

The Financial Crisis and its Impact on Latino Americans

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Abstract: The financial crisis has exerted influence upon every facet of American society. As the largest minorities groups in the U.S, Latinos feel the sting of the financial crisis. By applying historical facts and present statistics, this paper tries to analyze the impact of this crisis on every walk of life in Latinos and their future in American society.

I. Introduction

Since 2000, Latino Americans¹ has surpassed African Americans to be the largest minorities group in the United States; nowadays Latinos make up 15 percent of the total U.S population. They have become an indispensable part of American society, both in political and economic terms. The 2008 U.S presidential election has proved the political power of the Latinos, without whom Obama could not win the campaign.² From the angel of economy, however, Latinos' political contribution to Obama is not paid back. Since the outbreak of the financial crisis, their financial situation is worsening; their basic insurance of education and medical care is not stable; their future is not very bright. Within the Latinos, every walk of life is feeling the sting of financial crisis: for the children, many are not accepted by schools; for adults, their remittance cuts, which could have a devastating effect on their relatives in mother countries; for the seniors, severe threat of financial insecurity is haunting them; for those who want to make a living in the United States in the future, stringent immigration policy would be the barrier for them. Above all, it's not sensational to say that for some of the Latinos, their "American dream" has ended.

II. Financial Crisis and Latino Youths

As to the teens among Latinos, the matter that is touching their nerves is about schooling. On the one hand, limited number of Hispanic children is absorbed by limited schools. Hispanic children account for nearly two-thirds of the recent growth in school enrollment, but most of that increase has been absorbed by a small proportion of the nation's schools, says a report released by the Pew Hispanic Center. The pattern is true not only in states that have historically received Latino immigrants, such as New York and Texas, but also in such states as Georgia and North Carolina that are new to taking in large numbers of Hispanic students. A small subset of schools experienced a lot of Hispanic enrollment changes, as Richard Fry, a senior researcher at the Pew Hispanic Center, said during a telephone press briefing Oct. 5, 2010. The changes in those schools are markedly different than for the rest of the schools.³

¹ "Latino Americans" was accepted as the official name for "those who are living in the United States, yet were born in Spain or Latin American countries with the origin of Spanish culture and language."

² 冯峰：《拉美裔移民对美国大选的影响及美国移民政策的调整》，载拉丁美洲研究，2008年第六期，10-14。

3Pew Hispanic Center: *Limited Number of Schools Absorb Latinos*. (2010/10/11) <http://www.edweek.org/login.html?source=http://www.edweek.org/ew/articles/201010/11/07hispanic.h26.html&destination=http://www.edweek.org/ew/articles/2006/10/11/07hispanic.h26.html&levelId=2100>.

On the other hand, many Latino youth could not graduate from school and get their diploma, which would make their future gloomier. Take New York city as an example, Fewer than 10 percent of New York City’s Latino students receive a standard high school diploma in four years, according to officials. At a City Council education committee meeting late last month, data compiled by the committee showed that about 54 percent of students overall graduate in four years. Of those, 18 percent earn a Regents diploma, awarded when students score 65 percent on five state exams. Most get a local diploma by scoring 55 percent on those tests. The local diploma is being phased out. Only 9.4 percent of black students and 9.8 percent of Latino students two-thirds of the city’s student population earn Regents diplomas in four years, according to the data.⁴

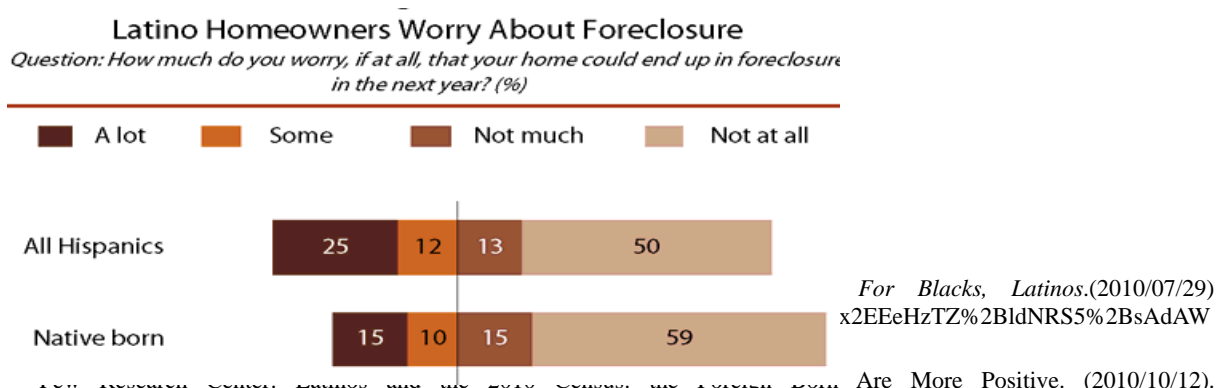
Furthermore, many Latinos were urged to opt out of military recruitment in schools. Activists opposed to military recruitment in public schools are reaching out to Spanish-speaking parents to make sure they know they can tell school officials not to provide their children with contact information to recruiters. This group is mainly composed of fathers of those sacrificed soldiers and officers. Thus their action is also called “fathers’ campaign”. This group, though well-intentioned, serves to block a desirable way of living for Latino youths.

The news is not always bad, for at least those Latinos youths are not that pessimistic about their future. In a recent survey conducted by Pew Spanish Center, almost 70 percent of Latino youths are feeling “good”, while the ratio for Native Americans are 57 percent. Only less than 7 percent of Latino youth is feeling “extremely bad”.⁵ The “romantic” temperance of Latinos inherited from their ancestry is an unavoidable reason for such optimism among Latino youth.

III. Financial Crisis and Latino Adult

Compared with the adolescence, the adult are not that optimistic. In fact, the very first thing that worries Latinos is worry itself. The following graphic shows the state of Latino in the midst of the financial crisis.

Figure 1⁶



<http://www.edweek.org/ew/articles/2005/12/14/15brief->

[3.h25.html?tkn=PVTFexN2JLen7%2F%2Br23swgydDM2SILVMqiuZ1](http://www.edweek.org/ew/articles/2005/12/14/15brief-3.h25.html?tkn=PVTFexN2JLen7%2F%2Br23swgydDM2SILVMqiuZ1)

⁶ All the statistics and graphics listed in this paper (figure 1-6) are alluded from Pew Hispanic Center.

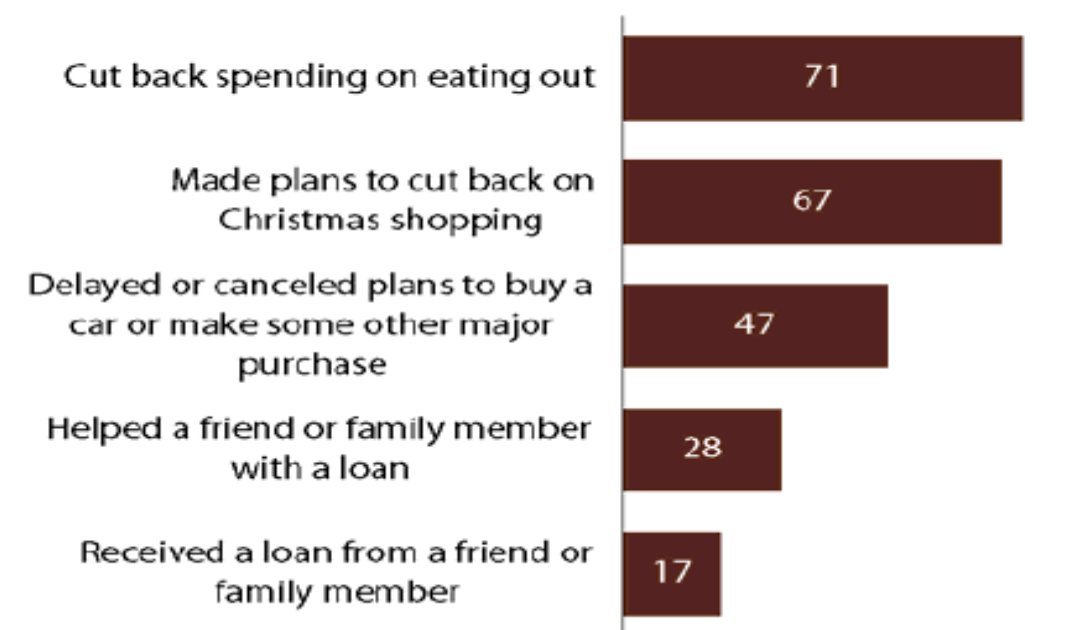
The worry of Latinos is not ill-grounded. Historically speaking, during the Great Depression of the 1930s, immigrants from Mexico came to an abrupt halt and many Mexican Americans were evicted. Due to the employment pressure and racial discrimination, factories tended to recruit non-Mexicans. The agricultural depression in the 1930 made many agricultural workers in American Southwest out of job, and most of them returned to Mexico.⁷ Today's financial crisis is reminiscent of that example. Thus, living in fear is not uncommon among Latinos.

The second change is that Latinos now tend to have more lenient economic behaviors. See the figure below:

Figure 2

Hispanics' Changing Economic Behaviors

Question: Because of the economic downturn have you...? (%)

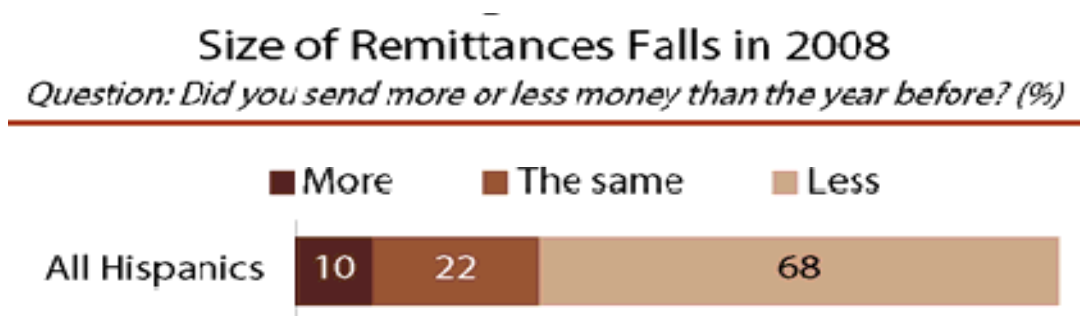


From the above, we can see, Latinos tend to cut back personal spending to cope with the financial crisis. More than seven-in-ten (71%) report that they have cut back spending on eating out. Two-thirds (67%) say they planned to curtail holiday spending. More than one-fourth (28%) report that they helped a family member or friend with a loan. Perhaps poor understanding of the financial crisis, combined with fear, renders Latinos' conservative economic behaviors.

⁷ 李峰：《美国的墨西哥移民》，载世界知识，2002年第7期，46-47

The third thing that matters for Latinos is remittance. Many Latinos have sent money to someone in their home country. These capitals have been a very important source of money for those who receive the money. In 2008, more than one-third (36%) of Latino adults say they have sent money to someone in their home country. The share of Latinos who say they sent remittances abroad is unchanged compared to 2006, based on results from the Pew Hispanic Center 2006 National Survey of Latinos. In 2006, 35% of Latinos said they had sent remittances in the prior year. Though the percentage of Latinos who have sent remittances in 2008 has relatively remained unchanged as compared with that of 2006, the amount of money sent abroad has fallen. See the form below:

Figure 3



We can see that among Latinos who sent remittances sometime over the last two years, 68% say they sent less money in the past year compared to the year before. The reason for the reduction of remittance cannot be more evident: 83% cite financial circumstances as the primary reason. More specifically, 43% Latinos say they have less work or less income; 22% Latinos say their economic situation is worsening, which renders less remittance; 15% Latinos say they find there be less money available for them to spend; while 10% of them say the cost of living is rising.

The statistics from World Bank is another proof. According its reports, remittances to Mexico and Central America increased rapidly from 2000 to 2006. However, growth has tapered off for most countries in the past two years.

Mexican Americans hold the largest majority of the Latino population. Thus, Mexico becomes the largest recipient of remittances in Latin America and the Caribbean, received nearly \$24 billion in 2006, up from less than \$7 billion in 2000. Growth came to a halt in 2007, when Mexico received virtually the same volume of transfers as in 2006. Current trends suggest that remittance receipts in Mexico in 2008 may struggle to match the level of receipts from 2006 and 2007.

Above all, the major impact of global financial crisis on Latino adults is composed of the following three parts: more worries, more lenient economic behaviors and less remittance abroad.

IV. Financial Crisis and Latinos Seniors

As to the seniors among Latinos, they are at the juncture of a historical moment: the “Baby Boomers” who were born around 1945 are entering senior ages and becoming retired; the global financial crisis has emerged and shows no sign of demise. This group of Latinos may have entered the workforce in the mid 1960s at a time of racial segregation in schools and communities, little access to college for people of color, and employment opportunities with no pension or retirement savings benefits, or even Social Security for African-American and Latino workers. Despite having witnessed much progress, people of color face great barriers to economic opportunities which shaped their life trajectories and continue to shape their current economic realities. Past discriminations and current economic realities have long-term economic implications for them as they are entering retirement today in a more unstable position than their white counterparts.

It should be noted that seniors have traditionally been among the most economically vulnerable populations in society. U.S commitment to changing this reality in the 20th century through the establishment of broad based social insurance programs such as Social Security and Medicare dramatically improved conditions for seniors. Nevertheless, Social Security in its initial design was not equally available to all types of workers. Large proportions of African Americans and Latinos were kept out of the system in its early years due to their occupational type.

Historical inequities in opportunities for work and education were par for the course when today’s older people of color were entering and rising up in the workforce. Our nation has worked hard to remedy the inequities, but it has not cured them. Even today, people of color remain less likely to receive pension benefits from their employers and, many people of color, particularly Latinos, are overrepresented in occupations in which worker misclassification limits participation in Social Security.

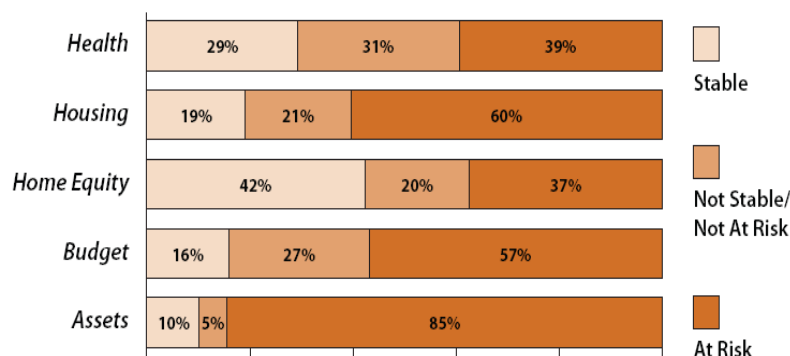
The financial security of seniors is composed of the following factors, see Figure 4:

Figure 4

Factor	Standard for Senior Financial Stability	Risk to Senior Financial Stability
<i>Housing</i>	Housing consumes 20 percent or LESS of income	Housing consumes 30 percent or MORE of income
<i>Health</i>	Medical expenses, including supplemental health insurance, LESS THAN 10 percent of total before tax income	Medical expenses, including supplemental health insurance, 15 percent or MORE of total before tax income
<i>Budget</i>	\$10,000 or MORE after annual essential expenses	Risk when budget at zero or negative after essential expenses
<i>Home Equity</i>	Home equity of \$75,000 or above	Renter/no home equity
<i>Assets</i>	Net financial assets plus Social Security/pension income MINUS median expenses over life expectancy GREATER or EQUAL to \$50,000 for single seniors, \$75,000 for senior couples.	Net financial assets plus Social Security/pension income MINUS median expenses over life expectancy EQUAL to zero or less.

According to such standards, the Institute on Assets and Social Policy at Brandeis University finds that nine out of 10 senior households of color do not have sufficient economic security to sustain them through their lives. According to the SFSI, 56 percent of Latino seniors are at risk and financially vulnerable. Only 9 percent of African-American seniors and 9 percent of Latino seniors meet the criteria for long-range economic security—less than half the level of seniors overall (22 percent). The following graphic shows the security situation for Latino seniors.

Figure 5



These compelling statistics reflect the realities of many seniors and demonstrate the roots of economic security and fragility. A fundamental mismatch between income and costs of essential and other day-to-day expenses. Put simply, many seniors have too little income and assets and face costs that are too high and rising.

V. Financial Crisis and Latino Migrants

Globally speaking, there is no question that the current global financial crisis is impacting migration patterns and processes around the world. A reduction in migration flows globally has been reported; in particular, declines in irregular migration flows have been observed in some regions.⁸ The World Bank has reported a slowdown in the rate of increase of remittances on a global level, although with important regional variations.⁹ There are regular reports from around the world of migrant workers being laid off, including Indians in Dubai, Mexicans in the USA, Filipinos in Taiwan Province of China, as well as internal rural-urban migrants in China. While some migrant workers are apparently returning home (e.g. Polish workers from the UK and Ireland), others are staying, in many cases in an irregular manner (e.g. Tajiks in Russia). Sporadic incidents of violence against migrants have also been reported, possibly indicating increasing hostility towards migrants among majority populations.

Historically speaking, The Great Depression of 1929 rapidly accelerated the decline in international labor migration that began in 1930. Besides recruiting fewer foreign workers, the U.S also repatriated large numbers of Latinos during the Great Depression. According to the federal census, there were approximately 1.5 million Latinos in the continental US at the time of the Great Depression in 1930, the majority of whom were Mexicans and Mexican-Americans. Between 1929 and 1937, some 450,000 persons of Mexican origin repatriated from the US to Mexico, comprising almost half the Mexican-origin population in the US at the time. Tens of thousands of Puerto Ricans also returned from the mainland to the island between 1930 and 1934.¹⁰ These movements were triggered by a shortage of work, but exacerbated by rising xenophobia.

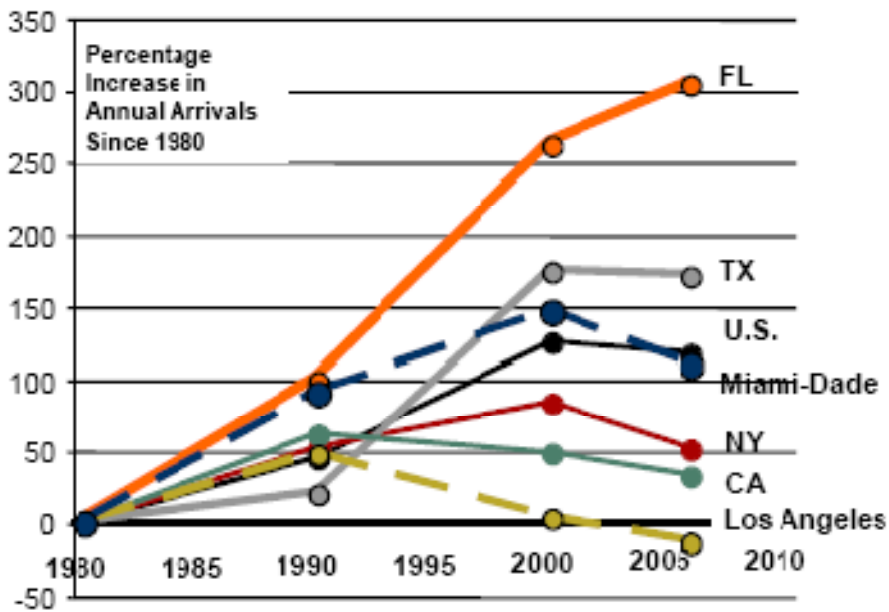
Latinos immigrants are experiencing dispersal recently; the following graphics shows the decline of immigrants in the Latino-intensive states:

⁸ Castles, S, *Migration and the global financial crisis: A virtual symposium*, <http://www.age-of-migration.com/uk/financialcrisis/updates/1a.pdf>.

⁹ Abella, M.. *The effect of the global economic crisis on Asian migrant workers and government responses*, ILO Technical Note, ILO, Bangkok.

¹⁰ Tirres, A.B. (2004) *Impact of the Great Depression on Latino Americans*, Macmillan, New York.

Figure 6



Besides, nowadays, though evicted by the U.S government many Latino illegal immigrants are unwilling to leave the United States. Mexican illegal immigrants are a case in point. Up to now, Of the 45.5 million Latinos in the U.S, 64% are of Mexican origin (40% of which are first generation Mexican immigrants), though only 44% of Mexican Americans are homeowner and one-fifth of them are naturalized citizens. Most of Mexican immigrants are illegal ones.¹¹ There is evidence that irregular Mexican immigrants in the U.S. are not leaving despite the scarcity of employment opportunities because of the difficulties and risks connected with re-entry. This would render the Border States more insecure than ever, due to the concentration of Mexican immigrants in the U.S-Mexican border.

VI. Financial Crisis and the Latinos “American Dream”

In essence this crisis raises fundamental questions concerning the future viability of the U.S. as a middle class economy in the 21st Century, one with the ability of creating, expanding and transmitting wealth not only between generations but in the context of a rapidly changing ethno-racial demographic transformation. The secret of America’s 20th century success was the ability to turn the Great Depression into a recovery opportunity by establishing mechanisms to enable working families to begin owning homes and building assets over time, creating the wealth needed for their families to prosper and become the next generation that could acquire and build on the assets of previous generations. These mechanisms created the wealth needed for their families to prosper and be able to acquire and build on the assets of previous generations. The problem is that this process worked very well for the majority White population, and not so well for the *non-white* populations which have faced systematic exclusion from these wealth building advantages, but are now rapidly becoming the new demographic majorities. While the historic progress in closing the gap in

¹¹U.S Census: *Demographic profile of Mexican Americans in the United States*, (2010/09/12).<http://www.cnn.com/2009/WORLD/americas/07/22/mexico.immigrants/index.html>

housing inequality from 1995 to 2005 was extremely important for continued housing market turnover and long term wealth transfers between sellers and buyers of housing, the introduction and growth of subprime loans their subsequent collapse has severely eroded this progress. The most ominous threat to the future recovery from the current crisis is the concentrated impacts of subprime foreclosure on the Latino communities which is now occurring just as these “minority” populations are emerging as the next generation of home buyers replacing an aging (and much whiter) homeowner population. Thus, it is not sensational to say that Latinos’ American dream is in crisis.

VII. Conclusion

Though the “storm” of global financial crisis has swept every walk of life, it is important to understand, nevertheless, how the current historical era can also be seen as an *opportunity* to leverage this high degree of ethno-racial and generational inequality to help meet the needs of aging baby boomer net home-sellers with the needs of emerging ethno-racially diverse younger net home-buyers. There exists not only an opportunity for an inter-generational win-win, but also an opportunity to finance and rebuild a housing infrastructure for the future common good which is both more sustainable and equitable.

