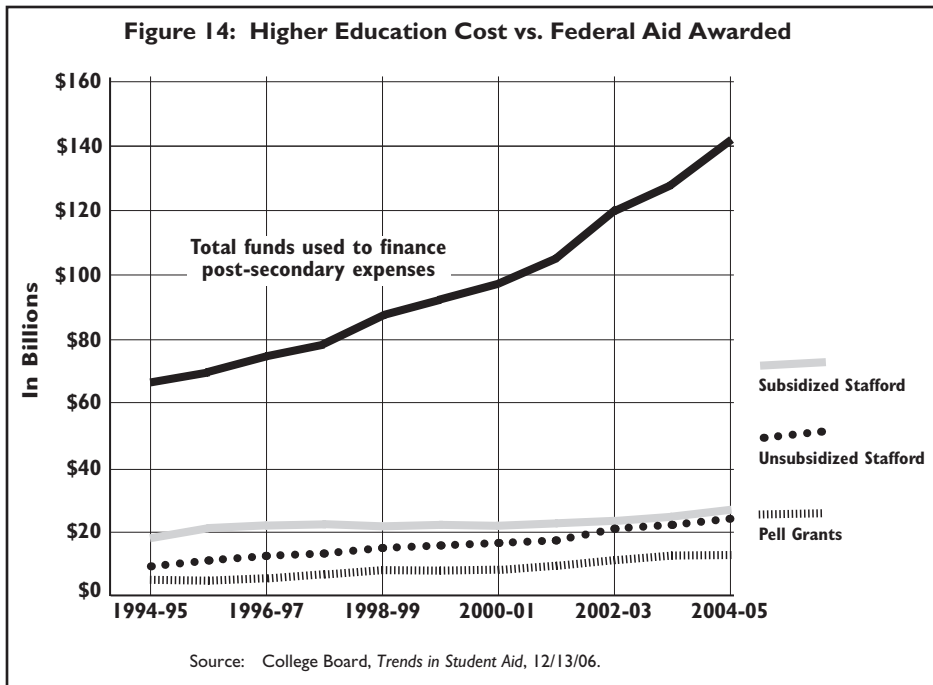
The average amount of the federal loans is relatively equal: in 2003-2004, \$5,000 for white students, \$5,300 for African American and \$4,900 for Latinos. For parents, the average amount were \$9,100 for whites, and \$8,600 for both Blacks and Latinos.³⁰ These loans have not kept up with the increase in total costs for attending college, and students increasingly must take out ordinary loans at high interest rates to make up the difference. With lower financial means in their families, Black and Latino students need greater subsidies than white students.

Grants, rather than loans, of course are of more help. But over the last three decades, the ratio of federal aid in the form of Pell and other grants, versus loans, has changed significantly. According to Senator Durbin (D) from Illinois who is championing college funding reform, “During the 1975-1976 school year, 77 percent of federal aid going to students nationally was in the form of grants, and only 20 percent was loans. In contrast, by the 2004-2005 school year, it was almost the exact opposite - 70 percent loans and 20 percent grants.”³¹

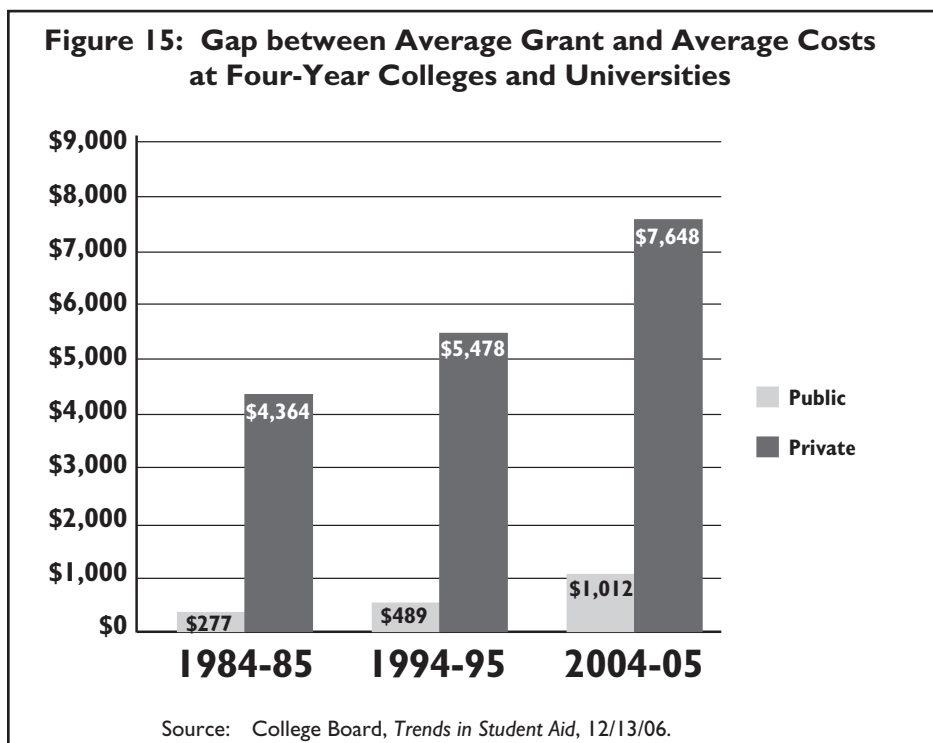


Even federal Pell grants have decreased in value. In 1985 the maximum Pell Grant was about 58 percent of the tuition, fee, room and board charges at public and private four-year colleges. Currently, it covers about 38 percent. In terms of out-of-pocket costs, the dollar difference between the average grant and average tuition and fees rose from \$277 (in 2004 dollars) in 1985, to \$1,012 in 2005 for public four-year colleges and universities, and from \$3,364 to \$7,648 for private institutions during the same time period.³²

Not only are the majority of students turning to loans – nearly two-thirds of students at 4-year colleges have student loan debt – but debt levels are also escalating. As of 2004, the average senior who had taken out loans got a \$17,600 debt to pay back as a graduation present.³³ In 2000, 64 percent of students graduated with student loan debt, and the average student loan debt has nearly doubled over the past eight years to \$16,928.

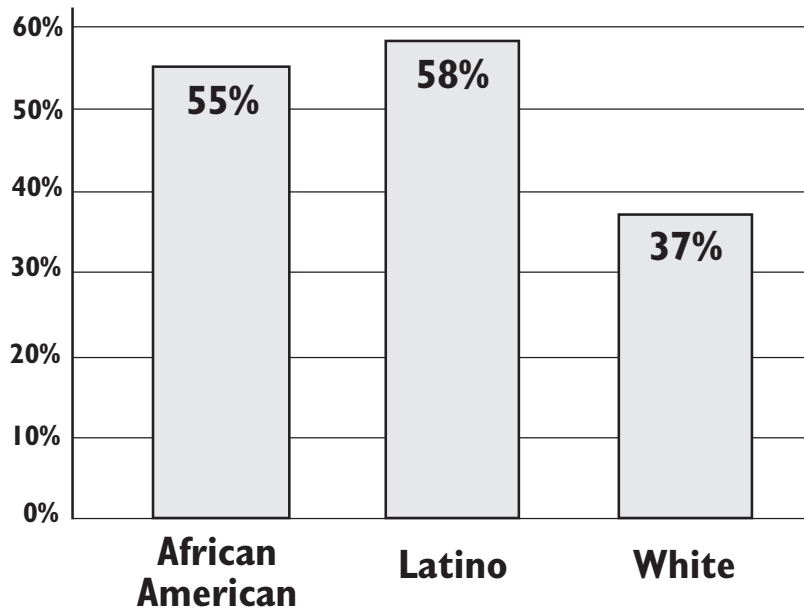


The current increases in costs of college coupled with reduced federal funding, lead graduating students into unmanageable debt, defined as monthly payments over 8 percent of income; 39 percent of college graduates have fallen into this debt trap. Unmanageable debt among white students is at 37 percent, for African Americans this rises to 55 percent, and for Latinos, 58 percent.³⁴



Part of the reason for this situation is that African Americans have fewer assets than white students, and borrow \$2,000 more than white students. In fact, the emphasis on loans rather than grants seems to favor whites. Whites used loan money as a supplement to costs paid out of pocket for tuition and fees, to cover the cost of living on campus. A recent report states that, “the new loan policy environment accentuates the privileges of whites and increases inequities between whites and African Americans.”³⁵

Figure 16: Percent of Student Borrowers who Graduated with Unmanageable Debt in 1999-2000, by Race



Source: King, Tracy and Ellyne Bannon, *The Burden of Borrowing: A Report on the Rising Rates of Student Loan Debt*, State PIRGs' Higher Education Project, March 2002.

It becomes financially dangerous to stay in school and keep piling on debt. According to Jose Garcia, a Senior Research and Policy Associate at Demos, 21 percent of Black students with loans dropped out of college, as opposed to 14 percent who did not have debt.³⁶

Short Changed on Equal Educational Opportunity

It is estimated by the Democrats that the typical student who graduates with \$17,500 in student loan debt would save \$5,600 over the life of his or her loan, under the proposed reduced interest rate.

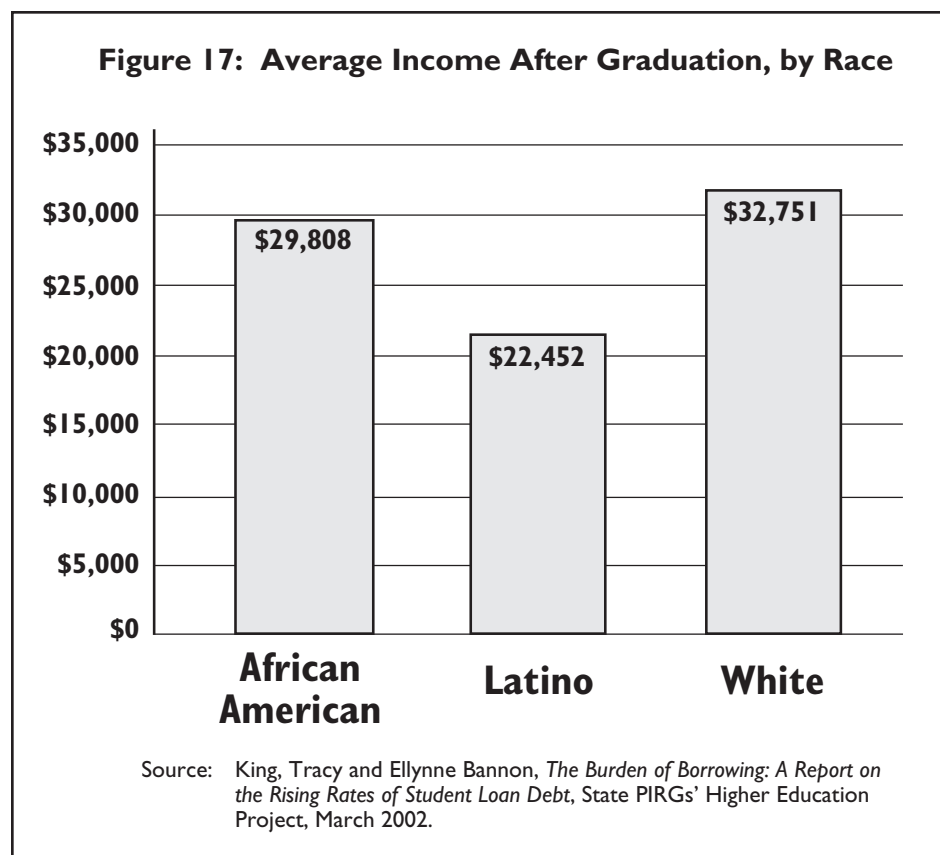
That \$5,600 saved is \$5,600 earned for a white student. But with the greater financial risks and burdens of African American and Latino students, \$5,600 will not go as far. It's true that college graduates in general earn more than those

without a degree - over \$1 million more over their lifetimes. But for Blacks, their college degree will bring them only \$500,000 more over their lifetimes.³⁷ They get half the return on their educational investment than do whites.

The impact of financial aid policies are not the same for everyone. White students with greater income and assets will have an easier time repaying their loans – especially with the higher incomes their degrees will get them.

Senator Durbin, a sponsor of the bill to be proposed in the first 100 hours says that impeding access to higher education “shortchanges our children while threatening our country’s ability to remain competitive in the global marketplace.”³⁸ The Democrats need to heed this advice, and ensure that African American children do not remain in the “shortchanged” category, which will indeed have negative repercussions for our nation’s economic future.

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An Educational Equity Agenda

While cutting interest rates on student loans can be considered a small positive step in opening up our colleges to lower-income Americans, the Democrats have not even begun to scratch the surface in eliminating racial inequities in access to higher education.

Martin Luther King's Grandchildren

"I have a dream that my four children will one day live in a nation where they will not be judged by the color of their skins, but by the content of their character." Martin Luther King, Jr. 1963

I entered college at roughly the same time that Martin's own children were entering college. In 1970, I began attending Le Moyne College in Syracuse New York; at that time, tuition, room and board cost about \$6,000 a year. With a Defense Loan, a Pell Grant, and some scholarship money, my costs were covered. At that time, the Pell Grant covered about 84 percent of my tuition. This was a time of unprecedented Black enrollment.

My first daughter, Sajida, started attending Genesee Community College in 1992. She was able to get both a New York state grant and a Pell Grant; these covered her tuition. She didn't need any loans because she lived at home. The Pell Grant covered about 43 percent of her tuition.

But federal grants have decreased even as college costs have increased. When my youngest son, Ahmad, begins college in 2008, Pell Grants will cover an average of only 39 percent of tuition, and the average annual tuition is now \$13,000 - not including the costs of housing and food. If Ahmad is like a typical African American student, he will have to borrow \$5,300 in federal loans. If I have to help him, I will have an \$8,600 federal loan.

In 1995, I began teaching at the University at Buffalo. As grants decreased and affirmative action - a key Civil Rights victory - was challenged at UB, African American and Latino student enrollment dropped.

African Americans of my generation benefited, but now, our nation has taken some steps backward. The hard-won gains of King's time are eroding: he would not be happy with the state of educational opportunity in America for his grandchildren.

Khalil Nieves

In 1964, Dr. King said that, "as Negroes have struggled to be free they have had to fight for the opportunity for a decent education." John and Bobby Kennedy and Lyndon Johnson moved an agenda that used the power of the government to desegregate public schools and mandate affirmative action in higher education, resulting in significant gains in closing the racial education gap. Today, what should African Americans ask of their Democratic friends?

• Equality of opportunity

Dr. King said in 1968, "If a city has a 30 percent Negro population, then it is logical to assume that Negroes should have at least 30 percent of the jobs in any particular company, and jobs in all categories rather than only in menial areas." Our Black population is at 12.6 percent. College graduates should be 12.6 percent Black, as should those receiving higher degrees. Affirmative action programs must be maintained and strengthened.

- **Extend public funding for education beyond the 12th grade**

This recommendation was first made by President Truman's Commission on Higher Education in 1947. The commission said that government must "guarantee that financial barriers not prevent any able and otherwise qualified young person from receiving the opportunity for higher education." It warned that, "If college opportunities are restricted to those in the higher income brackets, the way is open to the creation and perpetuation of a class society which has no place in the American way of life."³⁹

One could add that the perpetuation of a two-tier system based on race also has no place in the American way of life. In today's economy, opening up higher education to all is more important than ever.

- **Grants not loans**

Secretary of Education Margaret Spellings' Commission on Higher Education recommended increasing the Pell Grant dramatically so that the average grant once again reaches 70 percent of the average tuition at a four-year public institution.⁴⁰ The percentage of grants to loans needs to return to the original formulations, with the bulk of the dollars reserved for grants. These should be based on need, not "merit." Those fortunate to have gone to well financed suburban schools and who are well prepared for the standardized tests should not crowd out students from poorer backgrounds with high potential.

- **Financial assistance for living expenses**

Tuition is not the major cost of education for many students; supplemental living allowances are needed to help low-income people access postsecondary education.

The beneficiaries of the proposed changes are mostly middle-income seniors. While there are some seniors of color in this group, the benefits will accrue mostly to the white seniors who disproportionately make up the group.

3. The Other Drug War

100-Hours Agenda:

Enable Medicare to negotiate lower prices with drug companies, as the Veterans Administration does.

Democrats have pledged to move their “Prescription for Change” legislation that would lower prescription drug prices for millions of seniors on Medicare, by using the government’s enormous bargaining power to gain volume discounts from drug companies.

This move is in response to the Medicare Prescription Drug, Improvement and Modernization Act of 2003, passed in Congress and signed by President Bush on December 8, 2003. Under the Act, starting in November 2005, the nation’s more than 21 million Medicare beneficiaries had access to prescription drug coverage for the first time. The plan also moved more than six million low-income seniors from the Medicaid rolls to Medicare, promising to provide substantial pharmaceutical subsidies for our elders.⁴¹

Doughnut Holes and Loopholes

But since the outset the new Medicare program has been controversial:

- The plan is overly complex, offering seniors more than 40 plans offered by HMOs and insurance companies per state, each with different drug costs and terms.⁴²
- The plan also has large gaps in coverage: plan participants have to pay out of pocket for their first \$250 of pharmaceutical spending, for the next \$2,000 of spending they pay a 25 percent co-payment (for each dollar of drug cost, the senior pays 25 cents), from \$2,250 to \$5,100 in drug spending participants have to pay 100 percent of their drug costs. This large gap in the middle of the plan is known as the Medicare “doughnut.” At the catastrophic level (\$5,100) the prescription insurance kicks in again with Medicare picking up 95 percent of the costs.⁴³
- The legislation explicitly bans Medicare from using its buying leverage to gain discounts from pharmaceutical companies as the Veterans Administration and the Department of Defense both do. The Veterans Administration pays on average 46 percent less than the lowest cost under the Medicare Part D plan for the top 20 drugs prescribed to people on Medicare. For 19 of the 20 most prescribed drugs, the Veterans Administration pays at least 25 percent less than Medicare beneficiaries.⁴⁴

The Democrat’s Prescription for Change first takes aim at the third point above, pledging to remove the prohibition that Medicare can negotiate with drug man-

manufacturers to lower drug prices. Once this is accomplished, the Democrats also pledge to simplify Medicare Part D, in part by offering options administered by Medicare directly, taking profit-hungry insurance companies out of the mix.⁴⁵

Medicare Part D offers significant subsidies to low-income Medicare beneficiaries. This greatly improves drug access for seniors of color, who have the greatest need for pharmaceuticals. African American and Latino seniors report being in only fair or poor health nearly twice as often as white seniors, live beneath 150 percent of the poverty line nearly two-thirds of the time, and suffer disproportionately from chronic diseases like diabetes and hypertension than white seniors.

Table 3: Seniors' Health Issues

Factor Affecting Seniors	African American	Latino	White
Report being in Fair or Poor Health	43%	38%	28%
Have Diabetes	30%	28%	18%
Have Hypertension	71%		59%
Have foregone prescriptions due to cost	14%	13%	9%
Income less than 150% of poverty line	64%	62%	32%

Source: Families USA; Center for Studying Health System Change.

Medicare Part D provides \$192 billion in subsidies to low-income seniors over 10 years. Because of this, low-income seniors enrolled in Medicare Part D do not experience the “doughnut hole” controversy of the program. Instead low-income seniors receive pharmaceuticals at a minimal out of pocket cost.⁴⁶

New Prescription Still Unfilled Prognosis Uncertain

The Democrats Prescription for Change will save the government money on the subsidized drugs purchased for low-income seniors. Ensuring that tax dollars move from corporate pockets to needed pill packets for seniors is a worthy outcome.

The greatest beneficiaries of the proposed changes are middle-income seniors. While there are some seniors of color in this group, the benefits will accrue mostly to the white seniors who disproportionately make up the group.

While it appears that Medicare Part D could potentially close the racial prescription drug divide for seniors, reality is likely to be quite different. Because participation in the plan is barely a year old, detailed data on participation rates by race is not yet available. However, early indications are that the complexity of the program has led to low participation rates among low income seniors, particularly seniors of color. According to Families USA, only 4.6 million of the

8.1 million eligible low-income seniors are expected to receive the full value of the benefits for which they are eligible.⁵¹

Medicare Part D: A Placebo for Seniors or Profit Steroids for Corporations and the White People Who Run Them?

When Medicare Part D took effect in November 2005, pharmaceutical corporations' response to the wave of new customers was to raise prices. According to a study by Families USA, between November 2005 and April 2006, drug manufacturers increased prices on the top 20 drugs prescribed to seniors by an average of 4 percent.⁴⁷

Medicare Part D also created \$89 billion in direct and indirect benefits for corporations that promised their retirees health coverage. Even so, twenty-four percent of non-federal government retirees were expected to lose their drug-coverage from employer sponsored plans when they signed up for Medicare Part D according to the Congressional Budget Office.⁴⁸

Where has all of this corporate largesse gone? Some of it has wound up in the pockets of drug company CEOs. The ten highest paid drug company CEOs in 2005 had total compensation that ranged from Millennium Pharmaceutical's Deborah Dunshire's \$8.1 million to Schering-Plough's Fred Hassan who took home \$18.6 million.⁴⁹

Mr. Hassan's pay was 1,088 times the median African American seniors household income (\$17,043 in 2005), 946 times the average Latino senior household and 682 times the average non-Hispanic white household.⁵⁰ Doughnuts are fattening all right, seniors pay for their Medicare doughnut hole and make the wallets of Mr. Hassan and the other pharmaceutical CEOs quite fat!

Looked at another way, under Medicare Part D, a senior who consumed \$5,100 of prescription drugs would, because of the Medicare doughnut, pay \$3,800 out of pocket. Mr. Hassan's 2005 compensation would pay for the doughnuts for 4,882 seniors and the combined windfalls of the drug industries top 10 CEO "dough-nuts" would pay for "Medicare doughnuts" for 32,639 seniors - more than 2,700 dozen!

Table 4: Medicare Beneficiaries, by Race

Race	Medicare Beneficiaries	Beneficiaries below 150% of Poverty Line
White	81%	32%
African American	8%	64%
Latino	7%	62%
Other	4%	not reported

Source: Tricia Newman, Michelle Kitchman and Molly Voris, "Background Brief: Prescription Drug Benefit Under Medicare," KaiserFamily Foundation, March 2004.

There are several reasons for this. First, while all seniors faced the dizzying myriad of drug plan choices, low-income seniors had to undertake a second tedious step of applying for - and demonstrating - their low-income status. Second, most of the information on plan choices and subsidies was made available over the Internet, and only 11 percent of African American seniors have access to the Internet, compared to 22 percent of white and English-speaking Latinos seniors.⁵²

Therefore, it is Congress' second pledge, to simplify Medicare Part D by offering an option directly administered by Medicare, that is vital to assuring that the promise of closing the racial pharmaceutical divide for seniors is fully realized.

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Getting a Prescription Filled is a Real Pain

Georgia Clayton lives in a senior residence in Chicago on a fixed retirement income of \$650 a month. Two years ago, she was on Medicaid. "Medicaid paid for everything," she said. "You'd just put out your card, and your drugs were taken care of."

Last year, she was signed up for Medicare Part D, the new senior drug coverage plan. That's when getting a prescription filled became a real pain.

"I can't get a medication that I need anymore." She has calcium build-up, a potentially painful and dangerous condition. "The drug was supposed to be on the list, but after giving me just one prescription, they took it off. They put things on the list, and then just discontinue them!" That was not her only bad experience.

Recently she went to the doctor, and he diagnosed her condition as acid reflux. He had to give her a few samples to tide her over, since the medication was not covered by her Medicare plan. "Because I don't take no for an answer, I got the doctor to talk to the drug company. We had to go through a lot to get 'special clearance' for me to get the medicine. With all that, I had to go through a week of suffering before I could get it. And under the Plan, they don't even have an alternate drug to offer you!" If she paid out of pocket, the cost would have been \$177. A couple of drugs like that, and there goes your monthly income check.

Will decreased drug prices help her? "Not if they don't put it on the list!"

For low-income seniors like Ms. Clayton, they were better off under Medicaid.

A Health Care Equity Agenda

- **Strengthen health care coverage for children and adults of color earlier in life.**

The stark disparities of health status experienced by people of color later in life have their roots in deficient health access earlier in their life. People of color make up only one-third of the U.S. population, but more than half of the 46 million who are uninsured.

Public insurance coverage is vital to people of color: 27.5 percent of African Americans, 22.3 percent of Latinos, 29.9 percent of American Indians/Alaska Natives and 11.0 percent of whites receive their health insurance from the federal government, most often Medicaid. Nearly half of African American children (46.9 percent) and more than a third of Latino children (38.3 percent) are insured through the State Children's Health Insurance Program (SCHIP).⁵³

The federal government has increasingly pushed the costs of Medicaid off on the states, and today contributes just 50 percent of the cost of Medicaid. With this reduced financial commitment, the federal government has also given states far greater discretion over who they cover and what Medicaid benefits they provide. This free rein has given state Medicaid and SCHIP programs the liberty to tighten eligibility requirements and increase the bureaucratic hurdles for participants, causing those who need insurance to fall through the cracks. A Medicaid-eligible person in one state who moves to a different state might receive a very different set of benefits or perhaps none at all. This disproportionately harms people of color, who are more reliant on Medicaid for their health coverage.

Gains in health access for people of color are under threat. Congress could reverse this by refederalizing Medicaid and setting standardized rules that provide adequate and equitable access to low-income people no matter where they reside.

- **Make the low-income Medicare drug subsidy automatic.**

Preliminary evidence suggests that a large number of low-income Medicare beneficiaries may not be receiving the subsidies to which they are entitled, in large part due to a complex and burdensome enrollment process. This disproportionately harms seniors of color who make up the overwhelming share of low-income seniors. Congress could reduce one hurdle by making low-income coverage automatic, using available tax and Medicaid records. Those low-income seniors who fail to choose a drug plan could be enrolled by default in the Medicare-administered drug plan that Congressional leaders intend to establish.

- **End pharmaceutical company profiteering from limited income consumers.**

Pharmaceutical corporations are some of the most profitable corporations in the world and pay their executives handsomely (see side bar entitled, “Medicare Part D: A Placebo...”). But they derive a significant share of their revenues and profits from the elderly, some of the most economically vulnerable members of society.

As government suppliers, drug companies are required to adhere to certain guidelines and conditions. The federal and state governments could place a cap on executive pay as one of those conditions. They shouldn't be allowed to make windfall profits at the expense of elderly consumers.

While average folks have struggled with rapidly rising fuel prices, oil company profits and executive pay are way up.

4. No Energy for Racial Equity

100-hours agenda:

Roll back the multi-billion dollar subsidies to large oil companies and invest that money in alternative fuel research and development.

The Democrats have pledged to achieve independence from Middle East oil in ten years by developing emerging technologies that use America's renewable natural resources. Called "The Innovation Agenda," the three-pronged approach addresses Energy, Environment, and the Economy. It promises to wean us from foreign oil and move us to new energy sources that both protect the environment and create high-wage jobs by 2020. Research and development would be financed by eliminating subsidies to an already mature and profitable petroleum industry.

The goal of increasing the supply of lucrative research and development jobs is one that African Americans and Latinos could certainly benefit from, but our analysis shows that unless affirmative action and geographic incentives are added to the current proposals, people of color will benefit less in proportion to the overall population.

Rising Fuel Costs, Rising Corporate Profits

While average folks have struggled with rapidly rising fuel prices, oil company profits and executive pay are way up. One explanation is the increased power derived by consolidation in the oil industry. In fact, there has been such a tremendous concentration of market power in the oil and gas industry that, as Senator Arlen Specter said in a Judiciary Committee hearing early in 2006, it fosters a "collusive environment".⁵⁴ In the "Executive Excess" 2006 report, United for a Fair Economy enumerated the 23 major mergers and acquisitions in the oil industry in the last decade alone.⁵⁵ Such intense consolidation creates opportunities to withhold supply and increase gasoline prices.

But Americans are on to the game. As prices climbed at the pump last summer, so did the temperatures of consumers. As the 2006 elections neared, the price of gas was a major reason for voter anger at the incumbents. Bringing down the cost of fuel would benefit everyone, but it would be especially helpful to African Americans whose recent income growth has been outstripped by rising fuel costs.

But in its 2007 Annual Energy Outlook report, the Energy Information Administration projects that if all existing policies remain in place, energy prices can be expected to increase by another 3.3% for 2007.⁵⁶

One of the many recommendations proposed by the investigative arm of

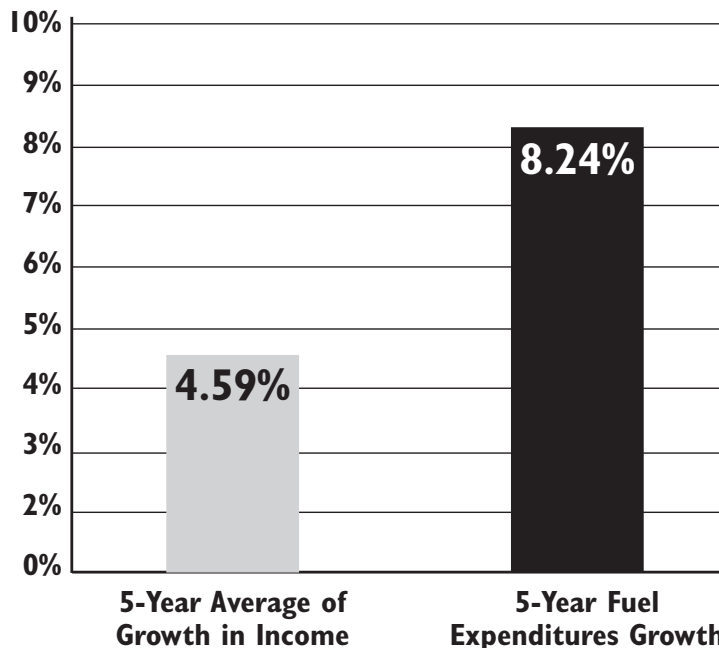
Congress, the General Accounting Office (GAO), is for Congress to study the fair value of the collection of oil royalties produced from Federal Lands. According to the GAO, about 35 percent of the oil and 26 percent of the natural gas produced in the United States come from federal and Native American lands. Companies that lease these lands pay royalties to the Department of the Interior's Minerals and Management Service (MMS). In fiscal year 2005, MMS collected about \$8 billion in royalty payments. This was only an 8 percent increase over 2001 - far below the 90 percent increase in oil prices and 30 percent in gas prices between 2001 and 2005.

At least part of the difference is attributable to a number of royalty relief provisions that have been given to oil and gas companies to subsidize exploration. The GAO estimates that these subsidies will result in up to \$60 billion of what it calls "foregone revenues" on oil and gas production over the next 25 years. The GAO also concludes that the low payments raise, "questions about whether these royalties reflect the full value these companies should pay."⁵⁷ Indeed.

The real owners, Native nations and John Q. Public, are left holding the very short end of the stick.

The GAO estimates these subsidies will result in up to \$60 billion in what it calls "foregone revenues" on oil and gas production over the next 25 years. It concludes that the low payments raise, "questions about whether these royalties reflect the full value these companies should pay."

Figure 18: Comparison of Growth in Income vs. Fuel Expenditures for Average African Americans, 2000-2005



Source: UFE calculations of the Bureau of Labor Statistics' 2005 Consumer Expenditure Survey, Table 2100.

Note: Fuel expenditures include natural gas, oil, electricity for heating and gasoline and motor oil.

The Democrat's plan is to propose legislation that will renegotiate the 1,000 offshore drilling leases that could otherwise allow energy companies to escape as much as \$10 billion in payments over five years. More than 50 companies including the Big 4 (ExxonMobil, BP, Chevron, Royal Dutch Shell) hold these leases, and because oil and gas prices have soared recently, officials estimate that oil companies have already escaped about \$1.3 billion in payments. Apparently, the Department of the Interior has been trying to persuade these companies to voluntarily renegotiate these deals.⁵⁸ However, an investigation by the department's chief watchdog reveals to Congress that the agency's data are often inaccurate and its officials far too often rely on oil company statements rather than actual records. Further, the inspector general reported that only 9 percent of all oil and gas leases are being reviewed.⁵⁹

Simply put, the 100-hour agenda captures all these foregone revenues and puts them to better use. One such use would be to invest in clean energy technologies. Sierra Club spokesman David Willett said he anticipates the Democrats' energy initiative will prove popular. "There's folks on both sides of the aisle that can see the appeal of rolling back those giveaways to oil and investing instead in renewable and efficiency that everyone supports," he said.⁶⁰

An example of the type of investment being considered is in Senator Reid's Clean EDGE Act, which would set a national goal of installing alternative fuel pumps at 10 percent of American gas stations by 2015. Additional tools would be offered to retailers and work with local governments that partner with private industry to establish alternative fuel corridors throughout America. And since the Federal government is the single largest consumer in America, the Clean EDGE Act would require the federal government to reduce its petroleum consumption by 20 percent in five years and 40 percent by 2020 while

Table 5: Comparison of Median Family Income from 1973 - 2004, by Race

Year	Ratio to White Family Income of:	
	Black	Hispanic
1973	57.7%	69.2%
1979	56.6%	69.3%
1989	56.2%	65.2%
1995	60.9%	57.6%
2000	63.5%	64.9%
2004	62.0%	62.4%

Source: Economic Policy Institute, *State of Working America 2006/2007*, Table 1.6.

employing more advanced and efficient renewable technology which will drive innovation and jumpstart markets.⁶¹

This proposition might appear to herald good news for African Americans' employment. Recent history provides evidence that investing in growth strategies during a period of low unemployment (tight labor markets) can lift the economic status of African Americans.

During the mid-1990s Internet revolution and relatively low unemployment, the Black/white median income ratio grew from 56% to 63.5% growth. Although this trend was very short-lived and the median income of African Americans never surpassed two-thirds that of whites', it has been shown that minority families' incomes tend to be more sensitive to overall economic trends. In other words, because the overall unemployment rate currently stands at 4.5%, this is a good time to invest in the nation's economy - another "technological revolution" through an alternative energy policy might dramatically increase family incomes of African Americans as it did during the mid 1990s.⁶²

But the Democrats' plan focuses on "revitalizing the rural" areas of the Midwest where production of bio-fuels such as ethanol have already contributed largely to the growth of the economy. According to the LECG, a global research and consulting services firm, the economic benefits of Ethanol Demand in 2005 alone include:

- Creation of 153,725 jobs in all sectors of the economy which along with increased economic activity boosted household income by \$5.7 billion
- Contribution of \$1.9 billion of tax revenue for the Federal government and \$1.6 billion for State and Local governments.
- Reduction of imports by 170 million barrels of oil, valued at \$8.7 billion

Using population statistics from the Census Bureau, our analysis generously projects that the number of these jobs that went to African Americans was about 19,398 (12.6% of the jobs, assuming that the percent of African Americans in these jobs reflected their percentage in the population, as Dr. King would have it). However, because most ethanol plants reside in the Midwest, and the Midwest is composed of only 9% Blacks,⁶³ we estimate that the highest number of jobs going to African Americans was only 13,835.

With the emphasis on existing ethanol industry in the Midwest, Black farmers will also not benefit from the new bio-fuel industry. In 1920, 1 in every 7 farmers was Black, by 1982, only 1 in every 67 farmers was Black, and today, only 1 out of 100 farmers is Black. Given the discriminatory lending policies of the USDA, which was cited by the Civil Rights Commission in 1982 as being "a catalyst in the decline of the Black farmer," those wrongs are still very much with us today.⁶⁴

While some aspects of the 100-hour agenda, like the tax-deduction for science and math students, are very positive in terms of energy research and development, the distribution of its benefits are predictably going to benefit whites over African Americans.

The Innovation Agenda of the 100-hour plan also calls for an investment in a “new generation of innovators” who will make this alternative energy policy plausible. Democrats intend to create a new generation of scientists, engineers, and mathematicians and will ensure that today’s students get the job skills they need at all levels of learning. In addition to cutting student loan interest rates, Democrats claim they will:⁶⁵

- Educate 100,000 new scientists, engineers, and mathematicians in the next four years by proposing a new initiative, working with states, businesses, and universities to provide scholarships to qualified students who commit to working in the research and development fields.
- Place a highly qualified teacher in every math and science K-12 classroom by offering upfront tuition assistance to talented undergraduates and by paying competitive salaries to established teachers working in the fields of math and science; institute a “call to action” to professional engineer and scientists, including those who have retired, to join the ranks of our nation’s teachers.
- Create a special visa for the best and brightest international doctoral and post-doctoral scholars in science, technology, engineering and mathematics.
- Make college tuition tax-deductible for students studying math, science, technology, and engineering.

No Grease on the Wheels of Racial Equality

While some aspects of the 100-hour agenda, like the tax-deduction for science and math students, are very positive in terms of energy research and development, the distribution of its benefits are predictably going to benefit whites over African Americans. In a 2004 journal article in *Black Issues in Higher Education*, only 23,000 baccalaureate degrees are awarded annually in the United States upon African American, American Indian, Hispanic and Pacific Islander students in the Science, Technology, Engineering, and Math (STEM) fields.

In a recent article in *Diverse Issues in Higher Education*, statistician Olivia Majesky-Pullman shows that in 2003-2004, only 6.2% of those conferred with graduate degrees and only 2.2% of those awarded with Doctoral degrees are African Americans.⁶⁶ We can see why the benefits of making college tuition tax-deductible for students studying math, science, technology and engineering would accrue more to whites than people of color. This is consistent with findings by economists J. Heckman that show education interventions that deal with credit constraints tends to benefit the middle to upper incomes the most, not the poor.⁶⁷ Similarly, targeting a policy towards temporary international residents may have dubious domestic benefits, whereas honing down on root issues and underlying causes of the education status of Blacks in America may yield higher returns for the national economy.

In response to a criticism that qualified candidates from these minority groups are impossible to find, a report from the Urban Institute in the same year sug-

gests that between the years 1992-1997, 51 percent of STEM graduates from underrepresented groups held GPAs of 3.25 or above.⁶⁸ Thus, it is not an issue of capability, but rather an issue of creating opportunities and investing in a promising pool of human capital. The bottom line is that policy prescriptions surely must go beyond the existing proposals if we want to see the prosperity of this “Innovation Agenda” to spread broadly among all Americans.

Table 6: Degrees for Science & Engineering Fields in 2003-2004, by Race

Race/Ethnicity	Graduate Degrees	Doctoral Degrees
White	48.8%	42.1%
Asian/Pacific Islander	6.9%	6.2%
Black	6.2%	2.2%
Hispanic	4.1%	2.3%
American Indian/Alaskan Native	0.4%	0.2%
Other or Unknown	5.8%	4.0%
Temporary Resident	27.8%	43.0%

Source: Integrated Postsecondary Data Analysis System, Completions Component, 2003-2004.

An Agenda for Energy Equity

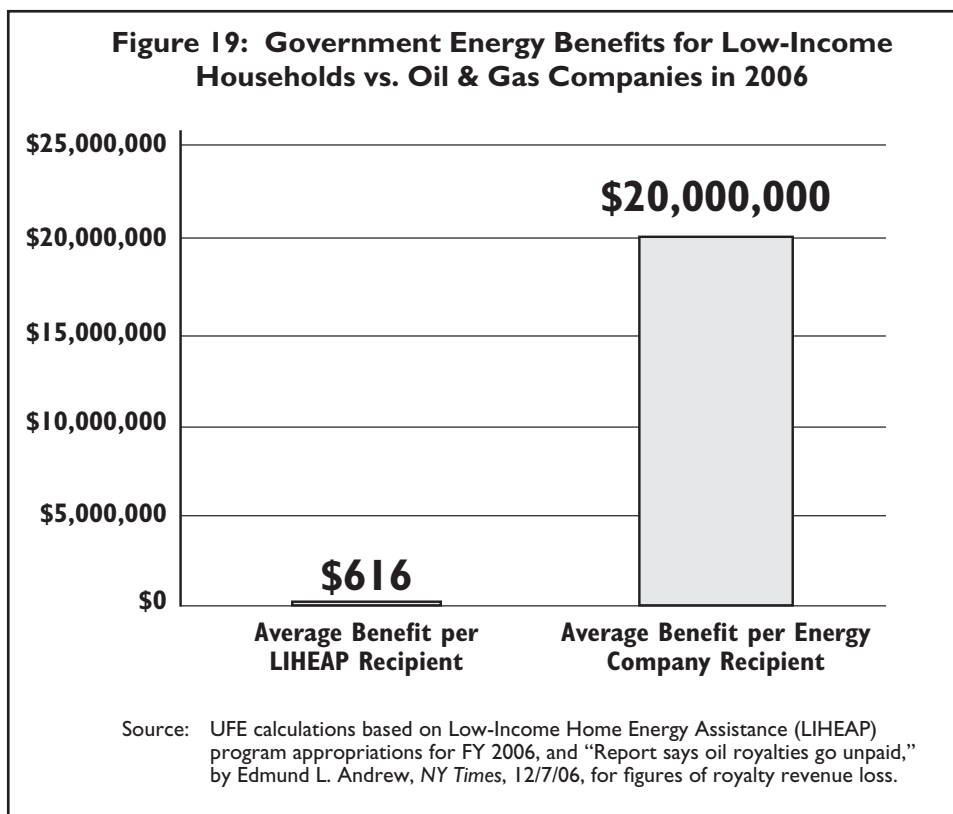
In a 1966 speech Dr. King said, “You can’t talk about ending the slums without first saying profit must be taken out of slums. You’re really getting on dangerous ground.... You are messing with captains of industry...”

It is encouraging that the new Democratic leadership is ready to “mess with” the captains of the oil industry, and to shift the royalty breaks into projects that could lead to real energy savings for consumers and the environment in the future. But using a race lens would lead Congress to promote other policies as well, and to tweak its agenda to make it truly innovative by using it to help close the racial economic gap:

• Fuel Assistance

There are no provisions for increasing fuel assistance for low-income families in the 100-hour agenda, and it will be a very cold January for many Americans. Apparently, the Democrats are relying on their strategy to crack down on price gouging to provide relief to consumers, but this will not happen in the one hundred days of winter. Why not increase appropriations for the Low-Income Home Energy Assistance (LIHEAP)? This program has been helping at-risk seniors, people with disabilities, and low-income families meet their heating and cooling needs for over 25 years.⁶⁹ Last year, while oil companies continued to

receive huge subsidies, LIHEAP received less than half of its authorized amount of funding and served only five million US households out of the 32 million that were eligible for assistance.



• **A Southern Strategy**

The largest concentrations of African Americans live in the South, and poverty is greatest in the South. While oil companies have received huge subsidies, Black farmers have not even received the help they qualified for. In 1999, the USDA settled a class action lawsuit admitting to discrimination in loans, disaster relief, and other aid to Black farmers during the 80s and 90s, but the \$50,000 settlement was too little too late for many who were forced into foreclosure. Today, less than 1 percent of all farms are Black owned. New ethanol plants could be located in the South, using bio-matter grown by Southern Black farmers subsidized to play a role in the start up these new industries.

• **Invest in Public Transportation**

"State of the Dream 2005: Stalling the Dream," documented the fact that only 7 percent of white households, but 24 percent of Black households and 17 percent of Latino households owned no vehicle in 2000. Due to geographic mismatches between where people of color live and where jobs exist, the lack of a car contributes to higher unemployment rates for people of color. And if more people used public transportation instead of driving their own cars every day, we would be less oil dependent a nation.⁷⁰

Conclusion

Voting Blue... Legislating Black

Many commentators have noted that the Democrats are re-discovering their populist roots, and it's playing well. Their 100-hour agenda does begin to address the economic concerns of low and middle-income workers by raising the minimum wage and lowering the loan rates for college education. They've shown a new willingness to stop listening to corporate lobbyists. The oil and pharmaceutical corporations have succeeded in convincing past Congresses that they have the right to prey on the public, who do not have the option not to buy fuel or drugs, since those products mean life or death.

But populists can have a weakness: ignoring racial inequality.

Universal colorblind policies do not have a universal colorblind result. The Democratic leaders whose pictures still adorn the walls of some African American homes understood this truth. Civil Rights legislation that resulted from the movement of the 1950s and 1960s spoke specifically to the fact that targeted policies were necessary to correct historical inequities. As United for a Fair Economy's recent book *The Color of Wealth* documents, U.S. history is made up of policies that targeted white families for wealth creation, and that placed legal barriers in front of people of color. Today, the fact that a disproportionate percentage of people of color, most egregiously African Americans, still live on the margins of the U.S. economy, is the result of centuries of past government policies of neglect.

Hour 101 to Year 2008

Beyond the specific recommendations we have made in each of the four issue areas being addressed by the new Democratic leadership in Congress, there are two major areas of concern that need immediate attention.

• Housing

Glaringly absent from the Democrats 100-hour agenda is the issue of housing. People of color continue to lag whites in rates of home ownership; three out of four white families are homeowners, whereas only one out of two African Americans and Latinos are. Of even greater concern in 2007 and beyond is that along with the softening of the housing market that began this past year, there was a rise in mortgage foreclosures, particularly among low-income consumers with sub-prime mortgages. Many sub-prime loans are predatory, and feature extra fees, hidden charges and interest rates higher than the borrower is entitled to based on their credit. The Center for Responsible Lending estimates that nearly one-in-five sub-prime mortgages made in 2005-2006 will fail.⁷¹ Homeowners of color will suffer disproportionately, since borrowers of color receive high-priced sub-primes loan one-third more often than white borrowers, even when they

have the same credit profile.⁷²

The Bush Administration and Republican members of Congress have sought federal preemption to block tough state and local anti-predatory lending laws. The new Democratic majority in Congress could demonstrate their desire to help people of color hang onto their homes by proactively adopting tough federal anti-predatory lending statutes, modeled on the legislation backed by the Center for Responsible Lending and adopted by the state of North Carolina.

• **Katrina**

Another gross omission in the Democrats' 100-hour agenda is any mention of plans to resolve the post-Katrina disaster in the Gulf Coast. After the Hurricane, even President Bush couldn't fail to notice that race mattered in terms of who died and who got left behind. One year later, the low-income Black and Native communities of New Orleans and the Gulf Coast still look the same: devastated! As reported by an extensive study by the Institute for Southern Studies, this region still faces "basic, fundamental barriers to renewal... Lack of federal leadership and misplaced priorities are preventing the region from achieving a vibrant future."⁷³


But in the recent mid-term elections, neither Republicans nor Democrats made mention of the unfinished business there, much less did they prioritize reconstruction of those hard hit communities and help so that the dispersed population can return home.⁷⁴ The race and class divides exposed last year continue to manifest themselves in the "recovery." Does a disaster striking poor Black people matter?

The national Urban League Policy Institute recommends FEMA changes, flood insurance overhaul, and Army Corps reform. The Children's Defense Fund has proposed a Disaster Relief Medicaid bill to help with the health needs of those affected by the disaster. And most importantly, housing needs must be addressed. Besides cutting through the red tape so residents can finally receive funds for rehab, the destruction of public housing – 5,000 units are on the chopping block – must be stopped. All these issues need to be prioritized by the Democratic leadership. While the numbers of people affected by the storms relative to the population of the country is small, what happens or doesn't happen in New Orleans is a potent symbol of whether the nation's leadership cares about race.

Economic Equality

While African Americans and Latinos voted blue, they still live in the red.

In his most famous speech in 1963, Martin Luther King declared that "the Negro lives on a lonely island of poverty in the midst of a vast ocean of material prosperity. One hundred years (since the end of slavery), the Negro is still languished in the corners of American society and finds himself an exile in his own land."



Democratic leaders of the era heeded his words. The Democratic leaders of today can do so again. They can use the next two years to propose a bold new agenda that will finally close the racial economic gap, so that all of us can live in the black. If they do, they could inspire an even greater upsurge in Black and brown folks who vote blue in 2008. It's not just that loyalty should be worth something. Equality and justice have always been worth fighting for.

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