

Emulation vs. Socializing Consumption:
The Hispanic Consumer

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HISPANIC CONSUMERS

- US. The Hispanic population
 - in 2009 accounted for 15.8%
 - 12.5% in the 2000
 - 9% in 1990
- In real terms, the dollar value of Hispanic expenditures increased
 - 167.2% between 1990 and 2008
 - 34.9% for the population as whole

Hispanic Consumer

◉ Standard Consumer Studies

- Deshpande (1986), Webster (1994), Pauling (1998, 2003), DeCicca et al. (2000), Lanfranco et al. (2002)

◉ Conspicuous Consumption

- Charles, Hurst, and Roussanov QJE (2009).
- “conspicuous consumption” \approx “snob” effect
Leibenstein (1950)
- expanded by Ireland (1994) and Bagwell and Bernheim (1996)

◉ Emulation (Veblen, 1899)

Emulation (Veblen, 1899)

- “(w)ith the exception of the instinct of self-preservation, the propensity for emulation is probably the strongest and most alert and persistent of the economic motives proper” (Veblen, 1899, p. 85).
- Bowles and Park (2005) increased income inequality leads to increased work hours by lower income households to emulate consumption.
- Scott (2007) suggests that consumer emulation is central to the over borrowing that has been plaguing the American consumer

socializing consumption

- **Hispanics shop with companions in larger numbers than other racial or ethnic groups**
 - Nicholls et al. (1995), Nicholls et al., (1996), Crispell (1997), Sanchez (2002), Gardyn and Fetto, (2003).
 - Nicholls et al (1996) suggest “twofers” (i.e. two for one sales) Hispanics normally shop with at least one companion.
 - Nicholls et al. (1995) Hispanics spend more per shopping trip to the mall than non-Hispanics.
Crispell (1997) Hispanic window shoppers are more likely to purchase than non-Hispanic shoppers

MODELS

◎ TIME USE

◎
$$y_i = \beta_0 + \beta_1 \text{Black} + \beta_2 \text{Hispanic} + \beta X + \varepsilon$$

◎ CONSUMER MODELS with EMULATION

$$\begin{aligned} \text{Ln}(\text{expenditure component})_i = & \beta_0 + \text{Ln}(\text{Total Expenditure}) + \beta_1 \text{Black} + \beta_2 \text{Hispanic} + \beta_3 X \\ & + \beta_4 (\text{Regional Controls}) + \beta_5 \text{Veblen1} + \beta_6 \text{Veblen2} + \varepsilon \end{aligned}$$

◎ The two data sources

- ATUS (Horrigan and Herz, 2004).and the CEX. Bureau of Labor Statistics
- CEX began imputing income in 2004 (Passero
 - (2009)).
 - Reference person between the ages of 25 and 65
 - Non-Hispanic Whites, Non-Hispanic Blacks and Hispanics
- TIME USE y : Shopping Alone, Others, Alone or Others
- CONSUMER: Expenditure Categories
 - Clothing and Jewelry (CJ), Entertainment Services (ES), All Housing (AH), Housing Furnishing (HF), Food, Alcohol, Tobacco, Transportation, Electronics, Housing Mortgage, Hosing Rental, Housing repair and improvement

ATUS Model Results

Table 1: Shopping Habits

<i>Dependent Variable</i>	<i>Hispanic</i>	<i>Black</i>
Shopping Alone	-6.48**	1.13
Shopping with at least one Companion	8.49**	-22.9***
Shopping whether alone or with others	5.38**	-10.3***

** Significant at 5% and *** Significant at 1%

Emulation Models (Yearly Fixed Effect)

- Restricting Emulation to be same for all Racial and Ethnic Groups:
 - Veblen (V)
 - 1 if Household is Below the average Income by race or ethnic group for each year, 0 o.w.
 - Veblen Income (VI)
 - $\text{Veblen}(V) * \text{After Tax Income}$
- Emulation without restriction across Racial and Ethnic Groups
 - VH
 - $\text{Veblen}(V) * \text{Hispanic}$
 - VB
 - $\text{Veblen}(V) * \text{Black}$

MODELS

○ CONSUMER MODELS with EMULATION

$$\begin{aligned} \ln(\text{expenditure component})_i = & \beta_0 + \ln(\text{Total Expenditure}) + \beta_1 \text{Black} + \beta_2 \text{Hispanic} + \beta_3 X \\ & + \beta_4 (\text{Regional Controls}) + \beta_5 \text{Veblen1} + \beta_6 \text{Veblen2} + \varepsilon \end{aligned}$$

○ emulation effect is similar across racial and ethnic groups

- Veblen1:V and Veblen2:VI

○ emulation effects to differ across racial or ethnic group

- Veblen1 :VH and Veblen2:VB.

Results

Table 2: Logarithmic Models for Clothing and Jewelry (CJ) and Entertainment Services (ES)

CONTROLS: Household Controls (HC), Regional (R), Veblen (V), cross-product term of Veblen and After-Tax Income (VI), cross-product terms with Hispanic (VH) and Black (VB)

Dependent Variable	Hispanic	Black	V/VH	VI/VB	Controls	Instrumental Variable
CJ	0.193***	0.249 ***			HC	
CJ	0.262***	0.330***			HC	Yes
CJ	0.194***	0.257***			HC, R	
CJ	0.272***	0.342***			HC,R	Yes
CJ	0.212***	0.259***	0.016	-0.289*	HC,R, V & VI	
CJ	0.322***	0.397***	0.530***	-0.89***	HC,R, V & VI	Yes
CJ	0.222***	0.278***	-0.043	0.033	HC,R,VH,&VB	
CJ	0.244***	0.322**	0.073	0.99*	HC,R,VH,&VB	Yes
ES	-0.20***	-0.145***			HC	
ES	-0.127***	-0.123***			HC	Yes
ES	-0.212***	-0.146***			HC, R	
ES	-0.130***	-0.119**			HC,R	Yes
ES	-0.202***	-0.201***	-0.078	-0.016	HC,R, V & VI	
ES	-0.102*	-0.094*	0.445***	-0.076***	HC,R, V & VI	Yes
ES	-0.144***	-0.134***	-0.114*	-0.021	HC,R,VH,&VB	
ES	-0.124**	-0.119*	-0.031	-0.012	HC,R,VH,&VB	Yes

***Significant at 1%, **Significant at 5%, *Significant at 10%

Estimates presented use After Tax Income. Before Tax Income estimates are similar and available upon request.

Results

Table 2 (continued): Logarithmic Models for All Housing (AH) and Housing Furnishing & Appliances (HF)
 CONTROLS: Household Controls (HC), Regional (R), Veblen (V), cross-product term of Veblen and After-Tax Income (VI), cross-product terms with Hispanic (VH) and Black (VB)

Dependent Variable	Hispanic	Black	V/VH	VI/VB	Controls	Instrumental Variable
AH	0.132***	0.122***			HC	
AH	0.09***	0.05*			HC	Yes
AH	0.123***	0.127***			HC, R	
AH	0.11***	0.05			HC,R	Yes
AH	0.137***	0.108***	0.309***	-0.046***	HC,R, V & VI	
AH	0.025	-0.360	0.229**	-0.039***	HC,R, V & VI	Yes
AH	0.038	-0.0003	0.129***	0.189***	HC,R,VH,&VB	
AH	0.042	-0.009	0.123***	0.182***	HC,R,VH,&VB	Yes
HF	-0.088***	-0.188***			HC	
HF	0.006	-0.063**			HC	Yes
HF	-0.092***	-0.183***			HC, R	
HF	0.004	-0.064**			HC,R	Yes
HF	-0.076***	-0.181***	-0.307***	0.027***	HC,R, V & VI	
HF	0.025	0.036	0.229*	-0.039***	HC,R, V & VI	Yes
HF	-0.077**	-0.181***	-0.023	-0.003	HC,R,VH,&VB	
HF	-0.011	-0.125***	0.092*	0.128**	HC,R,VH,&VB	Yes

***Significant at 1%, **Significant at 5%, *Significant at 10%

Estimates presented use After Tax Income. Before Tax Income estimates are similar and available upon request.

Results

Table 3: Logarithmic Models (using IVs) for Other Expenditure Categories

CONTROLS: Household Controls (HC), Regional (R), Veblen (V), cross-product term of Veblen and After-Tax Income (VI), cross-product terms with Hispanic (VH) and Black (VB)

Dependent Variable	Hispanic	Black	V/HV	VI/VB	Controls
Food	0.04***	-0.08***			HC
Food	0.03*	-0.08***			HC, R
Food	0.05***	-0.05***	0.28***	-0.05***	HC,R, V & VI
Food	0.019	-0.10***	0.02	0.06**	HC,R,VH & VB
Alcohol	-0.10***	-0.15***			HC
Alcohol	-0.11***	-0.14***			HC, R
Alcohol	-0.09**	-0.10**	0.15	-0.02	HC,R, V & VI
Alcohol	-0.08*	0.13***	-0.05	-0.01	HC,R,VH & VB
Tobacco/Smoking	-0.54***	-0.43***			HC
Tobacco/Smoking	-0.52***	-0.43***			HC, R
Tobacco/Smoking	-0.54***	-0.53***	-0.82***	0.13***	HC,R, V & VI
Tobacco/Smoking	-0.49***	-0.42***	-0.08	-0.08	HC,R,VH & VB

***Significant at 1%, **Significant at 5%, *Significant at 10%

Estimates presented use After Tax Income. Before Tax Income estimates are similar and available upon request.

Results

Table 3 (continued): Logarithmic Models (using IVs) for Other Expenditure Categories
 CONTROLS: Household Controls (HC), Regional (R), Veblen (V), cross-product term of Veblen and
 After-Tax Income (VI), cross-product terms with Hispanic (VH) and Black (VB)

Dependent Variable	Hispanic	Black	V/HV	VI/VB	Controls
Transportation	0.08***	0.07***			HC
Transportation	0.08***	0.07***			HC, R
Transportation	0.07***	0.05**	0.04	-0.1	HC,R, V & VI
Transportation	0.08***	0.09***	-0.04	-0.06*	HC,R,VH & VB
Electronics	2.80***	6.36***			HC
Electronics	2.93***	5.98***			HC, R
Electronics	0.05*	0.19***	-0.19**	0.02*	HC,R, V & VI
Electronics	1.22***	4.18***	0.98**	2.24*	HC,R,VH & VB

***Significant at 1%, **Significant at 5%, *Significant at 10%

Estimates presented use After Tax Income. Before Tax Income estimates are similar and available upon request.

Results

Table 3 (continued): Logarithmic Models (using IVs) for Other Expenditure Categories
 CONTROLS: Household Controls (HC), Regional (R), Veblen (V), cross-product term of Veblen and
 After-Tax Income (VI), cross-product terms with Hispanic (VH) and Black (VB)

Dependent Variable	Hispanic	Black	V/HV	VI/VB	Controls
Housing (Mortgage)	0.06*	0.02			HC
Housing (Mortgage)	0.05	0.02			HC, R
Housing (Mortgage)	0.05	0.02	0.06	-0.01	HC,R, V & VI
Housing (Mortgage)	0.04	0.06	0.02	-0.03	HC,R,VH & VB
Housing (Rental)	0.09***	-0.01			HC
Housing (Rental)	0.08***	0.03			HC, R
Housing (Rental)	0.07	-0.05	0.27*	-0.04*	HC,R, V & VI
Housing (Rental)	0.05	0.07	0.01	-.09	HC,R,VH & VB
Housing (Repairs, Improvements)	0.04	-0.05			HC
Housing (Repairs, Improvements)	0.03	-0.08			HC, R
Housing (Repairs, Improvements)	0.03	-0.04	0.023*	-0.04**	HC,R, V & VI
Housing (Repairs, Improvements)	-0.02	-0.06	-0.1	-0.1	HC,R,VH & VB

***Significant at 1%, **Significant at 5%, *Significant at 10%

Estimates presented use After Tax Income. Before Tax Income estimates are similar and available upon request.

MODELS

◎ CONSUMER MODELS with EMULATION

$$\begin{aligned} \ln(\text{expenditure component})_i = & \beta_0 + \ln(\text{Total Expenditure}) + \beta_1 \text{Black} + \beta_2 \text{Hispanic} + \beta_3 X \\ & + \beta_4 (\text{Regional Controls}) + \beta_5 \text{VH} + \beta_6 \text{VHI} + \\ & + \beta_7 \text{VB} + \beta_8 \text{VBI} \varepsilon \end{aligned}$$

Less Restrictive Model

Dependent Variable	Hispanic	Black	V/VH	VHI	VI/VB	VBI	Controls	IV?	
CJ	0.193***	0.249 ***					HC		
CJ	0.262***	0.330***					HC	Yes	
CJ	0.194***	0.257***					HC, R		
CJ	0.272***	0.342***					HC,R	Yes	
CJ	0.212***	0.259***	0.016			-0.289*	HC,R, V & VI		
CJ	0.322***	0.397***	0.530***			-0.89***	HC,R, V & VI	Yes	
CJ	0.251***	0.296***	-0.099	0.007	0.148	-0.04	HC,R,VH,VB,VHI,VBI		
CJ	0.266***	0.352***	0.329	-0.044	0.504**	-0.084**	HC,R,VH,VB,VHI,VBI	Yes	
ES	-0.20***	-0.145***					HC		
ES	-0.127***	-0.123***					HC	Yes	
ES	-0.212***	-0.146***					HC, R		
ES	-0.130***	-0.119**					HC,R	Yes	
ES	-0.202***	-0.201***	-0.078			-0.016	HC,R, V & VI		
ES	-0.102*	-0.094*	0.445***			-0.076***	HC,R, V & VI	Yes	
ES	-0.126**	-0.133**	-0.565**	0.078		-0.199	0.016	HC,R,VH,VB,VHI,VBI	
ES	-0.115**	-0.105	-0.225	0.046	0.074	-0.011	HC,R,VH,VB,VHI,VBI	Yes	

Conclusions

- Hispanic consumers have a strong tendency to shop with companions rather than alone.
- However, regardless of whether alone or with companions, Hispanics shop more than Blacks or Whites
- Clothing and jewelry Hispanics purchase more but do not have an emulation effect
- combine the utility of the purchases with the entertainment of shopping for them

Conclusions

- We find a strong emulation effect on the overall expenditure of housing
 - even though the individual housing expenditure components do not have as strong of an emulation effect
 - More visible, such as furnishing and appliances and the repair and maintenance expenditure categories, do show some emulation effect.
- We also find that there is a strong non-smoking emulation effect

 **THANK YOU**