

## Preface

IN THE FIRST DECADE OF THE 2000s, MORE THAN HALF OF THE population growth in the United States was a product of the country's increasing Hispanic population. The decade started with 35.3 million and ended with 50.5 million individuals of Hispanic origin. And while one in eight Americans was of Hispanic ethnicity in 2000, this share had risen to one in six by 2010. Among many of the consequences of this population growth is the significant increase in the number of Hispanic business owners during this time. This observation is unsurprising (given that the larger base of this ethnic group helped generate more self-employment), but this population growth also brought with it an increasing demand for Hispanic products that, arguably, created more entrepreneurial opportunities for Hispanics. Consider this: more than 2.3 million Hispanic-owned businesses in the United States generated \$350.7 billion in sales in 2007 alone.

Scholars such as us have found this phenomenon relatively unexplored by the popular press and in the academic literature. Over the past several years, we have participated at conferences, delivered papers, and served as discussants in a variety of academic venues to delve more into this issue. In one conference, the annual meeting of the Western Economic Association International in Vancouver, British Columbia, we presented a paper in an American Society of Hispanic Economists session titled "Changes in the Entrepreneurial Earnings of U.S. and Foreign-Born Mexican American Men: 2000–2007" in the summer of 2009. There we had the opportunity to chat

with Margo Crouppen (now Fleming), a representative of Stanford University Press, on the importance of learning more about Hispanic entrepreneurship in the United States. She invited us to propose a book on this topic (which we did), and after several iterations and reviews, this book is the result of this effort.

We note that working on this book brought many challenges as we took on a relatively new topic. One stylistic challenge was to write this book with as few tables and methodological jargon as possible. From an academic perspective, many of these challenges, as other scholars writing on entrepreneurship topics have found, are data driven. Alicia Robb, an economist with the Kauffman Foundation, specifically mentioned this concern in the conference “Small Business and Entrepreneurship during an Economic Recovery,” hosted by the Federal Reserve Board of Governors on November 9, 2011. To be sure, surveys on entrepreneurs in the United States abound, but many of these present conflicting evidence, lack time continuity, and have sampling issues.

That said, we use a variety of data sets here that provide new insights to the study of Hispanic entrepreneurs, particularly in the first decade of the 2000s. Our empirical analyses highlight the recently released microdata from the 2007 Survey of Business Owners. Also, because of our interest in learning more about the self-employment experiences of Hispanic subpopulations (i.e., partitioned by gender, national affiliation, region, and occupation), we rely heavily on annual microdata from the American Community Survey. Existing longitudinal data, such as the National Longitudinal Survey of Youth, do not have adequate sample sizes or cover the time period required to accomplish the intended objectives of this book. One convenient methodological tool that we adopt from the labor economics literature is synthetic-cohort analysis, to empirically analyze the business-cycle effects on Hispanic entrepreneurial outcomes.

With these data and methodological challenges come also definitional ones. For example, what does *entrepreneur* mean? According to *Merriam-Webster Dictionary* the term comes from the old French *entreprendre* (“to undertake”), defined as “one who organizes, manages, and assumes the risks of a business enterprise.” Moreover, the dictionary defines *self-employed* as “earning income directly from one’s own business, trade, or profession rather than as a specified salary or wages from an employer.” The self-employed could

proxy for the entrepreneur. The crux of the matter becomes what constitutes a business enterprise. Can this business enterprise comprise only an individual, or does it require paid employees as well? We note that some of the surveys we use here are more specific than others in answering this question.

Another definitional issue relates to the interpretation of entrepreneurial success. A quick answer to this issue simply invokes financial success, but a broader response should entail measures of entrepreneurial goals and targets. For example, in 2004, Mike Simpson, Nicki Tuck, and Sarah Bellamy, in a series of interviews of small business owner-managers in Sheffield, England, classified businesses into four categories of entrepreneurial success: (1) the empire builder, an entrepreneur who measures success in terms of financial success; (2) the happiness seeker (as the category suggests), who simply wants to be happy at work; (3) the vision developer, who seeks achievement and recognition in the marketplace; and (4) the challenge achiever, who strives for a personal sense of achievement and recognition. From a labor economics perspective, these research efforts recognize the hedonic aspects and preferences of individuals beyond the simple assumption that business owners seek to maximize income.

It is worth noting that sociologist Zulema Valdez in a 2011 study discusses how business “success” differs across race, class, and gender. In particular, she states:

White middle class and male entrepreneurs garner the greatest rewards in enterprise. Middle class Latino/a men lag far behind their white counterparts in earnings; however, they earn significantly more than lower class Latino/a men and women, the latter group regardless of class. The lower earnings among Latina entrepreneurs are associated with their lack of market and social capital resources relative to Latino/a men, and highlight the significant role that gender plays in shaping Latino/a inequality. (p. 159)

She notes also that “the earnings of lower-class Latinos are likely to fall short of their economic expectations, leading them to rearticulate a meaning of success that captures *relative* economic success” (p. 107).

As is the case with much research, however, we must make assumptions throughout this book to tell our story. We (for the most part) call an entrepreneur a self-employed individual or a business owner and measure entrepreneurial success in terms of financial outcomes. But, yes, we realize that this

approach might be simplistic. In this regard, we can only state that we attempt to move forward the argument (and in some cases the debate) of the experiences of Hispanic entrepreneurs at the turn of the 2000s. We believe that our account contributes, at a minimum, to empirical insights into the labor markets of an increasingly important population that might serve as fodder for future research on this matter.