



Hispanic Economic Outlook

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The Report of the Hispanic Economic Outlook Committee

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3. Engaging more Hispanic Americans to effectively participate in the economics profession.

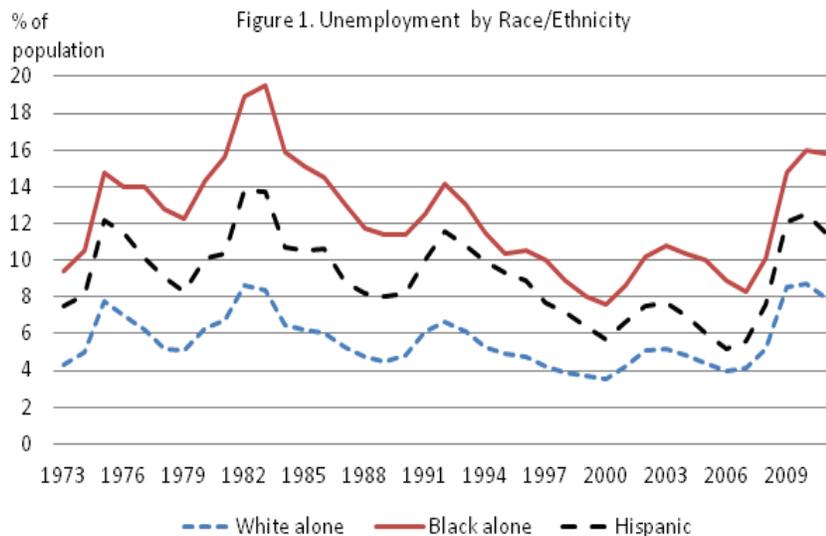
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From the Great Moderation to the Great Recession to the Not-so-Great Recovery: Prospects for Hispanic Poverty and Unemployment Rates in Uncertain Times

Donald G. Freeman*

For almost a generation it appeared that the U.S. economy had found the secret to a relatively stable environment unmarked by the severe swings in output, employment, and inflation experienced during much of its economic history. This period, known as the Great Moderation, was attributed to the increased contribution of service and technology-based industry, globalization and therefore diversification of both production and consumption, sound economic policy, and not incidentally, some really good luck.

Unfortunately, any illusions about a permanently stable growth path were rudely disabused by the Great Recession beginning in December 2007. The national unemployment rate, which had only briefly touched 6 percent during relatively mild recession of 2000-2001, more than doubled from 4.4 percent in June, 2007, hitting 10 percent at its peak in October 2009. Since then it has come down only slowly, finally edging below 9 percent in October of last year. As always, the effect of the recession on the poor was especially sharp, as poverty rates, which had remained stubbornly high during the recovery of 2001 to 2007, increased to 15.1 percent in 2010, with a further increase expected in 2011.



And as always, the national statistics often mask big differences in the recession's impact on different groups. As shown in Figure 1, Black and Hispanic unemployment rates, already higher than those of Whites, rose by 7.5 and 6.3 percent, respectively, from their cyclical lows, versus a comparable increase of 4.7 percent for Whites. Disparities in increases in poverty rates were less, however: White poverty rates rose by 2.5 percent during recession, versus three percent for Blacks and about five percent for Hispanics.¹

According to the National Bureau of Economic Research, recovery from the Great Recession began in June, 2009, and like the (partly ironic) title of this article, has been anything but "great". Over 2 ½ years after the beginning of the recovery there are still 5 million fewer employed than in 2007, even as the working age population has grown. As noted above, the unemployment rate remains stubbornly high, and real GDP growth, at only 1.7 percent in

* Donald G. Freeman is a Professor of Economics at Sam Houston State University.

¹ Data obtained from the Bureau of Labor Statistics website (<http://www.bls.gov/cps/>).

2011, is anemic. With household debt remaining high by historic levels, with little appetite on the part of policy-makers for additional fiscal or monetary stimulus, and with continuing concerns about the stability of many of our trading partners, the short-to-medium outlook does not appear favorable for rapid growth in employment by any group.

And yet, taking a somewhat longer term perspective, there is reason for cautious optimism, especially as it pertains to the performance of the Hispanic population relative to the population in general. A closer look at Figure 1 reveals that the gap between the unemployment rate for Hispanics and that for Whites has been narrowing for the past two decades, and while the gap has opened again in the recent cycle, it is well below levels reached in the past, even in economic good times. The following Figures (Figure 2 and 3), reproduced from some recent research of mine examining the persistence of unemployment gaps between Blacks and Whites and Hispanics and Whites, make this point more clearly.²

The solid lines in the Figures are the ratios of the Black/White and Hispanic/White unemployment rates. The dashed “fit” lines in the Figures are estimates of changing means in the ratios, as established by tests for structural breaks. We see multiple shifts for both Black/White and Hispanic/White ratios, but a marked difference in recent outcomes. Black/White ratios are mostly unchanged from four decades ago, with the Black/White ratio first increasing, and then decreasing, and finally settling at around 2. Hispanics, on the other hand, have seen more uniform improvement in closing the unemployment gap with the white population, with the national average unemployment ratio increasing from about 1.67 to 1.75 during the late 1980s and early 1990s, a period of increased Hispanic immigration, then falling rather sharply throughout the late 1990s and early 2000s to a current mean of about 1.42.

Figure 2. Black/White Unemployment Ratio

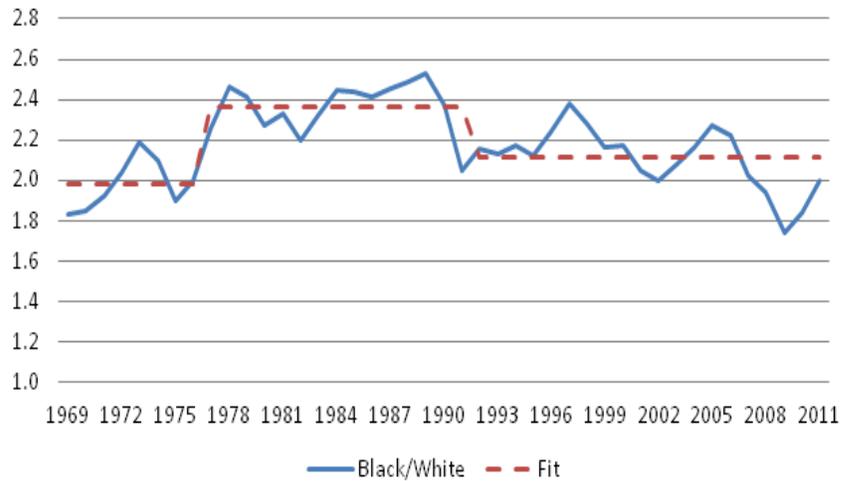
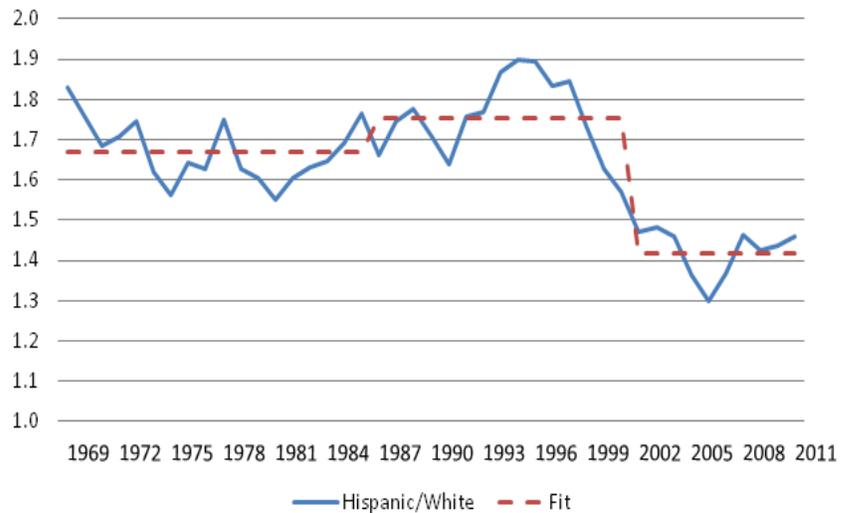


Figure 3. Hispanic/White Unemployment Ratio

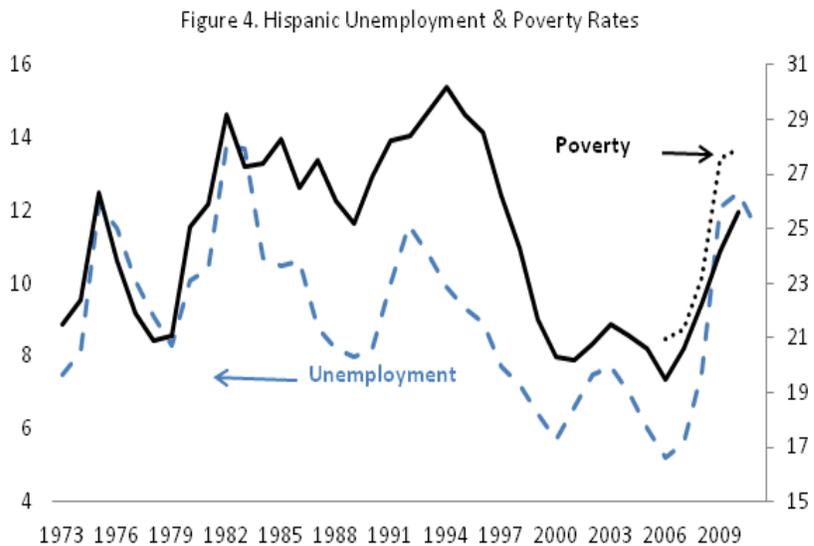


² “On (not) Closing the Gaps: The Evolution of National and Regional Unemployment Rates by Race and Ethnicity,” forthcoming in *The Review of Black Political Economy*.

Further, the ratio in both cases tends to rise during recoveries, as White unemployment falls faster than minority unemployment, but the rise for the Hispanic ratio has been muted during the most recent recovery. The Hispanic ratio looks doubtful to reach even 1.5, well below levels that would have been “normal” in the past. The explanation for the improvement in the relative fortunes of Hispanics during the last 15 years or so has been attributed to many causes, including an increase in the proportion of native-born population, the location of the Hispanic population in faster-growing regions of the country, greater mobility of Hispanic workers, increases in educational achievement, and small though significant, a shift in the age structure to an older work force. Because a greater proportion of Hispanic workers are in the private sector than either Whites or Blacks, they have been less affected by the job losses due to severe cutbacks at the state and local government level.

Hispanic poverty levels, too, while experiencing a rapid upturn during the Great Recession, show some signs of improvement from a longer-term perspective. There is a close correspondence between poverty and unemployment in the Hispanic population, as shown in Figure 4 (annual poverty data is available through 2010, unemployment through 2011).

A simple bivariate regression of poverty on the unemployment rate using annual data since 1973 yields an estimated relationship of $Poverty = 16.0 + 0.96 * Unemployment$, with unemployment explaining about one-half the variation in the poverty rate. The implication is that a one percent change in the unemployment rate yields a corresponding one percent change in the poverty rate, with the constant term accounting for the difference in the levels of the two series, reflected again by the use of different scales in the Figure.



Two points are noteworthy from Figure 4. First, despite the severity of the Great Recession, the Hispanic poverty rate has not risen to levels seen in previous recessions; in fact, it remains below the rate experienced during all but one year during the period 1981 to 1997. There is some tentative evidence of a structural shift in the poverty rate as shown in the dotted line in the chart commencing in 2006. The dotted line represents the fitted values from the equation above, and show that based on the historical experience, poverty rates would have been more than two percentage points higher in 2010 than the actual data reflect.

Second, because the poverty rate is reported with a lag, we can use the latest unemployment data to project poverty rates for 2011 and 2012. Hispanic unemployment fell to an annual average of 11.5 percent in 2011, a full percentage point less than the rate for 2010. If the historical pattern of a one-for-one reduction holds up, Hispanic poverty rates should reflect a decline to around 24.5 percent for 2011. So far in 2012, we have only one month of available unemployment data, but it has shown a further decline in Hispanic unemployment to 10.5 percent, an encouraging sign for future decline in poverty.

Conclusion

There is little question that the Great Recession dealt a devastating blow to all groups in the population, and true to historical experience, the Hispanic population saw larger increases in unemployment and poverty than the general population. At the trough, one in eight Hispanic workers was unemployed and one in four Hispanic families lived in poverty. Still, there have been some long-term structural improvements in the relative economic status of the Hispanic population, and the negative effects of the Great Recession notwithstanding, there is every reason to expect these improvements to continue in a relative and moreover in an absolute sense.

An ongoing challenge for the Hispanic population, however, is closing the gap in educational achievement. The educational gap between whites and Hispanics is pronounced: Hispanics earn a high school diploma at rate only 71.1 percent of whites (up from 57.7 in 1975), and a college degree at a rate only 44.2 percent of whites (up from 39.2 in 1975). Encouragingly, high school graduation rates for younger Hispanics are much higher than for their parents, but more must be done to encourage young people to stay in school. As is true for all racial and ethnic groups, higher educational attainment leads to better employment outcomes, lower rates of poverty, and a more stable family environment. “Closing the Gaps” in educational attainment is not only a good slogan, it is good policy that will repay all of us many times over.

Puerto Rico: A Radiography of a Crisis

María E. Enchautegui*

Puerto Rico is an unincorporated territory of the United States. With a population of 3.7 million U.S. citizens and a \$96 billion Gross Domestic Product, its economy is larger than that of 15 states. Puerto Rico has also been a common theme in the federal government. In the last decade alone, the Obama and the Bush Administrations issued three Task Force Reports on Puerto Rico (most recent report in 2011), and the Government Accounting Office delivered a report on the fiscal relations between the Federal government and Puerto Rico. Presidents Clinton and Bush both signed executive orders related to Puerto Rico. Also, Presidents Ford and Nixon created ad-hoc advisory committees on Puerto Rican issues.

For over a century, the economies of Puerto Rico and the United States have been linked by a set of political and economic institutional arrangements. The current status of Puerto Rico was established in 1952 with a referendum adopting the Constitution of the *Estado Libre Asociado de Puerto Rico* or Commonwealth of Puerto Rico. Relations between Puerto Rico and the United States are dictated by the Puerto Rico Federal Relations Act. This act dictates the rules of engagement between Puerto Rico and the United States regulating customs, tariffs, migration, citizenship, national defense, currency, maritime commerce, banking and the judiciary. It is essentially equivalent to the Jones Act of 1917 and the Foraker Act of 1900.

These institutional arrangements have produced a small, open, middle income economy that is closely linked to one of the most developed economies in the world, but yet quite distant from it in terms of economic performance. In 2010 the median family income of Puerto Ricans was only 36 percent of the median family income in the United States. The poverty rate is 45 percent in comparison to 15 percent for the United States. President Barack Obama stated in the 2011 Task Force Report on Puerto Rico's Status that "Puerto Rico faces both great opportunities and considerable challenges in creating robust economic opportunity." One of these challenges is the economic contraction of the last decade.

While the economies of Puerto Rico and the United States moved in parallel for over 40 years, the performance of the economy of Puerto Rico started diverging from United States at the beginning of the 21st century. The first decade of the 21st century has come to be called in Puerto Rico the "Lost Decade" due to the economic stagnation and subsequent contraction. In 2006 Puerto Rico entered into a deep ongoing recession. From that year, the economy of Puerto Rico has been declining. This episode of prolonged economic decline, independent of the oscillations of the U.S. economy, is unique in recent history and points to the deep structural forces at work in the economy of Puerto Rico.

Reasons for the Economic Deterioration

Combinations of factors have produced the poor economic performance of Puerto Rico since 2006. Since the beginnings of its industrialization program, Puerto Rico has depended on federal tax incentives for U.S. companies operating on the Island. In general, income generated by subsidiaries of American companies in Puerto Rico are exempted from Federal taxes. The 936 section of the Internal Revenue Code, which was enacted in the Tax Reform Act of 1976, was eliminated by Congress in 1996. A ten-year phase out period started which ended in

* *María E. Enchautegui is a Senior Research Associate at the Urban Institute.*

2006. Manufacturing payroll employment declined by 30 percent from 1996 to 2006. Before 2006, much of the decline occurred in the Apparel, Food and Electronics industries. Between 2006 and 2011, the largest decline in manufacturing occurred in the Chemical and Pharmaceutical industries; a combined loss of 21 thousand jobs. The impact on the economy was greater than just the elimination of jobs. The 936 companies produced good paying jobs for many Puerto Ricans, injected money to the banking sector, and were an important employment outlet for engineering, business and science university graduates.

Another factor behind the poor economic performance of Puerto Rico is the high rate of debt that the government has been accumulating for years, reaching unsustainable levels in the mid 2000s. The credit situation of Puerto Rico deteriorated. The debt of the central government was downgraded several times, government tax revenues declined by over 2 billion dollars, and the government shut down for two weeks in 2006. In 2010, over 15 thousand public employees were laid-off. Between 2006 and 2010 employment in the state government, including government corporations, declined by 32,000 and government investment declined by 67 percent. Clearly the government could not continue to act as the counter cyclical agent that it had been in prior economic downturns. Instead the government itself was one of the sectors in crisis.

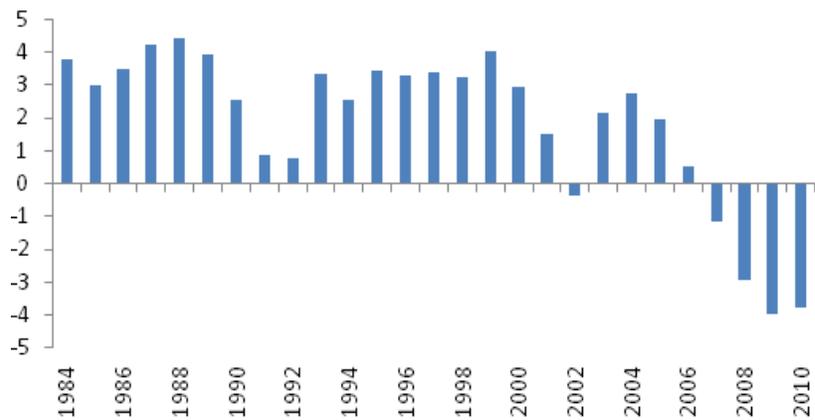
Third, the escalating price of oil hit the Puerto Rican economy very hard. Seventy percent of all the energy produced in Puerto Rico is based on oil, in comparison to 37 percent in the U.S. In the continental United States a kilowatt of electricity costs around 12 cents compared to 24 cents in Puerto Rico.³ Puerto Rico is further impacted by higher oil prices due to its dependence on imports. Many products must be transported by sea in the already highly priced U.S. flagged maritime. The higher price of oil also means that families are faced with rising utilities bills and less disposable income thereby contracting the economy even further.

Finally, the Great Recession of the U.S. was an almost mortal blow to an already weak economy. Exports to the U.S. dropped. Tourism, which is mainly composed of U.S. travelers declined. Investment of American companies in Puerto Rico plummeted. The injection of 6.8 billion dollars from the American Reinvestment and Reconstruction Act was a welcoming relief in the midst of the crisis but not enough to take national production to a higher level.

Economic Indicators

Figure 1 shows the percentage change in Gross National Product from 1984 to 2010.⁴ From 2000 on, economic growth was slower than in prior

Figure 1. Percentage Change in Real GNP: Puerto Rico 1984-2010



Note: Based on data from Apéndice Estadístico, Junta de Planificación de Puerto Rico (jp.gobierno.pr) and historical series in economia.uprrp.edu.

³ Average Energy Prices in the Washington-Baltimore Area – December 2011. Retrieved February 22, 2012, from <http://www.bls.gov/ro3/apwb.htm>.

⁴ The GNP is used instead of the GDP because of the problem of price transfers created by the 936 companies. See Barry P. Bosworth and Susan M. Collins. "Economic Growth," In *The Economy of Puerto Rico: Restoring Growth*. Brookings Institution, Washington D.C., 2006.

decades and since 2006 the Gross National Product of Puerto Rico has been declining. Economic activity dropped by 3.7 percent in 2010.

Nothing exemplifies the crisis more than the dramatic decline in investment (Figure 2). In current dollars, fixed capital investment declined over 3 billion dollars between 2006 and 2010. The 2010 level was comparable to the level of investment in 1998. In 2010, gross fix domestic investment was 28 percent of GNP. In 2010, it was only 13 percent.

Between 2006 and 2011, the number of employed persons dropped from 1,263,000 to 1,074,000 (or by 189,000). As shown on Figure 3, unemployment rate hit 15.9 percent in 2011, rising significantly from 10.3 in 2006. The employment to population ratio for ages 16 and over was 34.1, eight percentage points below the 2006 value. As a matter of comparison, the employment to population ratio in the U.S. in 2010 was 58.5.

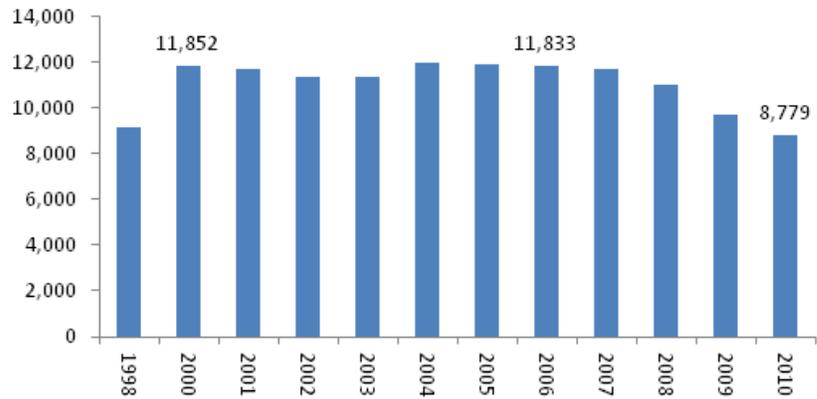
Payroll employment stood at 918 thousand in 2010, the lowest level since 1994. This includes 267 thousand public sector workers at the state, county and federal levels, and leaving only 651 thousand private sector jobs.

Long-term Prospects

Each time Puerto Rico has confronted a great economic crisis the solution has been an equally great programmatic intervention from the U.S. government. During the 1930s it was the Puerto Rican Economic Relief Act setting the basis for massive infrastructure projects. In the next big economic recession during the 1970s, the Food Stamp Program was introduced. During the recession of 1981 came the full implementation of the 936 section of the Internal Revenue Code. This time around massive federal intervention is not on the horizon. Puerto Rico will have to find its own way out of this crisis.

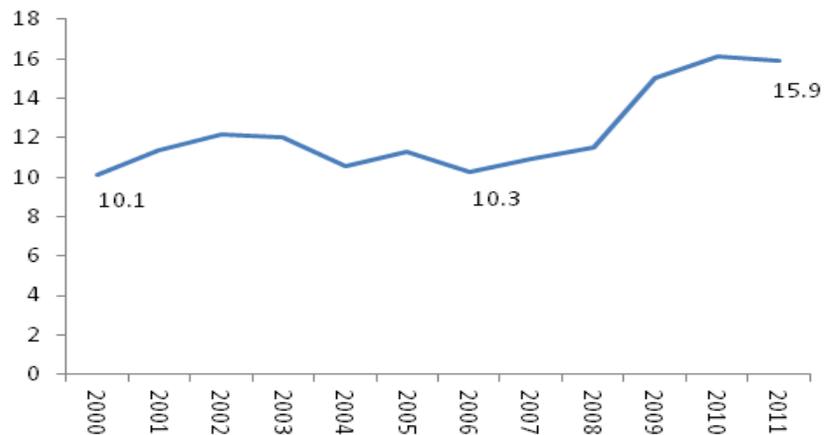
These statistics indicate that the Puerto Rican economy since 2006 is not moving in a mere cyclical oscillation around a trajectory growth. The low level of private employment and the low investment speak of a dire economy. Assuming the GNP would have grown at a modest 2.5 percent, and payroll employment at a rate of 2 percent since 2000, the gap in national production would have been estimated in over 20 billion dollars in 2010 and the gap in employment in 356,000.

Figure 2. Gross Fixed Domestic Investment: Puerto Rico 1998-2010 (Current prices, millions)



Note: Based on data from Apéndice Estadístico, Junta de Planificación de Puerto Rico (jp.gobierno.pr) and historical series in economia.uprrp.edu.

Figure 3. Unemployment Rate: Puerto Rico 2000 to 2011



Source: Departamento del Trabajo y Recursos Humanos, Serie Mensual. Retrieved from http://www.dtrh.gobierno.pr/pdf/serie_mensual_1980.pdf

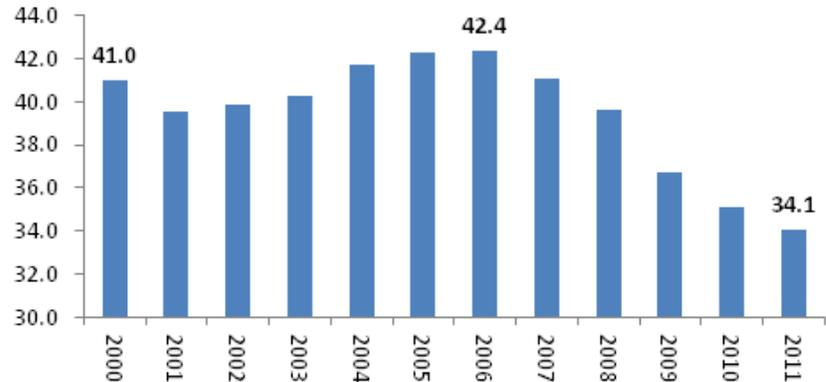
To get Puerto Rico back on the road to economic growth, the Commonwealth would do well to concentrate on long-term productivity and competitive advantages. Much attention is paid to repairing the fiscal situation of the central government and various important steps have been taken in that regard.

This year, credit agencies upgraded the rating of Puerto Rico, the first in three decades. A tax reform enacted last year also looks for more fairness for Puerto Rican workers. But these actions alone cannot restore growth. Improvement in the fiscal situation should produce strategic investment and more efficiency, transparency, and accountability.

Investment needs to be raised to levels compatible with growth to raise labor productivity. Historically, Puerto Rico has looked abroad for such investment. But local capital formation needs to be an integral part of any plan to restore growth. There is also plenty of room for investment in transportation, communication, water, and energy. With sufficient investment, sectors such as agriculture, health and tourism should be able to pick up some of the slack left by the decline of

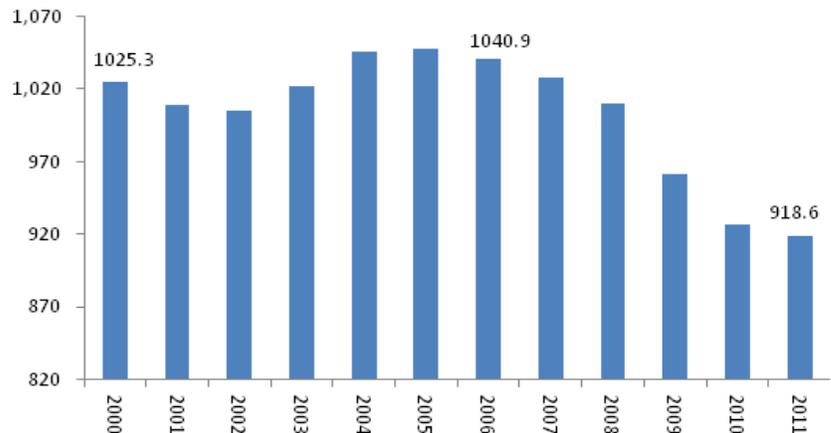
manufacturing. With respect to capital investment from abroad, including the United States', Puerto Rico needs to create linkages with the local economic sectors in order to maximize the potential of foreign capital.

Figure 4. Employment to Population Ratio:
Puerto Rico, 2000 to 2010



Source: Departamento del Trabajo y Recursos Humanos, Serie Mensual.
Retrieved from http://www.dtrh.gobierno.pr/pdf/serie_mensual_1980.pdf

Figure 5. Employment in Establishments:
Puerto Rico 2001 to 2011 (thousands)



Note: Based on data from Apéndice Estadístico, Junta de Planificación de Puerto Rico (jp.gobierno.pr) and historical series in economia.uprrp.edu.

Geographing Latinoization in the U.S. Mainland: Mexican Origin Latino Population Growth between 2000 and 2010 by County

Carlos Siordia, Lawrence J. Panas, and Daniel J. Delgado*

The U.S. population is undergoing an unprecedented ethnic demographic shift and Latinos are the main factor behind this rapid population transformation.⁵ In 1970, there were about 9.6 million Latinos in the U.S. making up about 4.7 percent of the total U.S. population. Latinos became the largest minority group in 2003, and to some population forecasters' surprise, they surpassed the 50 million population mark in 2010—making up almost one in every four people under the age of 18.⁶ More than half of the growth in the total population of the U.S., between 2000 and 2010, came from Latinos (most of which came from births in the U.S.).⁷ It is estimated that Latinos will be one out of every three people in the total U.S. population by 2050.⁸ The Latino population growth contributes to the significant demographic shift the U.S. is undergoing, and will play a role as non-Latino-whites become a minority population sometime during the 2040s. The goal of this article is to identify the geographical location of this growth for the Mexican origin Latino population between 2000 and 2010.

Mexican origin individuals remain the largest group in the Latino population and have been the focus of research for many decades.⁹ In 2000, Mexican origin Latinos (hereafter referred to as Mexicans) made up 58 percent of the Latino population and by 2010, and they represented 63 percent of all U.S. Latinos. Mexicans experienced their largest numeric population change between 2000 (20.6 million) and 2010 (31.8 million) and accounted for about three-quarters of the overall 15.2 million Latino growth population in the U.S. Though all the Latino groups within the Latino umbrella term warrant further consideration, we think Mexicans merit special attention given their significant population characteristics and increasing numbers. The growth of the Mexican population brings with it important political, social, and economic changes in the U.S.

As the large underage population gains access to greater levels of educational training, their impact on the U.S. labor market will be significant—an important point since Latinos are expected to account for 74 percent of the growth in the nation's labor force from 2010 to 2020.¹⁰ Unfortunately, Latinos have yet to gain significant access to these forms of education and almost one-fourth of the Latino population is in poverty (compared to the non-Latino-white population below a 10 percent in-poverty).¹¹ This blocked access to resources is further indicated by their real median income of \$37,913 which when compared to non-Latino-whites (\$55,530) reveals significant

**Carlos Siordia, PhD, is an Assistant Research Professor at the University of Texas-Medical Branch in Galveston, Texas. Lawrence J. Panas is a sociomedical researcher in population sciences and pre-doctoral fellow at the Sealy Center on Aging at the University of Texas-Medical Branch in Galveston, Texas. Daniel J. Delgado is a doctoral candidate at Texas A&M University in College Station, Texas.*

⁵ Please note that the term "Latinos" includes Latinas.

⁶ U.S. Department of Commerce, U.S. Census Bureau. (2003, June 18). Hispanic Population Reaches All-time High of 38.8 Million, New Census Bureau Estimates Show (news release).

⁷ Taylor, Paul, and Mark H. Lopez. (2011) *The Mexican-American Boom: Births Overtake Immigration*. A Pew Hispanic Center publication from the Pew Research Center.

⁸ U.S. Department of Commerce, U.S. Census Bureau. (2008, August 14) *An Older and More Diverse Nation by Midcentury* (news release).

⁹ E.g., Saenz, Rogelio. 1999. "Mexican Americans." Pp. 209-29 in A.G. Dworkin and R.J. Dworkin (eds.), *The Minority Report: An Introduction to Racial, Ethnic, and Gender Relations* 3rd edition. Fort Worth, TX: Holt, Rinehart, and Winston, Inc.

¹⁰ Kochhar, Rakesh. (released on February 13, 2012) *Labor Force Growth Slows, Hispanic Share Grows*. Pew Research Center.

¹¹ U.S. Department of Commerce, U.S. Census Bureau. (2009, September 10) *Income, Poverty, and Health Insurance Coverage in the United States: 2008* (news release).

disparities. Some have recently reported that Latinos can expect to make \$0.60 on the dollar when compared with non-Latino-white men, while Latinos can expect to make \$0.77 for every dollar their non-Latino-White male counterparts make over their work-life earnings.¹²

Because Mexicans have lower than average educational attainment levels (when compared to their non-Mexican-Latino and non-Latino-white counterparts) and have been historically relegated to socially disadvantaged positions, they experience an above average participation in poverty and other marginalized statuses.¹³ This means that as this population grows, local educational and government agencies do not have the means to accommodate this growth—subsequently this group is often poorly serviced by these organizations.

Beyond these economic and social considerations, their increasing presence will shift long standing regional political traditions. In a nation with intense political divides polarizing around race, Latinos are poised to have a profound impact on U.S. political systems, especially with almost 70 percent of Latinos supporting Barack Obama in 2008. Moreover, exit polls reported that about 60 percent cast a ballot for Democratic representatives during the 2010 midterm elections. In 2010, Latinos had their highest percentage of voting in a nonpresidential election, since 1974.¹⁴ Because of these high levels of political participation, Latinos may be an important swing vote in national elections.

To achieve our goal of illuminating the location of their growth, we use two concepts. The first is geographing, which refers to the act of using place and time to describe social phenomena—in this case locating Mexican population growth by county between the decennial years of 2000 and 2010. The second concept employed here is *Latinoization*, which refers to the social morphology whereby the “Latino culture” or its people increase in such a way so as to notably alter the economic, social, and political characteristics of a particular location. Geographing Latinoization, with a special focus on the Mexican origin population, helps inform policy makers, financial systems, school districts, and governmental agencies about local Latino populations. Awareness of population helps shifting facilitates, making social support infrastructures more adaptive, and can improve Latino’s social experiences with the context of reception.

Despite the obvious exponential growth of the overall Latino population and its many economic, political, and social implications, few discussions have geographically localized their population growth.¹⁵ Consequently, there are limited details on where the population shifts are occurring within the U.S. mainland states and almost none on where Mexican growth is taking place.¹⁶

We measure the Mexican population growth between 2000 and 2010 at the county level and focus on previous research about Latino populations by specifically, geographing the Mexican population. Beginning with a map that clearly identifies Latino growth and decline between 2000 and 2010, we graphically show the locations of Latino growth. Then we use both absolute and percent change tables of the top 20 largest growth counties to highlight patterns of Mexican growth between 2000 and 2010 to underscore our arguments about Latinoization. We

¹² Tiffany, Julian, and Robert Kominski. 2011. Education And Synthetic Work-Life Earnings Estimates. *American Community Survey Reports*. U.S. Department of Commerce, U.S. Census Bureau.

¹³ Haynes, Maria V. and Keith M. Kilty. (2007) Latino Population Growth, Characteristics, and Settlement Trends: Implications for Social Work Education in a Dynamic Political Climate. *Journal of Social Work Education*, 43.1: 101-116.

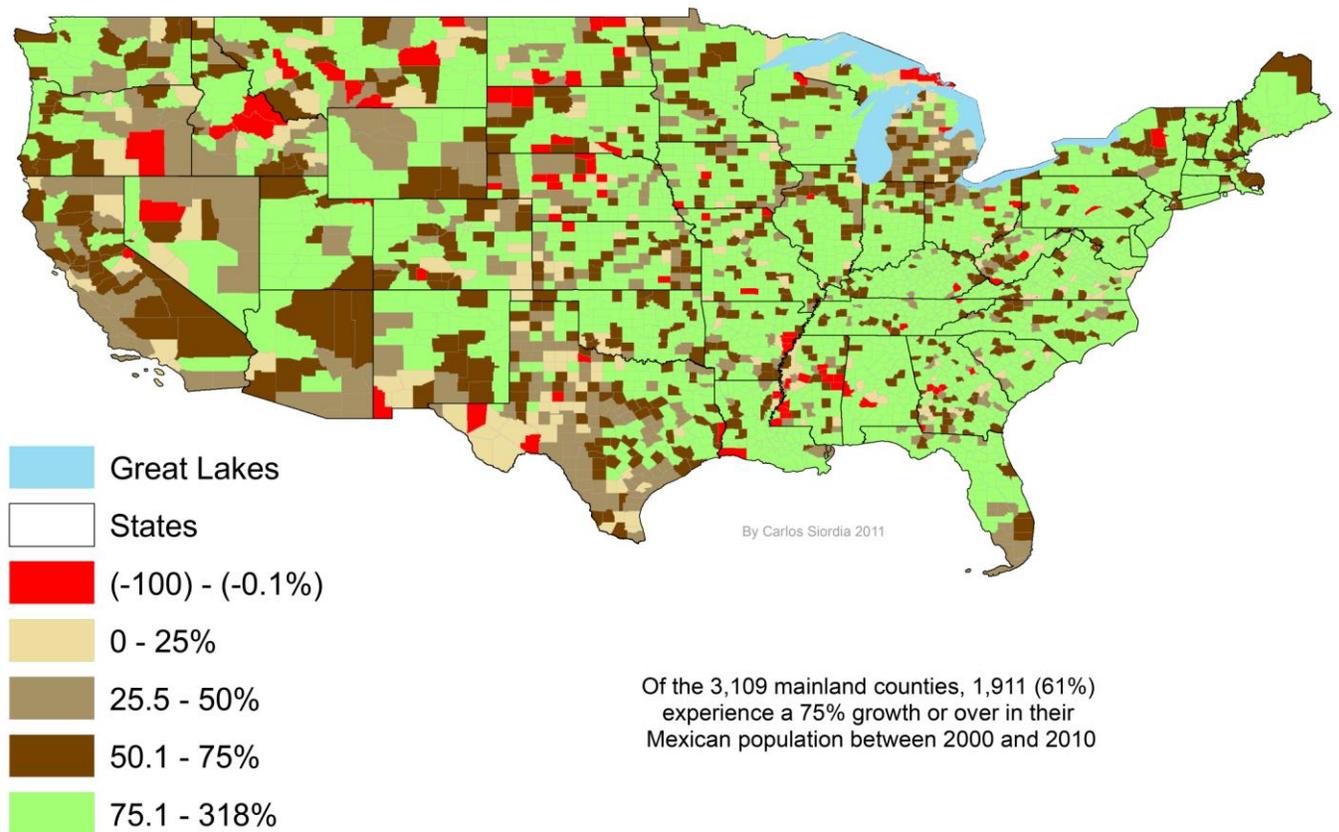
¹⁴ U.S. Department of Commerce, U.S. Census Bureau. (2010, September 28) *Census Bureau Reports Hispanic Voter Turnout Reaches Record High for Congressional Election* (news release).

¹⁵ e.g., Goodwin-White, J. (2007) Dispersion or Concentration for the 1.5 Generation? Destination Choices of the Children of Immigrant in the US. *Population, Space, and Place*, 13:313-331.

¹⁶ We decided to focus on U.S. contiguous states because their counties account for most of the non-Puerto-Rican Latino population.

measure this by using information on population ethnicity, with specific origin, and by county from 2000 and 2010 decennial data sets Summary Files 1.¹⁷ We linked these data to a shapefile in ArcGIS to produce the map below.

Mexican Population Change between 2000 and 2010 (by 2010 Counties)



Although not presented here, 33 percent (1,017) of the mainland counties experienced a “total population” decline between 2000 and 2010, most of which are located in the central part of the country. These central counties experienced a total population decline between the periods under review, but about 94 percent of them (3,109) experienced a growth in their Latino population between 2000 and 2010. Our map above shows that most of the relative Mexican growth occurred in the Midwest, South, and Northeast Census Bureau regions. There were a few counties which actually experienced a decline in their Mexican population. However, more than half of all counties experienced a 75 percent or greater growth in their Mexican population between 2000 and 2010.

¹⁷ U.S. Department of Commerce, U.S. Census Bureau. (2001) Census 2000 Summary File 1. Prepared by the U.S. Census Bureau.

Providing a specific discussion of where Mexican growth is occurring, our tables below show the top 20 counties with the largest relative and absolute growth. In order to make our discussion more meaningful, we first select counties that experienced at least a 200 absolute growth in their Mexican population, which is about 56 percent (or 1,748 out of 3,109) of all mainland counties.

From Table 1 (page 13), we can see Kentucky has the most counties with a relative increase in its Mexican population. Gilmer County, West Virginia had the largest relative growth (3,180 percent)—but with an absolute change of 318. There are two noteworthy counties with relative growth: Adams County, Mississippi and Trempealeau County, Wisconsin. Adams County increased from 107 Mexicans in 2000 to 1,562 in 2010, while the other went from 170 to 1,400. There are many reasons for this growth; for example, the increase in Adams County is partially due to coastal residents having to relocate after hurricane Katrina in 2005, while the increase of Mexicans in Trempealeau County is also partially due to the demand for labor in dairy and manufacturing jobs. In other counties like Sublette the oil boom is responsible for the Mexican increase.

From Table 2 (page 14), we see that California and Texas account for most of the Top-20 counties with the greatest absolute growth in Mexicans between 2000 and 2010. The following counties are worth special mentioning given both their relative and absolute growth in the hundreds: Los Angeles County, California (Los Angeles metropolitan area) with a Mexican absolute growth of 468,703; Harris County, Texas (Houston metropolitan area) at 435,708; and Riverside County, California (Los Angeles metropolitan area) with 401,652. Maricopa County, Arizona (Phoenix metropolitan area) increased by 351,509 and Clark County, Nevada (Las Vegas metropolitan area) almost doubled their Mexican population between 2000 and 2010. Most of the growth in these counties is in part due to ongoing population momentum and some ongoing immigration from Mexico.

Conclusion

Latino population growth will continue to have a key role in the demographic shift reshaping the U.S. In order to better inform academicians as well as local- and federal-policy makers, we have contributed towards geographing Latinoization by identifying the geographical areas with the largest Mexican population growth between 2000 and 2010. Latinos' highest relative growth is most evident in the middle and eastern part of the U.S. The highest absolute growth continues in historically Latino states like California and Texas. Beyond the economic and political factors, knowing where the Latino population is expanding can help inform considerations on the consequences for the racial structure of the U.S.—and how the spread of this ethnic minority population may contribute to the growing fluidity of U.S. racial-ethnic hierarchies as non-Latino Whites become a minority. Policy makers and researchers can make use of the map and tables provide here as a reference of what is to come as our population continues to expand and the Mexican diaspora reconfigures a new social demographic and economic equilibrium.¹⁸ Since we believe a highly integrative society can aid the development of democracy, we hope awareness on Latino's diaspora facilitates knowledge that can help improve communities' context of reception as their geographical dispersal continues to fill every part of America.

¹⁸Full Excel table with 1,748 mainland counties can be found at the following link:

https://docs.google.com/open?id=10i4x5PQ03kYzu58XjXKArHX8urnzzyiXe_aajCzG_HA

For 2009 Latino demographic profile state and county data files please see the PEW Hispanic Center at

<http://www.pewhispanic.org/states/>

Table 1
Top 20 Counties with Highest Mexican Origin Latino
Percentage Growth between 2000 and 2010

<i>Geography</i>	<i>2000 Total Population</i>	<i>2000 Latino Population</i>	<i>2000 Mexican Population</i>	<i>2010 Total Population</i>	<i>2010 Latino Population</i>	<i>2010 Mexican Population</i>	<i>Mexican Percent Change</i>	<i>Mexican Absolute Change</i>
Gilmer County, WV	7,160	50	10	8,693	493	328	3,180%	318
Marshall County, SD	4,576	35	15	4,656	317	294	1,860%	279
Stewart County, GA	5,252	79	50	6,058	1,454	903	1,706%	853
Martin County, KY	12,578	78	17	12,929	388	304	1,688%	287
Adams County, MS	34,340	273	107	32,297	2,150	1,562	1,360%	1,455
Tallahatchie County, MS	14,903	137	60	15,378	866	663	1,005%	603
Lafayette County, WI	16,137	92	44	16,836	522	429	875%	385
McCreary County, KY	17,080	106	30	18,306	392	254	747%	224
Trempealeau County, WI	27,010	240	170	28,816	1,667	1,400	724%	1,230
Russell County, KY	16,315	140	60	17,565	585	490	717%	430
Pipestone County, MN	9,895	69	33	9,596	355	268	712%	235
Beadle County, SD	17,023	155	88	17,398	1,337	690	684%	602
Grant Parish, LA	18,698	213	100	22,309	931	761	661%	661
Larue County, KY	13,373	140	44	14,193	401	334	659%	290
Audrain County, MO	25,853	189	73	25,529	665	546	648%	473
Sequatchie County, TN	11,370	93	46	14,112	462	344	648%	298
Telfair County, GA	11,794	215	141	16,500	2,026	1,014	619%	873
Sublette County, WY	5,920	112	76	10,247	712	537	607%	461
Lee County, VA	23,589	120	34	25,587	406	234	588%	200
Macon County, NC	29,811	454	266	33,922	2,230	1,814	582%	1,548

Table 2
Top 20 Counties with Highest Mexican Origin Latino
Absolute Growth between 2000 and 2010

<i>Geography</i>	<i>2000 Total Population</i>	<i>2000 Latino Population</i>	<i>2000 Mexican Population</i>	<i>2010 Total Population</i>	<i>2010 Latino Population</i>	<i>2010 Mexican Population</i>	<i>Mexican Percent Change</i>	<i>Mexican Absolute Change</i>
Los Angeles County, CA	9,519,338	4,242,213	3,041,974	9,818,605	4,687,889	3,510,677	15%	468,703
Harris County, TX	3,400,578	1,119,751	814,693	4,092,459	1,671,540	1,250,401	53%	435,708
Riverside County, CA	1,545,387	559,575	463,465	2,189,641	995,257	865,117	87%	401,652
Maricopa County, AZ	3,072,149	763,341	624,113	3,817,117	1,128,741	975,622	56%	351,509
San Bernardino County, CA	1,709,434	669,387	532,186	2,035,210	1,001,145	848,541	59%	316,355
Bexar County, TX	1,392,931	757,033	531,069	1,714,773	1,006,958	843,619	59%	312,550
San Diego County, CA	2,813,833	750,965	628,460	3,095,313	991,348	869,868	38%	241,408
Dallas County, TX	2,218,899	662,729	531,115	2,368,139	905,940	762,168	44%	231,053
Hidalgo County, TX	569,463	503,100	433,198	774,769	702,206	660,820	53%	227,622
Clark County, NV	1,375,765	302,143	216,397	1,951,269	568,644	423,798	96%	207,401
Tarrant County, TX	1,446,219	285,290	227,701	1,809,034	482,977	408,198	79%	180,497
Cook County, IL	5,376,741	1,071,740	786,423	5,194,675	1,244,762	961,963	22%	175,540
El Paso County, TX	679,622	531,654	447,065	800,647	658,134	613,091	37%	166,026
Kern County, CA	661,645	254,036	210,828	839,631	413,033	364,524	73%	153,696
Orange County, CA	2,846,289	875,579	712,496	3,010,232	1,012,973	858,068	20%	145,572
Fresno County, CA	799,407	351,636	302,120	930,450	468,070	428,191	42%	126,071
Travis County, TX	812,280	229,048	175,053	1,024,266	342,766	284,392	62%	109,339
Cameron County, TX	335,227	282,736	226,680	406,220	357,747	327,067	44%	100,387
Sacramento County, CA	1,223,499	195,890	150,909	1,418,788	306,196	249,431	65%	98,522
Pima County, AZ	843,746	247,578	205,623	980,263	338,802	301,715	47%	96,092

A Different Consumer Market: The Hispanic Consumer

David J. Molina*

There is ample evidence that the Hispanic population is growing at a greater rate than other groups (see the article by Siorda *et al.*, earlier in this report). The impact of this demographic change has social, political and economic implications. For instance, a recent *Time* magazine cover had the words: Yo decido - Why Latinos will pick the next President (Time, March 5, 2012). Marketing firms and consumer good firms are actively attempting to understand the Hispanic Consumer. For instance the International Council of Shopping Malls had a conference this past February entitled: "Opportunities in Reaching Hispanic Consumers in Chicagoland." Firms such as Procter & Gamble, Johnson & Johnson, Verizon, and General Mills have increased by several factors the amount of advertising dollars geared towards this market (Marketing, April 9, 2009). Even the Federal Trade Commission provides information on recent legal actions protecting Hispanic consumers.¹⁹ Some estimates place the Hispanic purchasing power in 2010 at a trillion dollars, with over 60 percent of that attributed to Hispanics of Mexican origin. There is also some evidence that Hispanic consumers are slowly transitioning from a heavily dominant Spanish media to an English based media (Hispanic News, 2005).²⁰

The fact is that the growth of the Hispanic population as well as the possibility of them having different consumer preferences has the potential of resulting in significant economic impacts on a variety of consumer sectors. To analyze whether different race and ethnic groups have different consumer preferences I have chosen the following consumer expenditure shares: food away from home, clothing, entertainment, tobacco, reading, and personal care expenditures. One can argue that these expenditures are likely to capture race or ethnic differences if they exist. The three market segments I have compared are the Non-Hispanic Whites, the Non-Hispanic Blacks and Hispanics.²¹ First, I present the overall pattern of these expenditures shares for consumers in urban areas.²² Second, I evaluate if differences persist even after accounting for other plausible factors that could explain these differences.

Expenditure Shares

The data used here come from the Consumer Expenditure Survey produced annually by the Bureau of Labor Statistics (BLS) for the period 2004-2009. Figures 1 through 6 show the percent expenditure on food away from home (excluding meals as pay), clothing, entertainment, tobacco, reading, and personal care expenditures made by urban Whites, Blacks and Hispanics consumer units. These are U.S. population estimates since they are constructed using the weights provided by the BLS.

* David J. Molina is an Associate Professor and the Co-director of the Center for International Studies and Research at the University of North Texas. David is the current president of the American Society of Hispanic Economists (ASHE).

¹⁹ http://www.ftc.gov/opa/2004/04/hispanic_oldcases.shtm

²⁰ The rate at which this transition is occurring is not clear but does lead to question whether this market segment will become acculturated or whether current consumer differences will persist or vanish.

²¹ For expediency, for the remainder of the article the terms Black and White will imply non-Hispanic Black and non-Hispanic White. In addition, I use the term "reference person" rather than "head of household" since the data come from the Consumer Expenditure Survey conducted by the BLS which uses the person answering the survey as the reference person.

²² Tables for the rural areas and expenditure as a percentage of income for both the Rural and Urban areas are available from the author.

The Figures show some interesting patterns. Figure 1 shows that there is little difference in the amount spent by the three groups on food away from home (excluding meals as pay) while Figure 6 shows that there is clear distinction in the personal care expenditure share by the different groups, with Blacks spending the greatest share and Whites the lowest. The other four expenditure shares have the pattern where two groups have similar expenditures while the other group consistently spends either more or less. In the case of expenditure shares on entertainment and reading, Blacks and Hispanics have similar shares, while Whites spend more. In clothing Whites spend less. Finally, expenditure shares on tobacco consumption appear to be consistently lower for Hispanics than it is for Blacks and Whites. The distinct patterns seen in Figures 2 through 6 suggest that race and ethnicity can impact expenditure shares of these items. However, these figures alone cannot give the full picture. For instance, one may argue that Black and Hispanic consumer units spend more on clothing because they typically have larger households. Another example would be that if White households have a higher education level on average, this could explain why their reading materials shares are higher. In the next section I address these and other issues and present a model of consumption by race and ethnicity.

Consumption and Emulation

In the movie “The Joneses”, David Duchovny and Demi Moore play a pretend family that a marketing firm places in a plush neighborhood. They are then the ultimate product placement act by showing off high end products and becoming the envy of their gated community. This generates increased sales of these items. This Hollywood version of keeping up with the Jones is an example of Veblen’s conspicuous consumption (1899).²³ Veblen argued the most powerful motivation consumer have is to emulate the consumption of those that are in the socio-economic class above them. Hence, it is necessary to account for this motivation and other factors to determine if the above patterns hold. The emulation variables are constructed in the following manner. First, if the urban (rural) consumer unit is below the average income in their state then Veblen (V) is 1, otherwise 0. If the sign of the coefficient for V is positive and significant, it implies there is an emulation effect. The second variable is the interaction between the V and the income of the consumer unit (V*I). If the unit is below the average income then VI will equal their income; otherwise it is zero. If this coefficient is negative and significant that would imply that the Veblen effect is not as great as individuals approach average income.

In addition to the two Veblen variables, the other variables are the age of reference person, family size, number of children under the age of 18, whether the consumer unit is an urban setting, the education level of the reference person, and the region of the country. I use dummy variables for Black and Hispanic to compare consumption across race or ethnicity (with White being the excluded group). Finally, the total expenditure is used as a proxy for total income for econometric reasons.²⁴

²³ Veblen, Thorstein, *The Theory of the Leisure Class: An Economic Study of Institutions*, reprint (Kila, MT: Kessinger, 2004 [original publication 1899]).

²⁴ As Charles, Hurst and Roussanov (2009) (CHR) point out, accurately, that in estimating expenditure functions one should rely on Friedman’s permanent income hypothesis since expenditures are more likely to be based on lifetime earnings than transitory current income (Friedman, 1957)). Following CHR, we use the total expenditure as a proxy for permanent income. Using the expenditure as the proxy for permanent income brings about two issues. First, expenditure components are jointly determined in models of lifecycle consumption, and thus total expenditures are endogenous in an equation for any component of expenditures. Second, there is the concern that measurement error in the components of consumption will be related to measurement error in total expenditures. Similar to CHR, we address these two issues by using the instrumental variable approach for total expenditure. We instrument total expenditure using income and other variables. In particular, we use the job category of the consumer which we assume could impact the total expenditure but is not as likely to impact individual components.

See Charles, Kerwin Kofi, Erik Hurst, and Nikolai Roussanov, “Conspicuous Consumption and Race,” *Quarterly Journal of Economics*, 124 (2009), 425-467 and Friedman, Milton, *A Theory of the Consumption Function* (Princeton, NJ: Princeton University Press, 1957).

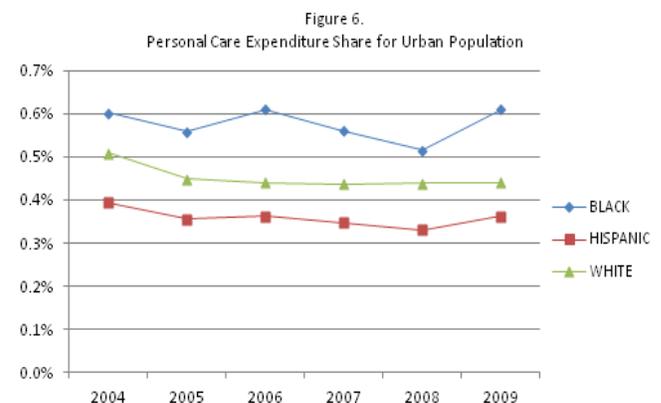
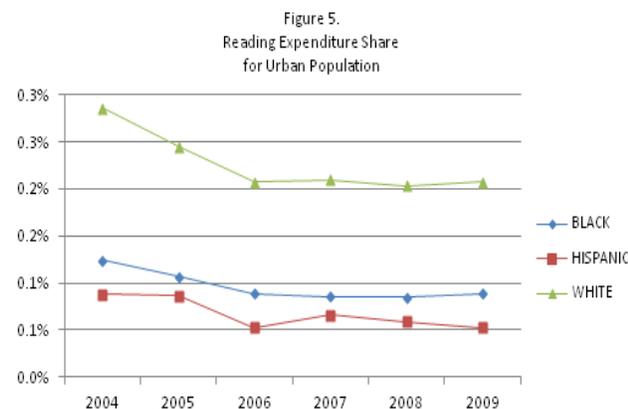
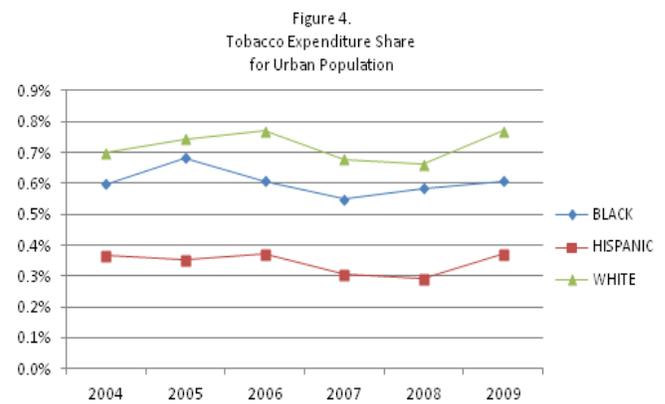
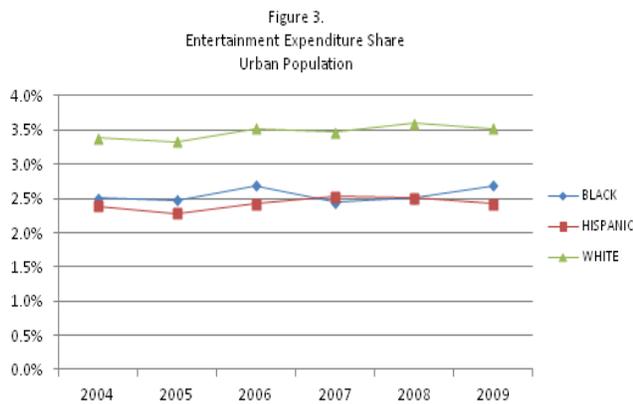
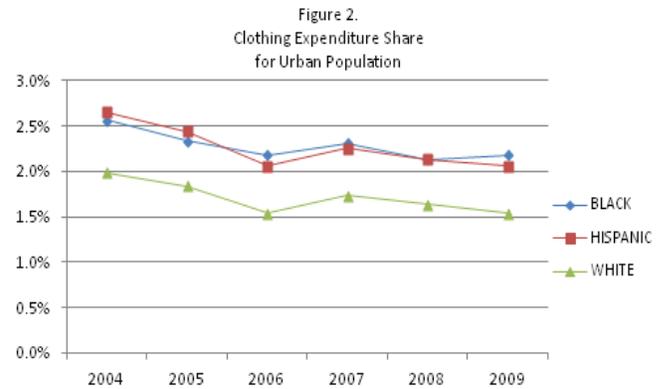
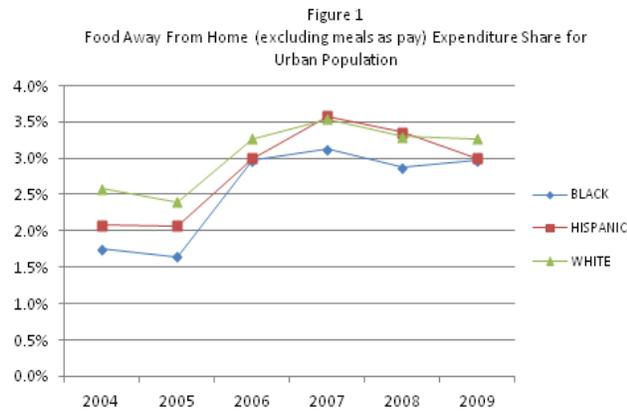


Table 1 (page 20) presents the results of the logarithmic models described above. The coefficients on Black and Hispanic, while not always similar to the differences shown in the Figures, do confirm that these three groups have differences in their expenditure shares. Blacks and Hispanics spend more on clothing than do Whites even while

controlling for the other factors. In terms of food away from home, the model shows a clearer picture than Figure 1 and shows that Hispanics and Blacks to spend more. In terms of tobacco and reading materials the model does show lower expenditure by Hispanics and Blacks. In terms of entertainment expenditures, the model contradicts the raw data; Blacks do spend more in this category. Interestingly, the Veblen effects are as expected (that is the first one positive and the second one negative) with the exception of tobacco use. It appears that there is a reverse emulation on tobacco consumption—in other words, low income emulation that dissipates as income increases. This seems to indicate that smoking is more prevalent with the low income consumer.

Conclusion

Whether it is from the raw expenditure share data or the results of the model presented here, it does appear that Blacks and Hispanics have a tendency to spend differently on these rather visible consumer goods. Previous studies have given mixed results but the data here support those that show differences in consumer patterns.²⁵ Several results here could have long term implications for Hispanics. The fact that they spend less on reading materials can have long term implications if the children in these households are less exposed to such an important activity. The fact that the model shows Hispanics and Blacks spend more on going out to eat could be an issue if they are eating less healthy. On the other hand, the fact that tobacco use is lower is a positive since clearly this can lead to lower risk for lung cancer. Finally, the results here support the need for economic, marketing and health studies to account for differences in the consumption pattern of Blacks, Hispanics, and Whites.

²⁵ Charles, Hurst and Roussanov (2009) found that the Veblen emulation eliminates the differences in consumption by race and ethnicity. On the other hand several other studies have shown race and ethnic differences in consumption. Conley (1999), Fan and Zuiker (1998), Lamont and Molnar (2001), Molina and Dorman (2010), Mullins (1999), Oliver and Shapiro (1997), and Pearson (2009) to mention a few.

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Table 1
Annual Fixed Effect logarithmic Models of the Difference Commodity Expenditure Shares
for the years of 2004 to 2009

	FD AWAY	Clothing	Personal Care	Tobacco	Entertainment	Reading
Total Expenditures	1.49***	0.84***	0.65***	-0.66***	0.76***	0.48
Age of Reference Person	-0.53***	-0.29***	0.04	0.31***	-0.12***	0.11*
Urban	0.003*	0.11**	0.04*	0.13**	0.06	0.001
Family Size	1.121***	0.75***	0.54***	-0.28*	0.61***	0.30
Married	-1.28***	-0.14**	0.03	.05	0.06**	0.07
Number of Children Less than 18	0.03	0.03	-0.03	-0.16***	0.06**	-0.01
Elementary Education+	0.05	0.06	-0.13***	-0.11**	0.06*	-0.07
Less than College	-0.08**	-0.01	0.003	-0.04	0.03	0.12*
College Education	-0.20***	0.05	0.09	-0.08	0.04	0.27***
More than College	-0.33***	0.05	0.10	-0.09	0.009	0.29**
Hispanic	0.11**	0.28***	0.08	-0.57***	-0.01	-0.29***
Black	0.1*	0.33***	0.07	-0.64***	0.10***	-0.26**
Northeast	0.02	0.06**	-0.06**	0.26***	0.04*	-0.24***
Midwest	0.08**	0.04	-0.02	0.001	0.04	-0.05
South	0.10***	-0.01	-0.07***	0.01	0.03*	-0.20***
Veblen	0.85***	0.35*	0.01	-1.23***	0.02	0.55
Veblen*Income	-0.13***	-0.07**	-0.01	0.19***	0.02	-0.09*
Intersect	-3.05***	-0.76	-1.91	4.45***	-0.01	-2.67*

* - Significant at 10% ** - Significant at 5% and *** significant at 1%
+ High School graduates are the excluded group.

About the Hispanic Economic Outlook Committee of the American Society of Hispanic Economists –

Formed in early 2009, this Committee was designed to monitor and report on a host of Hispanic economic issues on a regular basis. Contributions from other ASHE members are also contained in these reports. The views expressed in these reports are those of the authors, and do not necessarily represent the views of their respective employers or of ASHE. All errors in fact or interpretation belong to the authors.

2011-2012 Hispanic Economic Outlook Committee Members

Luisa Blanco

Assistant Professor
School of Public Policy
Pepperdine University
24255 Pacific Coast Hwy.
Malibu, CA 90263
(310) 562-2364; fax (575) 562-2252
lblanco@pepperdine.edu
Areas of specialty: Economic Development;
International Economics, Latin America

Alberto Dávila

Professor of Economics and V.F. “Doc” and
Gertrude Neuhaus Chair for Entrepreneurship
Department of Economics and Finance
The University of Texas - Pan American
Edinburg, TX 78539
(956) 665-7136; fax (956) 665-5020
adavila@utpa.edu
Areas of specialty: Hispanic entrepreneurship;
Hispanic labor markets

Mark Hugo López

Associate Director
Pew Hispanic Center
1615 L Street NW, Suite 700
Washington, DC 20036
(202) 419-3617
mlopez@pewhispanic.org
Areas of specialty: Civic engagement; Hispanic
youth; Economics of education

Marie T. Mora

First Vice President of ASHE and Professor
Department of Economics and Finance
The University of Texas - Pan American
Edinburg, TX 78539
(956)665-7913; fax (956) 665-5020
mtmora@utpa.edu
Areas of specialty: Hispanic labor markets; Hispanic
self-employment

Isabel Ruiz

Fellow in Economics
Harris Manchester College
University of Oxford
Oxford, OX1 1HY
United Kingdom
+44(0)1865 271026
Isabel.ruiz@hmc.ox.ac.uk
Areas of specialty: International Economics/Finance;
Capital Flows; Migration; Latin America