Toward a Latinx Stratification Economics

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Abstract

This chapter considers “stratification economics” within a Latinx conceptual frame. Centering the structural and intentional processes that generate inter-group disparities, our chapter focuses on U.S. Latinxs, with specific attention to income and wealth inequality. We challenge overlapping cultural deterministic arguments often applied to African American, Latinxs, and Afro-Latinxs communities and use recent wealth disparities/inter-generational transmissions data as context and rebuttal. First, we summarize the theoretical framework of stratification economics as an alternative to mainstream economic approaches to studying intergroup disparities. Next, we review how Latinxs are “seen” in economics—how we are counted, categorized, and theorized—by examining “Hispanic” as an analytical category and critiquing the main economic theories applied to Latinxs: migration, assimilation, and discrimination. In the last section, we present select research and policy recommendations supported by stratification economics theory and empirical research.

Keywords: Stratification economics, Latinx studies, racism, inequality

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“The anti-blackness of slavery and the anti-indigeneity of settler colonialism are the foundational forms of group-based oppression in the United States. Non-black people of color both benefit from and perpetuate anti-blackness.”

Karma R. Chávez, Introduction to De Colores Means All of Us (2017)

1 Introduction

During a May 2018 press event on California’s immigration policies, President Donald Trump criticized so-called “sanctuary state” and “sanctuary city” policies and debuted his version of an old, racialized, anti-immigrant trope[

We have people coming into the country, or trying to come in—and we’re stopping a lot of them—but we’re taking people out of the country. You wouldn’t believe how bad these people are. These aren’t people. These are animals.

Invoking a menacing presence, President Trump dehumanized Latinx migrants and for this was praised and condemned by various segments across the country, as was by then routine. In retrospect, the president may have been foreshadowing what was to come. Less than a month later, it was revealed that Attorney General Jeff Sessions had ordered U.S. Customs and Border Protection to separate children from their parents at the border[

Activists, journalists, legislators, and the general public soon learned what this meant in practice: families were separated, with individuals sent across the country or across the border, and

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2 We use the term “Latinx” as part of a praxis of intersectionality to include groups whose identity is gender neutral. It is part of an evolution of language, most recently including “Latino/a” and “Latin@” that undermined the androcentric “Latino” used for mixed-gender groups, yet signal a binary understanding of gender (López, Vargas, Juarez, Cacari-Stone, & Bettez, 2017; Scharrón-del Río & Aja, 2015). We also employ the gender-neutral terms Latinx and Hispanic interchangeably to refer to women, men, transgender and nonbinary individuals, and communities that come from the Spanish-speaking Caribbean, Latin America, and/or the descendants of former Spanish colonies in the western and southwestern United States. We use the terms Latina to indicate those who identify as women, Latino to indicate those who identify as men.

children were housed in cages, like animals.  

The legal pretext for the policy was a new “zero tolerance” approach to unlawful entry, but families and individuals were targeted regardless of their efforts to comply with the laws. Moreover, justice would not have been served by better implementation since the policy itself criminalizes immigration, asylum, and other forms of survival for Central Americans (A. A. Aja & Marchevsky, 2017). What does this episode reveal about the racialization of Latinxs in the US? What are the contours of this group and how do mainstream theories in economics successfully account for, or fall short in explaining, the relative socioeconomic status of Latinxs?

Racially stigmatized groups are routinely scapegoated for economic crises and crime. President Trump set the tone for his presidential campaign by referring to Mexicans as rapists while castigating Mexico for “not sending their best.” Earlier on, he argued that Dominicans lacked skills needed for the American economy. The Haitian community, along with immigrants from majority Black and indigenous countries more generally, came from “s—hole countries,” while Norwegians he deemed a preferential group. For domestic born black Americans, the President attempted to chip away at their political support for the Democratic party by exaggerating conditions of black neighborhoods, saying, “you walk down the street and you get shot,” for which he offered the empty and derisive promise of “what do you have to lose.” In spite of this overt racism, most scholars agree that the dominant form of racism in the U.S. today, the racial social structure that conditions life chances and economic realities, remains covert and “post-racial” (Bonilla-Silva, 2018).

Despite the close connection between racist and xenophobic ideology and the material...

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4 According to a delegation from the American Academy of Pediatrics (AAP), detained immigrants themselves call the detention centers las perreras, or, the dog kennels. See Alan Shapiro, “Children Should Be Cared for, Not Caged,” AAP, January 6, 2017.

5 To be clear, Trump is not the first leader to rely on racialized anti-immigrant tropes to galvanize political currents from the electoral process to actual policy formation. Indeed, cultural tropes such as the “criminal immigrant” (A. A. Aja & Marchevsky, 2017), the “undeserving poor” (Katz, 2013), and a “culture of poverty” (Steinberg, 2001) — what we refer to collectively as theories of group dysfunction (Darity Jr., 2005; Hamilton, 2000) — are a central feature of the American political-economy.

consequences of racialized social, economic, and political systems, economics has generally avoided creating rational models of racism (Agesa & Hamilton, 2004; Darity Jr. & Mason, 1998; Darity Jr., Mason, & Stewart, 2006; W. A. Lewis, 1985; Stewart, 1976). The core elements of mainstream, modern economic theory are not well-suited to explaining observable, persistent disparities between ascriptively marked groups. Stratification economics (SE) is a growing subfield that addresses this lacuna by recognizing that individual members of social groups have an interest in the relative position of their group in a social hierarchy (Blumer, 1958; Darity Jr., 2005).

This paper explicitly examines the Latinx group in the context of stratification economics. Difficulties arise if we consider that “Hispanics” are not a well-defined group; the rules for membership are not widely agreed upon by non-academics, and researchers often take whatever definition as provided for in survey data. For example, it is not accurate to use Hispanic identity as a nonspecific proxy for culture to explain behavior (López, 2013; Telles, 2014). Spanish language and migration, though they receive the most attention in the literature, may not be key poles of Hispanic status, omitting as they do Brazilians and Mexicans of indigenous and/or Spanish descent living on land now considered part of U.S. territory, respectively. In fact, colonization and displacement of indigenous and African peoples, not migration, more accurately explains the geographic location of many communities, while non-European indigenous languages are spoken by millions of people in Latin America. These issues of group membership and geographic or linguistic diversity are unique to Latinxs, but together they suggest a new approach to economic analysis, Latinx stratification economics, that incorporates insights from Latinx Studies to analyze the socioeconomic status of Latinxs in a putatively “post-racial” America.

In this chapter, we describe such an approach. Our aim is to underscore the structural and intentional processes that generate inter-group disparities, challenging cultural deterministic arguments often applied to African American, Latinxs, Afro-Latinxs, and subaltern communities of color more broadly. First, we summarize the theoretical framework
of stratification economics as an alternative to mainstream economic approaches to studying intergroup disparities. Next, we review how Latinxs are “seen” in economics—how we are counted, categorized, and theorized—by examining “Hispanic” as an analytical category and critiquing the main economic theories applied to Latinxs: migration, assimilation, and discrimination. In the last section, we present select research and policy recommendations supported by stratification economics theory and empirical research.

2 A Primer in Stratification Economics

Stratification economics (SE) is a growing subfield in economics that seeks to explain intergroup inequality by analyzing the collective self-interest of members of social groups to maintain or improve their group’s relative position in a social hierarchy. The SE approach provides a theoretical framework that can be used to develop new approaches in economic theory and empirically testable hypotheses. SE has been applied to understand the origins of racial identity (Darity Jr. et al., 2006; W. A. Lewis, 1985), caste, skin color, and intersections of multiple socially salient identities (Goldsmith, Hamilton, & Darity Jr., 2007). Darity’s 2005 formative piece on SE sets out the following stylized expectations that the stratification economist brings to research:

1. Intergenerational transmission effects bear heavily on transfers of material resources and economic security across generations (i.e., the basis for wealth inequality).

2. The material benefits that rebound to members of dominant groups serve as motivation to take actions that maintain their group’s relative privilege.

3. Discriminatory efforts to retain privilege are likely to persist, not decline, in market-based societies, absent conscious, policy-level interventions

4. Acquiring human capital, advanced degrees or “soft skills,” will not shield subaltern
groups from labor market and other types of discrimination. Discrimination may intensify as members of subaltern groups acquire higher levels of human capital.

5. Seemingly self-defeating or dysfunctional behaviors do not explain inter-group disparities. Particular members of any social group may engage in observable self-defeating behaviors, but these are not a collective trait of the group.

In contrast to the dominant alternatives, SE focuses on group identities and the strategic behavior of individuals in groups by drawing on insights from economics, sociology, and social psychology. In mainstream economics, racism is usually modeled as discrimination taking one of two forms. Becker (1957) style models are based on an irrational “taste for discrimination,” where some individuals are willing to pay in order to avoid contact with members of another group. Another common approach, “statistical discrimination,” is based on information asymmetry, where discriminatory behavior comes from applying perceived or actual group average qualities to individuals from that group (Arrow, 1973; Phelps, 1972). SE presents a fundamental alternative to both by recognizing the rational basis for discrimination as well as the structural, institutional, and social dimensions of intergroup rivalry, which may be explicit or covert. The SE framework consciously rejects explanations that rely on the cultural dysfunction or genetic inferiority of subordinated groups to explain group stratification.

The basic idea of SE is that individuals belong to ascriptively marked social groups, and these group identities confer privileges and penalties based on their relative position in a social hierarchy. Individuals thus have incentives to improve or maintain their group’s relative position. For any group, the collective ability to improve its position is itself contingent on the resources available to it. Because members of the dominant group benefit from their group’s relative position, they may choose to take actions that have no specific direct individual benefit, or indeed may seem individually harmful, but from which they benefit in a relative sense and potentially in an absolute sense by helping to maintain their group’s collective privilege and relative positioning. These actions may be overt, such as extra-judicial
killings at the border between Mexico and the United States (Shadowen, 2018), or they may be covert, with no reference to group membership. They may take the form of market interactions, public policies, or social decisions operating at the level of interpersonal relationships, impersonal exchange, institutional formation and maintenance, or cultural hegemony.

The key point for the SE framework is that there are rewards and punishments that are contingent on group membership. Not all members of the dominant group receive the same rewards from their group membership. In fact, not all members of the dominant or subordinate group will have the same attachment to their group. This is expected. Life chances related to one social category (race) may be mediated by another category (gender), further contributing to heterogeneity. The SE framework accommodates these complexities not as auxiliary quality, but as fundamental to understanding of stratification.

Stratification economics expands the limited notion of self-interest commonly found in economics to include a social group based superstructure. Similar to feminist economics, SE incorporates other sources of motivation and complications like endogenous preferences, altruism, and social norms. This is contrasted to neoclassical formulation of exogenous preferences and self-interested behavior. These positions are often met with resistance in mainstream economics. First, there is the discipline’s ontological commitment to methodological individualism, which, generally, does not recognize structural analysis based on the collective agency of groups. Methodological individualism is the idea that macro-level phenomena have to be explained by individual behavior. So, even if members of a group have a common interest, coordination may be difficult. In our context, whites have a common interest in maintaining white privilege, but individual whites need not take individual actions in pursuit of this goal in order to reap externality benefits (Hamilton, 2017; Stewart, 1976; Stewart & Coleman, 2005).

Second, and relatedly, because SE treats inter-group disparities in terms of relative position, a zero sum game generally is operative. Gains for disadvantaged groups will necessarily imply relative losses in privilege for the dominant group. This illustrates the importance of
the stratification economists’ normative goals for group-based justice and fairness. Economics in the twentieth century underwent a transformation whereby moral and ethical concerns were largely purged from the discipline in an effort to achieve the status of a “positive” science. To quote Reverend Dr. William Barber II and a mantra from the Poor People’s Campaign, “economic justice is a moral imperative.” The SE approach frees the researcher to explore questions involving the inter-group distribution of life chances, including policy tools to achieve more equality, independently of efficiency gains, grounded, instead, in concepts such as human rights and justice (Hamilton, 2017).

Based on both theory and empirics, the stratification economist rejects genetic or cultural explanations for persistent inter-group disparity. Although genetic inferiority arguments may sound antiquated, recent developments in behavioral genetics resuscitate this type of argument Graves (2015).

Cultural explanations for group inferiority are an integral part of the racial formation process, the historical process by which groups are created and imbued with meaning. The problem with many of these arguments is that they reverse the causality by using culture, sometimes measured using observable behaviors, to explain economic outcomes (Hamilton, Darity Jr., Price, Sridharan, & Tippett, 2015; Steinberg, 2011). In the Latinx context, there are efforts to explain the perceived economic success of some groups (e.g. Cuban Americans) relative to others (e.g. Mexican Americans), without taking into account the different socioeconomic and wealth starting positions of each group, nor do they consider the role of the state, quasi-state, and international organizations in propelling groups onto different material trajectories. Few of these studies incorporate an explicit analysis of skin shade and opportunity structures within Latinx communities (Rodriguez, Argeros, & Miyawaki, 2011; Sáenz & Morales, 2015).

In order to explain inter-group disparities, SE explores the socio-historical formation of group identities, how these identities change over time, and the ways in which these identities are used strategically by individuals and groups in between-group and within-group contexts.
Research in social theory proves invaluable for this type of analysis. Omi and Winant (2015) propose a comprehensive racial formation theory in which race is seen as an ideological process operating at the level of individuals, groups, and societies: “[a] vast web of racial projects mediates between the discursive or representation means in which race is identified and signified on the one hand, and the institutional and organizational forms in which it is routinized and standardized on the other” (Omi & Winant, 2015, p. 127). In this schema, racial projects can reproduce racialized inequality, as in the routinized use of biased IQ testing, or they may work toward the advancement of racial justice, as in the case of the #BlackLivesMatter movement.

In a distinct formulation, (Bonilla-Silva, 1997, p. 474) proposes racialized social systems, defined as “societies that allocate differential economic, political, social, and even psychological rewards to groups along racial lines.” For Bonilla-Silva, racist ideology (i.e. racism) exists separate from the more central issue of a material racial hierarchy; racism itself “provides the rationalizations for social, political, and economic interactions between races.”

Social theories such as these are important for economists insofar as they run counter to many of the ways in which race, ethnicity, and other social identities are interpreted in conventional economic research. Both racial formation theory and the theory of racialized social systems concur that the actions and decisions of individuals, especially members of the dominant group, are important to forming and maintaining the social hierarchy. And both theories agree that animus-based discrimination is not necessary to the creation and maintenance of a social hierarchy. Building off of these insights, SE sees the main sites of economic activity—market interactions, non-market exchange, production, and consumption—as layerings of institutional and social dynamics where the interplay between micro and macro levels of organization can be modeled with tools of economics. The next section further considers how Latinx inter to intra-group disparities can be understood within an SE frame. We use stratification economics to review and critique the most common approaches used by economists, laying the groundwork for new approaches. We begin with a discussion of
“Hispanics” as an analytical category, and then discuss economic literature associated with migration, assimilation, and discrimination.

3 Toward a Latinx Stratification Economics

There is a growing interest in the demographic and economic lives of “Hispanics” in the US. Consider the following question, which we have posed to colleagues and students alike: “what makes someone Hispanic; what is it that people in that group have in common?” The answers we get are surprisingly varied! Common responses refer to (1) a personal or family experience of migration from countries in Latin America, (2) a shared “Hispanic culture” in the U.S., (3) an ability to speak Spanish or an ancestral connection to Spain, or (4) a distinct minority status and associated disadvantages in the U.S. stemming from prejudice. When pressed, respondents have difficulty generating a coherent definition. Given any set of criteria, it is often easy to think of exceptions, cases where someone is “clearly Hispanic,” but may fail to demonstrate the specified traits.

Consider also that, when asked about their preferred ethnic identity, the majority (54 percent) of Hispanics in the US used a country-specific term such as Mexican (Hugo Lopez, 2013). This was followed by simply “American” (23 percent). Only 20 percent said they prefer pan-ethnic terms such as “Hispanic” or “Latino.” When asked about their race, 25.8 percent of individuals who identified as “Hispanic” indicated they are “Some other race” as their sole response, pointing to the inadequacy of the categories usually given. Regardless of national origin, and especially juxtaposed against a white identity, a small fraction, generally less than ten percent, affirmatively select an Afro-Latino/a/x identity; indeed, stratification economics theorizes the economic incentives to distance from a black identity (Darity Jr., Hamilton, & Dietrich, 2002; Duncan & Trejo, 2011; Goldsmith et al., 2007; Hamilton, 2017; Warren & Twine, 1997).

These observations suggest a diversity of experiences within Latinx communities and
signal shortcomings in how data is usually collected about race and ethnicity. Recognizing
the analytical incoherence of the term “Hispanic” is central to Latinx stratification economics
as a framework that informs the interpretation and collection of data. For example, Darity Jr., Dietrich and Hamilton (2005) show that independent of skin color, the probability of
identifying as white or as Black varied depending on whether the respondent was Puerto
Rican, Mexican American, or Cuban American. So, each group may differ in its average
to the point, a one-dimensional measure of skin color from light to dark cannot account for
social distinctions based on indigeneity (Dávila, Mora, & Stockly, 2011; Montalvo & Codina,
2001).

In general, we can say that racial and ethnic identities are interdependent and mediated
by a range of factors, including how we are perceived by others, citizenship and immigrant
status, socioeconomic class, and local social context. This includes how individuals identify
themselves on surveys and forms, whether distributed by the government, schools, or em-
ployers. The probability of identifying as Mexican American or Hispanic, as opposed to
non-Hispanic white, decreases with education and income, independent of ancestry (Duncan
& Trejo, 2011; Duncan & Trejo, 2011; Emeka & Vallejo, 2011). Other research shows that
racial identity responds to economic incentives, such as revenue shares from Native Ameri-
can casinos (Antman & Duncan, 2018) or access to affirmative action (Antman & Duncan,
2015).

The myth of a unified “Hispanic” experience is undercut by the reality of the color line
and its relationship to opportunity structures in the U.S. Using American Community Survey
data, Sáenz and Morales (2015) find that native born Hispanic origin groups that have the

\[7\]In general, the goal is not to work towards an “objective” standard for group membership, since we
recognize that all racial and ethnic groups are social constructs.

\[8\]Skin color was assessed by the interviewer and measured on a five point scale: very dark, dark, medium,
light, very light.

\[9\]For issues of “endogeneity” of self-reporting one’s race (especially Latinxs) in Census and other survey
designs, see Golash-Boza and Darity Jr. (2008).

\[10\]For an example from Brazil, see Francis and Tannuri-Pianto (2013).
highest number of Latinx individuals identifying themselves as white in the Census (e.g., Cuban, Colombian, and other South Americans) are also those demonstrating highest wages compared to other Hispanic origin groups with lower numbers of individuals identifying as white (e.g., Mexicans, Salvadorans, and Guatemalans). Hogan (2017) finds that Latinx groups that identify their race as white have lower poverty rates than those who identify their race as “some other race” and “Black.” Taken together, the preponderance of research on social inequalities in Hispanic origin/Latinx groups does find a color line that maps on to social inequalities in criminal justice, voting and housing within Latinx groups (Massey & Denton, 1993; Zambrana, 2006).

3.1 Migration, Assimilation, Discrimination

Latinxs are often viewed and studied exclusively as immigrants from Central and South America, potentially biasing analyses since most Latinxs (66 percent) are not immigrants (Flores, 2017). Large parts of the US were acquired through colonial annexation of Mexico and Puerto Rico, two of the largest Latinx groups. A focus on the violent history of Mexican land seizure during era of US expansion (Gomez, 2008; Gonzalez, 2001) and the long-time colonial subjugation of Puerto Ricans, since 1898 (Grosfoguel, 2003), is obfuscated in the context of the “Hispanic/Latino immigrant” narrative. Not only were the acts of dispossession critical to interrupting inter-generational transfers of wealth that largely determine financial success today, but the acts also required concomitant racist ideologies that have their own independent effects. In addition, there are a number of other non-immigrant possibilities for cross-border movement, including asylum seekers, political exiles, victims of trafficking, seasonal workers in agriculture, and so-called “tied movers,” not to mention European immigrants from Spain, who are categorized as “Hispanic/Latino” in the US Census.

Two of the three core topics in mainstream economics research on Latinxs—migration and assimilation—are closely tied to immigration. The third topic, discrimination against
Latinxs, has a smaller literature within economics. The basic questions related to these topics are: who chooses to migrate and why? How does the entry of immigrants affect different segments of the US labor market? Which factors explain how quickly or slowly Latinx immigrants ‘assimilate’ in the U.S. labor market? To what extent are Latinxs affected by discrimination?

The human capital model of migration is the dominant tool used to study migration in mainstream economics (McConnell, Brue, & Macpherson, 2015). The migration decision is taken by atomistic individuals who perform a neoclassical utility comparison between their possible wage at home and in a foreign country, net of migration costs (Sjaastad, 1962). Human capital is usually measured in two dimensions, years of formal education and years of work experience, and for each level of human capital there is an associated expected wage determined by the labor market characteristics of the sending and receiving countries.

In the real world, migration is often overdetermined by political-economy and other factors besides human capital. Feminist economists have shown that the human capital model of migration may not accurately describe household decision-making and the forces that determine migration for so-called “tied movers”—women who move within the context of households, often with husbands. Other research emphasizes the importance of networks, language, culture, and immigration laws.

The stratification economics approach, informed by Latinx Studies, aims to develop a theory of group migration, recognizing that in immigration laws, drug policy, and other legal disciplinary systems are often informed by racist tropes that serve the interests of the dominant group. Colonialism and geopolitical interests matter for determining migration patterns. For example, it is well understood that US foreign policy in Latin America has to a great degree influenced migration patterns in the western hemisphere. US residency and citizenship themselves can be sought out for the privilege they confer to elite members of other countries, thus migration is part of overlapping contests between groups. Wealth, rather than human capital, becomes central to theories of migration.
Migration events also figure heavily in other areas of economics research. Studying the effects of labor supply shocks is central to validating the core theory of how we think labor markets work. The preeminent example is the Mariel boatlift of 1980, an event that saw the entry of 125,000 Cubans into the South Florida labor market. Within the labor economics literature on this event, one side generally concludes that immigrants depress wages for competing workers (Borjas, 2003) and the other finds benign effects of immigration (Bodvarsson, Van den Berg, & Lewer, 2008).

In reality, the Mariel boatlift was not just the unexpected introduction of a group of undifferentiated workers into a labor market, a positive labor supply shock. The event was accompanied by a frenzy of media attention that vilified the Marielitos, many of whom would be categorized as black (Afro-Latinx), as undesirables and social deviants (Aguirre, Saenz, & Hwang, 1989). Nevertheless, many of the migrants who found transportation were able to do so because of family in South Florida with sufficient money resources or with access to a boat. How did these two forces—laborers at once vilified but also benefiting from kin networks—combine and clash to affect the labor market effect of the new entrants?

Neither side of the mainstream debate seems interested in such details, but context may explain observed economic patterns. Significant private, state, and federal resources were mobilized through aid to assist with the settlement and integration of the Marielitos in South Florida. New research by E. Lewis (2017) examines for the first time particular industries in which many of the Marielitos entered, or into which non-Marielito “natives” were pushed into. This recognizes that labor markets are not only stratified by “human capital” groups (high school or less, more than high school), but also by race and ethnicity.

The so-called “assimilation” of minority ethnic and immigrant groups is another major area in which the discipline of economics studies Latinxs. This literature aims to describe how well particular immigrant groups have assimilated and the factors that determine whether this assimilation happens quickly or slowly, or stalls or reverses. The outsider status of immigrants and their presumed deficiency in the traits and behaviors of the dominant group...
characterizes the unstated assumptions of this literature.

Assimilation in economics is usually defined empirically as a convergence in outcomes (e.g., years of schooling, hourly wage, employment rate) to the non-immigrant population, or sometimes the white non-immigrant population. On its face then, assimilation in the economics literature is purely understood in terms of economic or demographic trends without explicit value differences. Little explanation seems to be needed to specify mechanisms that lead to assimilation, besides a change in culture (e.g., valuing education). Because race and ethnicity have no special places in mainstream economic theory, the assumption seems to be that, through using the same rational decision making as everyone else, difference will quickly disappear.

According to some economists, relative differences in the achievements of particular racialized minority immigrant groups in the labor market can be explained by cultural differences Chiswick [1983]. In contrast, SE proposes the lateral mobility hypothesis, which states that the relative socioeconomic status of an immigrant group is related to the relative position of the adult members of constituted the bulk of the original members of that group (Darity Jr., Dietrich, & Guilkey, 2001). For Latinxs specifically, a good example is the post-1959 Cuban community. Often viewed as possessing the right cultural imputations that led to its so-viewed success (Chua & Rubenfeld, 2015), the lateral mobility hypothesis of SE helps explain why this relative “success” is only true for most exilic arrivals (1959-73), their families and subsequent generations, but not necessarily the case for subsequent arrivals, including Afro-Cubans of all stages of migration (A. A. Aja, 2016).

The main theories that explain racism in economics are based on (1) bias or animus and (2) so-called statistical discrimination. Individual discriminatory practices motivated by racist ideology are often studied as if they were the only or the most important manifestation of racial practices. Instead, racism, or individual bias, is only one constituent part of a racial social structure (Bonilla-Silva, 1997). This is why stratification economics focuses on structural analysis, the material interest that dominant groups have in maintaining social
hierarchies, and associated group-based strategies.

Mainstream writing in economics has been historically skeptical of discrimination, both on theoretical and empirical grounds. Many of the core assumptions of neoclassical economics, including perfect competition and methodological individualism, fundamentally affect how discrimination is analyzed by the discipline as a whole. Free entry of new firms, each of which is too small to affect the market as a whole, leads to inaccurate predictions that competition will drive out discrimination.

And yet, discrimination figures importantly in the lives of Latinxs. According to a recent report, nearly one in three Latinos responded that they had personally been discriminated against when applying for a job, 37 percent mentioned experiencing racial or ethnic slurs, and 17 percent reported that they personally had avoided calling the police in the case of an emergency because they thought they or themselves would be discriminated against because they are Latino.

3.2 Explaining Disparity: From Cultural to Wealth

Research shows significant differences in economic status between Latinxs and whites and between different Latinx ethnicities. A recent study by the Economic Policy Institute (Mora & Dávila, 2018) shows that the “Hispanic-white” wage gap persists, and the gap is larger for Latinx women relative to non-Latinx white women, and larger for island-based Puerto Ricans relative to those on the mainland. Among Latinx subgroups, select South Americans and Cubans generally do socioeconomically better than Mexicans, Central American and other Caribbean Latinx groups (Motel and Patten, 2012).

Such evidence has been misapplied by economists and other scholars to argue that if some members of a subaltern group do better economically than others can do likewise if

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11 The demographics of the discipline itself play a role here, with women and people of color greatly underrepresented in the ranks of academic economists.


13 This may be due in part to Cubans and South American having larger number of people who identify as or are racialized as white Latinxs (Hogan, 2017; Sáenz & Morales, 2015).
they only acted right’ (Darity Jr. et al., 2018; Steinberg, 2001). But, research in stratification economics shows why dysfunctional behavior should be rejected as explanation for persistent economic disparities. Structural forms of racism, such as uneven intergenerational transmission of resources via wealth denial and wealth stripping, is central to understanding evident inter-group disparities (Baradaran, 2017).

Take for example the role of U.S. home ownership. Blacks and Latinxxs generally have much lower rates than non-Latinx whites. Bayer, Ferreira, and Ross (2018) studied select metropolitan areas in the years prior to the mortgage-debt crisis (2004-2007). They found that, after controlling for numerous risk factors, black and Latinx home buyers were 105 and 78 percent more likely to hold high cost mortgages, respectively. This was attributable to a combination of sorting by lenders and inequitable treatment of equally qualified lenders. Banks and other lenders used predatory practices of charging higher rates.

Although home ownership plays a key role in asset-formation and inequality, it does not drive nor account fully for the larger inter-group wealth gap (Darity Jr. et al., 2018). Patterns of wealth inequality hold for various asset classes, as documented in The National Asset Scorecard for Communities of Color, a five-city study. In Los Angeles for example, asset and debt information disaggregated by ancestry group reveals sharp disparities (De La Cruz-Viesca, Chen, Ong, Hamilton, & Darity Jr., 2016). Native U.S. black and Mexican households hold a median net worth of $4,000 and $3,500, respectively, compared with $355,000 for non-Latinx whites.

In Boston, a city that is home to a sizable Dominican and Puerto Rican community, white households have a median wealth of $247,500 compared to local Dominicans and African Americans with a net worth close to zero (Muñoz et al., 2015). The median Puerto Rican in Boston faired little better.

In the Miami study, the sampling design allows for detailed comparison by ancestry and race (forthcoming, 2019). In all socioeconomic measures, including those that measure wealth accumulation, self-identified white Latinxxs do significantly better than Latinxxs who
identified as black. Nevertheless, white Latinxs do not achieve the considerably higher levels of wealth possessed by non-Latinx whites, including so-perceived “successful” white Cubans. Afro-Latinxs have similar levels of wealth to non-Latinx blacks and Afro-Caribbeans (Aja et. al, forthcoming, 2019).

Researchers frequently attempt to explain wealth disparities such as these using individual or group-based deficiencies. Frequently, a lack of educational attainment is viewed as the defining mechanism used to shield one from discrimination (for critiques, see Darity Jr. et al., 2018; Hamilton, 2017; Hamilton et al., 2015; Jones & Schmitt, 2014).

Mangino (2014) shows why this is incorrect by contrasting the educational attainment of whites, men, and the super-rich compared to women, non-white groups, and the “99 percent.” Magino finds that the former groups have lower rates of 4-year college completion. Of the comparison groups, single white men have the lowest level of college completion. The authors explain that privileged groups, due to heightened levels of informal opportunities to advance their “human capital,” can “opt out” of schooling earlier than less privileged groups. Their study underscores that among people of similar socioeconomic backgrounds, Asians, African Americans, and Latinxs, not only complete college degrees at similar rates (contrary to the model minority myth usually applied to Asians), but actually do so at higher rates than whites.

4 Discussion

The Latinx stratification economics approach redirects attention away from race and ethnicity as categories of illusory stability and meaning, and towards processes of racialization as a means of producing, maintaining, or transforming social stratification. Racialization happens at multiple levels. Individuals may be racialized by other individuals, but there are also group-level manifestations. The state regularly racializes Latinxs, whether through legitimizing terms such as “Hispanic” or investing in the economic adjustment of some Latinx
immigrant groups while legally sanctioning others.

Based on the most common formulation of race and ethnicity questions today, it is understood that “Hispanics” can be of any social race. That is, race and Hispanic identity are separable in the most current data sets. This has some benefits. Latinx are indeed racialized as white, black, Asian, etc., often depending on phenotype and other factors. Life experience and research both show that racialization affects brown to dark-skinned Hispanics (López et al., 2017). The concept of “street race” helps us understand this.

Street race is the characteristic of an individual captured in the question, “if you were walking down the street, what race would strangers automatically assume you were?” Street race is what race you look like based on various characteristics including skin color and facial features. It is usually a more important determinant of a person’s experiences with discrimination in the labor market, employment and other institutions than their ethnicity (cultural heritage) or ancestry (distant familial or genetic ancestry) (López, 2013, 2014; López et al., 2017). Data needs to reflect this by collecting information about “visible minority” status or asking about “street race” directly.

It is also important for economics to embrace intersectional analysis, that is, recognizing that social identities are always additive. As Crenshaw (1989) shows, the experiences of black women are not captured in either white women’s lives or black men’s lives. In economics, Paul, Zaw, Hamilton, and Darity Jr. (2018) that shows that the “unexplained” portion of a Oaxaca wage decomposition between black women and white men is more than the sum of the unexplained portion from a gender (black men compared with black women) and race (black women compared with white women).

Finally, moving toward a Latinx stratification economics involves attention to the socio-historical context and the at-times bold and transformative demands of social movements. This means identifying the linkages and participation of Latinxs struggling for social justice alongside other subaltern groups, especially the African American community; from immigration policy, the Chicanx movement, the feminist, queer, and trans movement, to Civil

One such example stems from the coalition politics involved in passing the Humphrey-Hawkins Act (1978). The centerpiece of this legislation was a federal jobs program, which was a response to rising unemployment that had a disproportionate effect on black, Latinx and other communities of color. But the job guarantee never came to fruition. Over 40 years later, both communities (and intersecting groups, like Afro-Latinxs) continue to face both unemployment and underemployment due to labor market discrimination and structural barriers racism. The job guarantee has re-emerged recently as an popular policy that would simultaneously address economic growth and racial inequality (A. Aja, Bustillo, Darity Jr., & Hamilton, 2014; Hamilton & Darity Jr., 2010; Tcherneva, 2018).

There are other examples of transformative policies that would default take a Latinx stratification economics lens, including federal young adult trust accounts–that can begin to address the racial wealth gap, public banking, federalizing credit scores, single-payer health care (and others) (Hamilton & Darity Jr., 2010). All of these, as stratification economics sets out to do, places intervention directly on institutional-level practices that perpetuate the intersectional racism at the center of inter-group disparities.
References


