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Conspicuous Consumption among Hispanics: Evidence from the Consumer Expenditure Survey

Abstract

Ethnic disparities in consumption patterns (clothing, jewelry, cars, etc.) have been a focus of social research for decades, yet little attention has been paid to conspicuous consumption and the relative importance of ethnicity and social class as its determinants. In an attempt to fill in this gap and to deconstruct the monolithic category of Hispanic consumers, the present study used nationally-representative data from the U.S. Consumer Expenditure Survey (CE) to investigate the expenditure patterns of Hispanic consumer households, with a special focus on conspicuous consumption. On the theoretical plane, this study evaluated two alternative explanations of the propensity to consume conspicuous items among ethnic minority households – conspicuous consumption and compensatory consumption theories. The findings demonstrated that, as compared to other Hispanic groups, Cuban Americans tended to spend less on conspicuous items. With the exception of Cuban Americans, Hispanics residing in more affluent neighbourhoods were prone to allocate greater shares of their expenditure to conspicuous goods. We also found a positive association between sociolinguistic assimilation into Anglo culture and conspicuous consumption of Hispanic households.

Keywords: conspicuous consumption; compensatory consumption; Hispanics; reference group; assimilation; neighbourhood SES.

Introduction

It has long been observed that people tend to acquire some goods not for their intrinsic value, but to manipulate their social status, thus demonstrating a type of behaviour which Veblen (1994[1899]) labelled “conspicuous consumption.” According to Veblen (1994[1899]), in modern capitalist societies conspicuous consumption becomes widespread as a behaviour observed not only among the wealthy but also among people of lesser means. Nevertheless, it has also been noted that some groups sociologically are more noticeable for the propensity to conspicuous consumption (Chung & Fischer, 2001; Moav & Neeman, 2012; Rao, 2001; Woodruffe-Burton & Elliott, 2005; Zukin & Maguire, 2004). Particularly, racial and ethnic minorities in the United States were found to allocate greater shares of their expenditure on conspicuous items than non-Hispanic whites (Charles et al., 2009; Chin, 2001; Pellerin & Stearns, 2001).

The desire of the minorities for tangible status symbols has been interpreted by theory of compensatory consumption as an attempt to compensate for blocked social mobility (Grønmo, 1988; Pellerin & Stearns, 2001; Woodruffe-Burton & Elliott, 2005). This theory argues higher conspicuous spending results from the desire to compensate for status that cannot be achieved from occupational prestige and income (Grønmo, 1988). In this sense, conspicuous spending is deceptive. Alternatively, conspicuous spending can be understood as an expression of socioeconomic position (Veblen, 1994[1899]). If income, as a proxy of economic achievements, is not observable to the public, conspicuous spending can be used to infer the socioeconomic position. Conspicuous spending would, thus, be a means of expressing one’s socioeconomic position and therefore not be deceptive in nature.

Informed by these theoretical perspectives as well as by research on immigrant assimilation, the present study estimates the share of conspicuous items in the total expenditure of Hispanic consumers as a function of ethnic origin, socio-economic background, sociolinguistic assimilation and socio-economic status (SES) of the reference group, proxied by neighbourhood SES. The primary goals of this project are: (1) to find out whether there is a difference in the household budget allocation to status conveying goods among major Hispanic ethnic groups (Mexican American, Puerto Ricans and Cuban American) and (2) to investigate the roles of assimilation and SES of the reference group in explaining disparities in consumption patterns among Hispanic households belonging to different ethnic groups. Our analyses will consist of a set of multilevel, hierarchical regression models, whereby SES of the reference group (neighbourhood-level factor), ethnic origin dummies (Mexican American, Puerto Ricans and Cuban American), socioeconomic background and linguistic assimilation are regressed on two dependent variables based on two definitions, wide and narrow, of conspicuous consumption. The study sample is derived from a large nationwide survey of American households – the Consumer Expenditure (CE) survey. The geocoded sample from the CE was merged with tract-level data from the 2000 United States Census to allow for multilevel analyses to be carried out.

Conspicuous and Compensatory Consumption

Conspicuous consumption and related behaviour have been observed in a number of industrialized as well as pre-industrial societies around the world (e.g., Moav & Neeman, 2009; Rao, 2001; Sivanthan & Pettit, 2010). Yet, according to Veblen (1994), only in modern capitalist societies conspicuous consumption becomes a cultural

universal. Veblen's observation about the rise of consumer society in the U.S. fits well with the Weber's (1946[1922], 1978[1925]) thesis that the life chances of individuals in capitalism are determined by the market. According to the neo-Weberian interpretation of social class offered by Ritzer (2009), in times of Weber and Veblen social status was defined by how much people saved. Today, in times when capitalism reached an unprecedented transnational scale, which has created an extreme polarization of wealth, social status is defined primarily in terms of the ability to consume (Ritzer 2009).

It has to be mentioned that Weberian approach to social stratification is multidimensional: Weber (1946[1922]) insisted that one's social status ("honour") is complementary but not identical to their class ("market") position, suggesting that a certain degree of mismatch between social status and class position is feasible. Hence, drawing from Weber, we know that there is some degree of "status inconsistency" across different measures of socioeconomic status (SES), and drawing from Veblen, we infer that individuals can acquire status through status consistent behaviours.

Such implications are pertinent to this investigation, given its focus on Hispanics. The majority of Hispanics in the U.S. are first- and second-generation immigrants (The U.S. Census Bureau, 2011), and, as literature suggests, recent Spanish-speaking immigrants confront significant language barriers not encountered by their co-ethnic native counterparts (Alba & Nee, 2009; Portes & Rumbaut, 2006). What is more important is that, Hispanics, as immigrants, tend to experience status inconsistency (underreward), meaning that their relatively high educational attainment does not correspond with the occupations they occupy or the income they earn (Portes &

Rumbaut, 2006). In order to achieve status equilibrium, underrewarded persons normally make self-sacrifices and an extra effort to gain a better economic position. However, if this strategy fails and they feel being discriminated and marginalized, the underrewarded may turn to conspicuous consumption to regain self-esteem.

Given the established racial hierarchy in the U.S., with whites at the top and blacks at the bottom, the well-to-do minorities, theoretically, can experience even greater urge to engage in visible consumption than non-Hispanic whites of equal means because of the need to distance themselves from the less successful co-racial peers. This is the premise on which the contemporary theory of compensatory consumption is built on. More generally, the theory posits that, due to a lack of conventional means for enhancing social status, underprivileged groups shift measures of social status from traditional indicators such as occupational prestige to consumption indicators of status conveying goods (Chinoy, 1952; Grønmo, 1988). The term “compensatory consumption” was coined by Caplovitz (1963) as a specific type of conspicuous consumption characterized by an individuals’ desire to compensate for the lack of success in life. Caplovitz (1963) observed that low-SES households tend to purchase new, rather than used, as well as expensive rather than low cost durable goods. In place of actual movement up the social ladder, they turn to symbols of status in a pattern of compensatory consumption. Although Caplovitz focused primarily on poor whites, later studies showed that racial and ethnic minorities in the United States have stronger tendency to indulge in compensatory consumption in comparison to whites with similar traits (e.g., Charles et al., 2009; Pellerin & Stearns, 2001).

Generally, literature on compensatory consumption has focused on vulnerable populations, subjects to deprivation of various forms and envisaged compensatory consumption as a response to their underprivileged position or repression (Grønmo, 1988). Although empirical evidence for compensatory consumption has been provided by a number of authors, the existing literature does not go beyond the argument that ethnic differences in conspicuous consumption do exist and they are not reducible to the SES disparities between ethnic groups. At the same time, hardly any attention has been paid to the contextual factors, such as SES of the reference group, that shape these differences.

Household Consumption, Reference Group and Neighbourhood Context

According to theory of compensatory consumption, individuals strive to have at least as much as their reference group in order to satisfy the desire for social recognition (Bauman, 2007; Bell, 2008[1976]; Zukin & Maguire, 2004). Moreover, individuals often purchase products thought to be used by their reference group (O’Cass & McEwen, 2004; Ogden, Ogden & Schau, 2004; Woodruffe-Burton & Elliott, 2005). The reference group also serves as an audience to which individuals entertain to display their wealth (Rao, 2001; Saad, 2006; Sivathan & Pettit, 2010; Woodruffe-Burton & Elliott, 2005). Therefore, the level of an individual’s conspicuous consumption is expected to depend on the socioeconomic position of their reference group.

Because the choice of the reference group is linked to an individual’s sense of identity, which is context dependent (Akerlof & Kranton, 2000), a key challenge to the study of consumer behaviour is to identify an individual’s reference group. A number of recent studies (e.g., Charles et al., 2009; Kaus, 2013; Rucker et al., 2012) have used the term to refer to the group of people characterized by socioeconomic and/or ethnic

background similar to that of the respondent and residing within the same geographical area as the respondent. In the present study we define the reference group as households residing in the same neighbourhood. Neighbourhoods normally consist of households who likely have similar incomes and group identities. Moreover, there is substantial evidence that geographically close neighbours constitute a prime reference group for many kinds of social behaviour (Cynamon & Fazzari, 2008). Selection into a neighbourhood is often based on socio-demographic factors that also correlate with a household's consumer behaviour (Sampson & Sharkey, 2008).

Studies show that more affluent neighbourhoods are more stratified with respect to SES of its residents (Lee & Marlay, 2007; Spivak & Monnat, 2013). Therefore, it is reasonable to expect that the share of conspicuous items in the overall household expenditure will be higher among households residing in a more affluent (and, consequently, a more socio-economically diverse), rather than a low-SES neighbourhood. Although the propensity of a minority household to consume conspicuously is likely to be associated with neighbourhood SES, this relationship varies depending on the context. For example, an ethnic minority household living in a low-SES neighbourhood may be prone to consume conspicuously in order to differentiate themselves from other neighbours. But the same household that has moved in a high-SES neighbourhood may be also prone to consume conspicuously in order to compensate for their ethnic background. In the former case the consumption behaviour of this household can be framed by the theory of conspicuous consumption (Veblen, 1994[1899]), whereas in the latter case compensatory consumption theory (Grønmo, 1988) is a better fit.

Hispanic Ethnic Groups in the U.S.: Diversity of Contexts and Migration Histories

The Hispanic population in the United States is not the homogenous group it is widely regarded to be, and there are notable differences in the rate of economic mobility among various Hispanic groups. The image of lower-status minority group that has been laid down on Hispanics as a whole (for more discussion see Portes & Rumbaut, 2006) may be deceptive – some Hispanic groups were more successful in securing an upward path of social mobility and some were not. Cuban Americans, for example, have accumulated wealth that matches or even surpasses that of non-Hispanic whites (Kochhar et al., 2011; Portes & Rumbaut, 2006). According to our calculations using 2012 American Community Survey (The U.S. Census Bureau, 2013), the annual income of Cuban Americans is approximately 14% higher than for Mexican Americans and 26% higher than for Puerto Ricans. Moreover, more than one quarter of Cuban Americans had a bachelor's degree or better versus 6% of Mexican Americans and 10% of Puerto Ricans. Generally, among the Hispanic immigrant groups, mainland Puerto Ricans have fared the worst economically, a fact manifested by high levels of unemployment, female-headed families, and poverty (Portes & Rumbaut, 2006; South et al., 2005). While Mexicans, the oldest and largest Spanish-speaking minority, occupy an intermediate economic position (which is still significantly lower than that of non-Hispanic whites), Cubans are usually placed at the top of the ladder (Portes & Rumbaut, 2006).

While there is a diversity of opinion on the origin of the socio-economic disparities among Spanish-speaking groups, researchers concur that each Hispanic immigrant group has a unique migration history, a history which determined, in turn, its adaptation to American society (Deshpande et al., 1986; South et al., 2005). According to

the cultural ecological model (Ogbu, 1978, 1981), ethnic origin is a proxy for the socio-historical mode of incorporation, which distinguishes between involuntary and voluntary minorities. These categories reflect two migration patterns: voluntary entry into the United States (e.g., immigrants) and involuntary entry (e.g., slaves, residents of the U.S. territories). For example, Mexican Americans are classified by Ogbu (1978) as involuntary minorities in view of the fact that most of the land originally populated by Mexicans was incorporated through conquest and annexation. However, later waves of immigration from Mexico were driven by the same opportunities sought by many voluntary minorities. Fordham and Ogbu (1986) explained this ambiguity by the fact that Mexican immigrants predominately came from the lower socio-economic strata of Mexican society. Put differently, due to the fact that Mexico's income distribution is more unequal than in the United States, Mexican immigrants were negatively selected at the origin and, as such, were "pushed" rather than "pulled" to leave their homeland. A similar explanation has been proffered concerning the status of Puerto Ricans as involuntary minorities (Fordham & Ogbu, 1986). In sharp contrast to the Mexican and Puerto Rican experience, Cubans were welcomed to the U.S. as political refugees after the Cuban revolution, and eligible for federal loans and other forms of public support that helped foster an economically strong ethnic community (Eckstein, 2010). It is also worth mentioning that the first waves of Cuban immigration were characterized by high pre-immigrant educational and occupational levels (Portes & Rumbaut, 2006).

Theoretical models like the cultural ecological model (Ogbu, 1978, 1981; Diamond & Huguley, 2014) that emphasize the context of reception in the host country and the selection process at the origin, while being successful in explaining a relatively

high socio-economic standing of Cubans vis-à-vis other Hispanic immigrant groups, fail to predict the socio-economic disparities between Mexican Americans and Puerto Ricans. A more nuanced view has been offered by Tienda (1989) who identified several factors that contributed to the economic disadvantage of mainland Puerto Ricans. The factors identified by Tienda (1989) are the dominant pattern of settlement of Puerto Ricans in the continental U.S. and the labour market sector in which their jobs were concentrated. The overwhelming number of Puerto Rican immigrants to the United States came after the 1950s and settled in the Northeast where low-skill manufacturing jobs were available (Aguilera, 2005). The deindustrialization began in the Northeast in the early 1970s and led to the loss of thousands of manufacturing jobs. The exodus of manufacturing industries from the Northeast and Midwest created job growth in the South and West, the regions that had already had the largest share of the country's Mexican-origin population and continued to receive an influx of immigrants from Mexico. Thus, deindustrialization did not have the same ramifications for Mexicans as it did for Puerto Ricans (Aguilera, 2005; Tienda, 1989). As a result, Mexican Americans have not experienced declines in their overall socio-economic standing comparable to those of Puerto Ricans, even though their pre-migration levels of human capital have been similar (Portes & Rumbaut, 2006; Tienda, 1989).

Research Hypotheses

The current study aims to expand the knowledge base on compensatory consumption, to deconstruct the monolithic category of "Hispanic consumer," to reveal ethnic variations in conspicuous consumption patterns among Hispanics and to examine

the roles of assimilation and neighbourhood SES in explaining these variations. In this study the following hypotheses are tested.

Hypothesis 1: Different Hispanic ethnic groups, depending on their migration histories and context of reception, can show different propensities to conspicuous consumption. Particularly, we believe that, after controlling for socio-economic background and other predictors, those ethnic origin groups that experienced downward social mobility in the U.S. (i.e., Puerto Ricans) would be prone to spend money more frivolously on status goods than those groups (e.g., Cuban Americans) that managed to maintain or even improve their overall socio-economic standing.

Hypothesis 2: In line with conspicuous consumption theory (e.g., Veblen, 1994[1899]), we expect that conspicuous consumption will be positively related to income and educational attainment.

Hypothesis 3: Linguistic assimilation to the dominant (Anglo) culture has been documented as a contributing factor to the variations in Hispanic consumer behaviour (Portes & Rumbaut, 2006; Ogden et al., 2004). We expect that for the less linguistically assimilated individuals, conspicuous consumption should be more prominent since it is depicted in the literature as a compensation strategy for those facing a more problematic incorporation (Alba & Nee, 2009).

Given the arguments of social stratification theorists (e.g., Bell, 2008[1976], Hirsch, 1976; Lareau, 2003) and findings of earlier studies (Campbell & Kaufman, 2006; Ryabov, 2009; Ryabov & van Hook, 2007), we argue that the influences of SES extends well beyond the family realm, as it shapes spatial inequality patterns and contribute to the creation of segregated contexts, all of which affect consumption. In other words, SES is

not only individual-level factor that determines one's ability to fulfil his/her material needs, but also is a group-level factor. In this study we define the reference group in terms of spatial proximity – the neighbourhood. Therefore, SES of the reference group is proxied by neighbourhood SES.

Our inquiry concerning the neighbourhood effect can be represented by two research hypotheses. The first argument (*Hypothesis 4a*) derived from conspicuous consumption theory (Veblen, 1994[1899]) presupposes that Hispanic households would be more likely to engage in conspicuous consumption if they resided in low-SES, but not higher-SES neighbourhoods, because of the motivation to distance themselves from less successful neighbours. If this argument is correct, then neighbourhood SES will have a negative effect on household's level of conspicuous consumption. The other explanation for the neighbourhood effect to be evaluated is compensatory consumption theory (Grønmo, 1988). According to this theory, in order to compensate for their disadvantaged ethnic background, Hispanic households would be more prone to consume conspicuously in higher-SES, rather than in lower-SES neighbourhoods. Hence, if correct, we would expect to find a positive relationship between the expenditure dedicated to conspicuous items and neighbourhood SES (*Hypothesis 4b*). Further, we also expect our full models to reveal significant ethnic origin differences regarding the precise ways in which neighbourhood SES affect conspicuous consumption.

Methods

Data and Sample

The study sample is drawn from the U.S. Consumer Expenditure Survey (CE) which is known among researchers for its detailed coverage of households' expenditure.

The CE provides detailed and extensive data on consumption expenditure, income, socioeconomic, and demographic characteristics of a large rotating sample of American households. Details of the survey methodology are available elsewhere (The U.S. Bureau of Labour Statistics, 2012). We chose the latest 10 years (2002–2012) as the data range because the 10-year period provides sufficient amount of data to make statistically significant inferences about the Hispanic expenditures.

Study Variables

To find an appropriate analytical framework for the dependent variable – conspicuous consumption – is not an easy task. The problem lies in the fact that it is extremely difficult to define which goods are bought for status signalling purposes only and which are not (Bagwell & Bernheim, 1996; Eastman et al., 1999; Kaus, 2013). Given this caveat, we decided to use two scales of conspicuous consumption derived from the studies of Charles et al. (2009) and Heffetz (2011). Both Heffetz (2011) and Charles et al. (2009) conducted a survey asking their respondents to identify spending categories that would fit into the ‘conspicuous consumption’ construct. On the basis of the comparison of the two studies, the narrow scale based on Charles et al. (2009) included the following items: expenditures on apparel (including accessories such as jewellery), personal care, and vehicles (excluding maintenance) and the wide scale based on Heffetz (2011) included, in addition to the aforementioned items, expenditures on alcohol, tobacco products, furniture and major household appliances.

Income is a subject to significant non-response and underreporting in the CE survey (Charles et al., 2009; Fernandez-Villaverde & Krueger, 2007). The problem of underreporting is specifically severe for after-tax income, which includes all labour assets

and income transfers. After-tax income is missing for 29% of the sample, while the corresponding number for pre-tax income is 21%. Because pre-tax income is a more reliable measure of income than after-tax income, we chose to use the former in the present paper. However, even with this measure, we still faced a problem of missing data. Missing values for income were imputed by the Markov Chain Monte-Carlo technique (for more information on Monte-Carlo imputation see Rubin, 2009). This imputation technique yielded successive simulations of the distribution of missing values, assuming that the data are missing at random.

Hispanic ethnic origin is measured by three dummies – Mexican Americans, Puerto Ricans, Cuban Americans and other Hispanic. Unfortunately, the CE survey does not provide country of origin for the last category. Therefore, “other Hispanic” includes immigrant groups too small to be counted individually. Included in our analyses is another variable that captures systematic differences between purely Hispanic households and mixed Hispanic/non-Hispanic households. Although our sample comprised all households with at least one adult member being Hispanic, we differentiated households where both the respondent and his/her spouse/partner were Hispanic (reference), from those where the respondent or his/her spouse/partner were non-Hispanic. Further, language of the interview was used to monitor the level of sociolinguistic assimilation. The other individual-level characteristics used as independent variables included educational attainment, categorized as elementary school, high school (reference), attending some college, and a college degree; number of vehicles owned by household; household size; and the number of earners.

In order to create neighbourhood SES index, we first identified 10 theoretically relevant measures at the census-tract level (derived from the U.S. 2000 Census) and conducted an exploratory factor analysis. Five variables loaded highly on the factor we interpreted as an indicator of SES. These variables were: 1) the percentage of adults 25 year old with less than a high school education; 2) male unemployment rate; 3) the percentage of households receiving public assistance; 4) the percentage of single-parent households among households with children; and 5) median household income. All these neighbourhood indicators are highly intercorrelated as evidenced by the correlation matrix presented in the Appendix (Table A.1). Because of high internal reliability index (Cronbach's alpha = 0.84) and unidimensionality (according to the exploratory factor analysis), these variables were included in the neighbourhood SES index. Next, we transformed these measures so that higher values corresponded to higher neighbourhood SES. Finally, these measures were standardized and summed to create a neighbourhood SES scale with a mean of 0 and an SD of 1.

Analytic Strategy

For the analyses we chose the Hierarchical Linear Models (HLM) statistical package since it incorporates such factors more efficiently than ordinary least squares regression. HLM also takes into account the error structures present at each level (see Raudenbush & Bryk, 2002) for more information on HLM). HLM estimates two equations estimated simultaneously: a level-1 (individual-level) model and a level-2 (neighbourhood-level) model. If i is denoted as the i th household (level-1) and j as the j th neighbourhood (level-2), the individual-level (level-1) model can be presented as follows:

$$Y = \beta_{0j} + \beta_{1j}X_{1ij} + \beta_{2j}X_{2ij} + \dots + \beta_{nj}X_{nij} + \rho_{ij},$$

Where the dependent variable Y is the natural logarithm of the i th household's expenditure (following the usual log regression form due to the skewed nature of the distribution of household expenditure), $\beta_{(0-n)j}$ are regression coefficients of individual-level factors $X_{(0-n)ij}$ and ρ_{ij} is normal error with mean 0 and variance σ^2 . The generalized formula of the neighbourhood-level (level-2) intercept is:

$$\beta_{0j} = \gamma_0 + \gamma_1Y_{1j} + \gamma_2Y_{2j} + \dots + \gamma_nY_{nj} + \omega_{0j}$$

where $\gamma_{(0-1)}$ are regression coefficients of neighbourhood-level factors $Y_{(0-n)j}$ and ω_j is the neighbourhood-level error. Assuming no correlation between individual- and neighbourhood-level predictors, the regression coefficients $\beta_{(0-n)j}$ of individual-level factors are modelled as:

$$\beta_{1j} = \gamma_1 + \omega_{1j}, \beta_{2j} = \gamma_2 + \omega_{2j} \text{ and, in more general form: } \beta_{nj} = \gamma_n + \omega_{nj}.$$

The spatial clustering of expenditure at the neighbourhood level led us to investigate the possibility that spatial dependency was operating in the data. A Moran's I test for spatial correlation in the residuals (Anselin 1988) was significant ($p > 0.05$). Therefore, we decided to complement our analyses with spatial models that regress neighbourhood-level measures on log expenditure on conspicuous items (for details about special lag models see Anselin, 1988). Spatial regression models are estimated through an autoregressive process known as a spatial lag model. In its general form the special lag model can be presented as:

$$Y = \rho W_{ij} Y + \sum_s X_{0s} \beta_{0s} + \varepsilon_{0s},$$

where ρ is the spatial autoregressive parameter, W_{ij} is a weights matrix that expresses a form of spatial association, among each pair of neighbourhoods i and j , $\sum_s X_{0s}\beta_{0s}$ is a matrix of explanatory variables with an associated vector of regression coefficients, and ϵ_{0s} is a vector of normally distributed, random error terms. The spatial autoregressive parameter ρ can be interpreted as the effect of a one-unit change in $W_{ij}Y$ on Y . The results of the special analyses are presented in Appendix (see table A.2)

Results

Descriptive Findings

Table 1 shows descriptive statistics for all the variables used in the analyses. A worth noting feature is the disparity between two measures of conspicuous consumption derived from its wide and narrow definitions. The disparity is more than \$400, or approximately one quarter of conspicuous consumption widely defined. This disparity will be addressed further in Table 2 which shows conspicuous consumption by expenditure category and ethnic origin. In terms of ethnic composition, the sample is predominantly (64% of the sample) Mexican American. Other Hispanic is the second largest ethnic group (21%). The third largest group, Puerto Ricans, account for approximately 9% of all Hispanic households sampled by the CE. The smallest ethnic group is Cuban Americans (6%). Ethnically mixed households (defined as having at least one adult Hispanic member) constituted approximately 10% of the entire sample. The value of 45,333 dollars for family income shown in Table 1 reflects the current income adjusted for inflation (in 2012 U.S. dollars). We used the Consumer Price Index available in the CE data to inflate income, as well as expenditures, to 2012 dollars.

[Table 1 about here]

We provide conspicuous consumption by category separately for each Hispanic ethnic origin group and non-Hispanic whites in Table 2. The univariate analyses show that, in general, the lowest spending on conspicuous items was by Cuban Americans. The additional analyses based on independent sample t-tests (not shown) revealed that, except for vehicle expenses, the expenditures of Cuban Americans and non-Hispanic whites on conspicuous items did not differ. The share of conspicuous consumption in the overall spending of Puerto Ricans was significantly (t tests not shown for parsimony) higher than that of Cuban Americans and non-Hispanic whites. Puerto Ricans spent more than other Hispanic groups on all categories of conspicuous consumption, except cars. The highest share of vehicle expenses was observed among the other two ethnic origin groups – Mexican Americans and other Hispanics. We also found significant differences (two-sample t-tests; $p < 0.05$) in spending on each and all conspicuous items (items 1-5 in Table 2) between Mexican Americans and non-Hispanic whites.

[Table 2 about here]

Multivariate results

Our empirical strategy was to estimate hierarchical log-expenditure regressions that include a number of explanatory socio-demographic characteristics. The dependent variables were the natural logarithms of the two definitions (wide and narrow) of conspicuous consumption (in 2012 U.S. dollars) – these measures were transformed due to the skewed nature of the distribution of household expenditure. Thus, we estimated series of 2-level hierarchical linear models per each dependent variable to adjust for the clustering of observations at the tract level. All analyses were weighted by using weights that account for the hierarchical sampling design and for survey non-response, and

$p=0.05$ was chosen as the criterion for statistical significance in all analyses. Multivariate results are presented in Tables 3 and 4. Table 3 predicts conspicuous consumption narrowly defined as a function of ethnic origin, SES, household size and structure, sociolinguistic assimilation and SES of the reference group. Table 4 presents the analyses similar to those shown in Table 3, with the dependent variables being conspicuous consumption widely defined.

[Table 3 about here]

Consider Table 3 first. Model 1 of this table explores the hypothesized (see *Hypothesis 1*) relationship between conspicuous consumption (narrowly defined) and ethnic origin in the absence of any controls. The results are overly consistent with our expectations and our descriptive analyses presented in Table 2. Recall that, according to our descriptive analyses (see Table 2), Cuban American households tended to spend less on conspicuous goods as a whole than other Hispanic ethnic groups. Model 1 shows that, indeed, Cuban American households are expected to spend less ($p<0.05$) on conspicuous items, such as clothing and jewellery, personal care and cars, than Mexican Americans (reference). This effects is also significant in the full model (model 5) of Table 3. Although the regression coefficients of the rest of Hispanic ethnic origin groups were not significant, the effect for ethnically mixed households was. Ethnically mixed households (those containing Hispanic as well as non-Hispanic adult members) were predicted to spend less on conspicuous items than “pure” Hispanic households. All in all, the ethnic effects are consistent with our predictions (see *Hypothesis 1*).

Measures monitoring household SES, size and structure are entered in model 2 of Table 3. Consistent with our expectations, the relationship between household income

and conspicuous consumption is positive and robust. Note that, although the subsequent models (models 3, 4 and 5) of Table 3 were significantly expanded by adding more controls, the effect of income remained strong and positive. Further, we did not observe any differences in spending on conspicuous items between high-school graduates and respondents without high school diploma. However, Hispanic consumers with the highest level of educational attainment (college graduates) were significantly ($p < 0.01$) less likely to engage in conspicuous consumption than high school graduates (reference). This effect will remained significant in the rest of Table 3 models. Although the number of vehicles owned was also found to be strongly and positively associated with spending on visible items in model 2, this effect was not significant in the full model of Table 3. The regression coefficients for variables that monitor household size and structure were significant. These effects can be interpreted as follows. Firstly, the more income earners per household, the more likely this household would spend on conspicuous goods. Secondly, smaller households are more likely to engage in conspicuous consumption than larger households. It is also worth noting that, controlling for household SES, size and structure, some of the ethnic effects change. Particularly, Puerto Ricans appear to allocate more of their expenditure to conspicuous goods than Mexican Americans (reference). Overall, the findings presented in Table 3 lend partial support to our Hypothesis 2. At the outset, we hypothesized a positive relationship between SES and log spending on conspicuous items. Although our the effect for educational attainment was inconsistent with our expectations, income was found to have a positive effect on conspicuous consumption, which is in line with Hypothesis 2.

Model 3 adds a single predictor – language of the interview, a proxy for the level of sociolinguistic assimilation. Its effect is significant ($p < 0.01$) and negative, thus indicating a statistically significant difference in conspicuous consumption narrowly defined between those Hispanic respondents who completed their interviews in English and those who completed them in Spanish. The effects can be interpreted as follows: the more linguistically assimilated Hispanics are, the more likely they are to allocate greater shares of their budget to conspicuous consumption. Hence, assimilation into American mainstream is one of the ‘risk factors’ for conspicuous consumption among Hispanics. This finding is not consistent with our *Hypothesis 3* which predicted that less linguistically assimilated households are more prone to consume conspicuously.

The addition of neighbourhood SES index, a proxy for SES of the reference group, in model 4 (Table 3) eliminates the effect for Puerto Ricans. Thus, controlling for neighbourhood SES helps explain one of the ethnic disparities in conspicuous consumption among Hispanic households. The coefficient of neighbourhood SES is positive and significant at $p < 0.01$ which means Hispanic consumers residing in well-off neighbourhoods have stronger tendency to indulge in compensatory consumption in comparison to those who live in less affluent neighbourhoods.

The final model includes the interaction terms between neighbourhood SES and three ethnic dummies for Cuban Americans, Puerto Ricans and other Hispanics. Two interaction terms are significant ($p < 0.1$), albeit in the opposite directions. Living in a more affluent neighbourhood is associated with higher levels of conspicuous consumption for Puerto Ricans, but with lower levels of conspicuous consumption for Cubans. Observe also that the main effect for neighbourhood SES is significant ($p < 0.05$)

and positive, meaning that neighbourhood SES has a positive effect on conspicuous spending of all Hispanics, but primarily of Mexican Americans, the largest Hispanic group and our reference category. This effect is reversed in the case of Cubans, but amplified in the case of Puerto Ricans. Thus, in all likelihood, the majority of Hispanics spend more on conspicuous items when living in a higher-SES neighbourhood as a means to compensate for their relatively low socio-economic standing vis-à-vis non-Hispanic white majority. However, Cuban Americans, an immigrant group characterized by a relatively high socio-economic standing among Hispanics, seem to allocate lesser shares of their household budget to conspicuous items when residing in a more affluent neighbourhood. These findings are tentatively consistent with our expectations (see *Hypotheses 4a* and *4b*).

[Table 4 about here]

Table 4 repeats the analyses presented in Table 3, with the difference that the dependent variable is conspicuous consumption widely defined. Comparison of Tables 3 and 4 reveals a certain degree of similarity between the parallel regression models estimating two varieties of conspicuous consumption. Given this caveat, we will highlight a few differences. While the effect for ethnically mixed households is significant in all Table 3 models, it is significant only in the baseline model of Table 4. Furthermore, after accounting for all potentially important factors, the number of earners is a significant predictor of conspicuous consumption narrowly defined (see the full model of Table 3) but not widely defined (see the parallel model of Table 4). Arguably, the most noticeable discrepancy is the absence of the main effect of neighbourhood SES in the full model of Table 4. However, the same meso-level interaction terms are

significant in both Tables 3 and 4. Therefore, no matter whether the narrow or wide scales of conspicuous consumption are used as outcomes, Cubans are less likely and Puerto Ricans are more likely to engage in conspicuous consumption in a higher-SES neighbourhoods. This finding lends significant support to our Hypotheses 4a and 4b. At the same time another finding is worth noting. The coefficient for Cubans is negative and significant in the full models of both Table 3 and 4, thus suggesting that, if compared with other Hispanic groups, Cubans tend to spend less on conspicuous items, *ceteris paribus*.

Conclusion

The main objectives of the present study were to estimate inter-ethnic disparities in conspicuous consumption among Hispanic households and to examine the effects of sociolinguistic assimilation and neighbourhood SES in explaining these disparities. Two definitions of conspicuous consumption derived from studies by Charles et al. (2009) and Heffetz (2011) were used as the dependent variables. These outcomes were estimated as functions of ethnic origin (Mexican American, Puerto Rican, Cuban American, and other Hispanic), socio-economic background, household size and composition, sociolinguistic assimilation and neighbourhood SES. The most recent data from the U.S. Consumer Expenditure Survey (CE) merged at the census-track level with the data from the U.S. Census allowed to estimate these functions using multilevel, hierarchical modelling.

Drawing from theories of conspicuous consumption and compensatory consumption, assimilation studies and consumer research, we advanced and tested a number of hypotheses. Specifically, we hypothesized that those Hispanic immigrant groups who experienced upward social mobility (e.g., Cuban Americans) were less likely

to spend on conspicuous goods than those ethnic origin groups who experienced downward social mobility (e.g., Puerto Ricans). Our results confirm that, after controlling for all individual- and neighbourhood-level covariates, Cuban Americans tend to spend less on conspicuous items than Mexican Americans, the largest Hispanic groups and the reference category in our analyses. Further, drawing from classical conspicuous consumption theory (Veblen, 1994[1899]), we expected to find a positive association between household SES and the propensity to consume conspicuously. However, our findings were mixed. Although household income was indeed positively related to spending on conspicuous items, the propensity to consume conspicuously was found to be lower among Hispanic respondents with tertiary education. Another important finding is that sociolinguistic assimilation into Anglo culture is strongly associated with the tendency of Hispanic consumers to allocate greater shares of their budget to conspicuous consumption. The possibility that conspicuous consumption may be increasing among Hispanics as a result of assimilation should be further investigated by future research.

Arguably and even more importantly, the effect of the reference group SES proxied by neighbourhood SES turned out to be a significant determinant of conspicuous consumption. Not only does the place of residence matter, but also the spatial concentration of affluence. We found that, some inter-ethnic differences notwithstanding (see below), Hispanic consumers in well-off neighbourhoods are more likely to spend on conspicuous items than their co-ethnics from less affluent neighbourhoods. Nevertheless, the aforementioned effect was significant only when the narrow definition of conspicuous consumption was used as the dependent variable. In addition, having accepted that the neighbourhood SES effect varies across ethnic groups, we investigated the possibility that

less successful migrant groups (e.g., Puerto Ricans) would be more prone to use conspicuous consumption as a compensation strategy for the lack of social mobility in higher-SES neighborhoods. In doing so, we evaluated the interaction terms between neighborhood SES (level-2 factor) and ethnic origin dummies (level-1 factors). The analyses revealed that, indeed, compared to Mexicans (reference), Puerto Ricans tended to spend more on conspicuous goods and services when living in higher-SES, rather than in low-SES, neighborhoods. The opposite effect was observed among Cuban Americans for whom the propensity to consume conspicuously declined in higher-SES neighborhoods. The particular case of Cubans who are the most successful Hispanic immigrant group deserves special attention not only because they tend to spend less on conspicuous goods than Mexicans (and the rest of Hispanics, t-tests are not shown for the sake of parsimony), but also that their conspicuous consumption is lower in higher-status neighborhoods. Among the two alternative explanations of the neighborhood SES effect – conspicuous consumption theory (Veblen, 1994[1899]) and compensatory consumption theory (Grønmo, 1988) – the former theory is better suited to explain the conspicuous consumption pattern of Cubans, while the latter theory is a better fit to the observed pattern of conspicuous consumption among Puerto Ricans (and, to a lesser extent, the rest of Hispanics).

These findings have several implications. First, the neighbourhood effect needs to be considered when estimating propensity to consume conspicuous items. This factor explains some ethnic disparities in conspicuous consumption among Hispanics. Second, we have shown that, among most Hispanics (with the aforementioned exception of Cubans), conspicuous consumption is more common to people and areas which are

relatively well-off. Consequently, giving cash transfers/cash benefits to middle- and upper-class Hispanics might not lead to spending on education and health but also on conspicuous consumption. It will increase social waste because it will make these social strata of Hispanic consumers to spend more on conspicuous consumption. Instead, we argue not only in favour of redistributing resources from the rich to the poor, but also in favour of policies that curb spatial concentration of wealth. One further remark is worth making. The scope of the present study is limited to Hispanics only and to what extent our findings and policy implications stemming from them are applicable to other minority groups should be determined by future research.

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Table 1. Descriptive Statistics of the Sample (N=6,294).

	Weighted Mean
<i>DEPENDENT VARIABLE:</i>	
Quarterly Expenditure on Conspicuous Items	
Narrow Definition	\$1,441
Wide Definition	\$1,894
<i>INDEPENDENT VARIABLES</i>	
<i>Ethnic Origin</i>	
Mexican American	64.1%
Puerto Rican	9.2%
Cuban American	5.6%
Other Hispanic	21.1%
Ethnically Mixed Household	10.1%
<i>Socioeconomic Status (SES)</i>	
Family Income	\$45,233
Some College	24.4%
College Graduate	13.3%
High School	41.9%
Elementary School	20.4%
Number of Vehicles	1.64
<i>Household Size and Structure</i>	
Number of Earners	1.61
Number of Persons	3.31
<i>Sociolinguistic Assimilation</i>	
Spanish Language of the Interview	22.2%
<i>Neighbourhood-Level Factors</i>	
Neighbourhood SES (Index):	0.00
Adults 25 Year Old with Less than High School Education	13.1%
Unemployment Rate (Males)	3.7%
Households Receiving Public Assistance	3.3%
Single-Parent Households among Households with Children	9.3%
Median Household Income (2000 U.S. Dollars)	\$40,419

Table 2. Conspicuous Expenditure by Category and by Ethnic Origin in 2002-2012
(Percentage).

	Mexican (N=4,034)	Puerto Rican (N=579)	Cuban (N=352)	Other Hispanic (N=1,328)	All Hispanics (N=6,294)	Non- Hispanic Whites (N=50,047)
<i>Conspicuous Items:</i>						
1 Clothing and Jewellery	5.2	5.8	3.7	4.7	5.1	3.8
2 Personal Care ¹	1.3	1.4	1.2	1.4	1.3	1.2
3 Vehicle	7.8	5.7	6.8	7.1	7.5	6.3
4 Alcohol and tobacco	1.3	1.4	1.2	1.2	1.3	1.3
5 Furniture and durable household equipment	3.2	3.6	2.9	3.1	3.2	2.8
<i>Narrowly Defined (Items 1-3)</i>	14.3	12.9	11.7	13.2	13.9	11.3
<i>Widely Defined (Items 1-5)</i>	18.8	17.9	15.8	17.5	18.4	15.4

Note: ¹Personal care items include toilet articles and preparations, barbershops, beauty parlours, and health clubs.

Table 3. Hierarchical Regression Coefficients (Bayesian Estimates) of Ethnic Origin and Other Independent Variables in Models Predicting Conspicuous Consumption (Narrowly Defined) of Hispanic Households in 2002-2012 (N=6,294).

	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Ethnic Origin</i>					
Puerto Rican ¹	-0.14	0.24***	0.21*	0.13	0.09
Cuban American ¹	-0.26***	-0.29***	-0.16	-0.12	-0.21*
Other Hispanic ¹	-0.14	-0.11	0.07	0.00	-0.04
Ethnically Mixed Household	-0.25***	-0.20*	-0.10	-0.13	0.19*
<i>Socioeconomic Status</i>					
Household Income		0.39***	0.35***	0.31***	0.21*
Some College ²		-0.05	0.01	0.09	-0.03
College Graduate ²		-0.23***	-0.19*	-0.20**	-0.23**
Elementary School ²		0.10	0.04	0.06	0.04
Number of Vehicles		0.26***	0.20*	0.16	0.15
<i>Household Size and Structure</i>					
Number of Earners		0.48***	0.34***	0.26***	0.20*
Number of Persons		-0.28***	-0.26***	-0.25***	-0.23**
<i>Sociolinguistic Assimilation</i>					
Language of the Interview ⁴			-0.36***	-0.33***	-0.30***
<i>SES of the Reference Group</i>					
Neighbourhood SES				0.74***	0.56**
<i>Interactions of:</i>					
Puerto Rican ¹ Neighbourhood SES					0.31*
Cuban American ¹ Neighbourhood SES					-0.33*
Other Hispanic ¹ Neighbourhood SES					-0.09
Percent Variance Explained at the Neighbourhood Level	N/A	N/A	N/A	84.3	91.6
Pseudo R ²	0.221	0.258	0.270	0.345	0.393

Notes: Reference Categories: ¹- Mexican American; ²- High School; ³-2012; ⁴-Spanish.

* $p < 0.1$. ** $p < 0.05$. *** $p < 0.01$.

Table 4. Hierarchical Regression Coefficients (Bayesian Estimates) of Ethnic Origin and Other Independent Variables in Models Predicting Conspicuous Consumption (Widely Defined) of Hispanic Households in 2002-2012 (N=6,294).

	Model 1	Model 2	Model 3	Model 4	Model 5
<i>Ethnic Origin</i>					
Puerto Rican ¹	-0.09	0.25***	0.27***	0.16	0.10
Cuban American ¹	-0.23**	-0.21*	-0.16	-0.09	-0.23**
Other Hispanic ¹	-0.20*	-0.12	-0.14	-0.11	-0.09
Ethnically Mixed Household	-0.26***	-0.13	-0.11	-0.11	0.15
<i>Socioeconomic Status</i>					
Household Income		0.33***	0.36***	0.29***	0.22**
Some College ²		-0.07	0.02	-0.05	-0.07
College Graduate ²		-0.26***	-0.22***	-0.21**	-0.20*
Elementary School ²		0.16	0.10	0.05	0.07
Number of Vehicles		0.12	0.07	0.09	0.13
<i>Household Size and Structure</i>					
Number of Earners		0.30***	0.26***	0.20*	0.17
Number of Persons		-0.36***	-0.28***	-0.26***	-0.23*
<i>Sociolinguistic Assimilation</i>					
Language of the Interview ⁴			-0.40***	-0.32***	-0.26***
<i>SES of the Reference Group</i>					
Neighbourhood SES				0.56***	0.21
<i>Interactions of:</i>					
Puerto Rican ¹ Neighbourhood SES					0.28*
Cuban American ¹ Neighbourhood SES					-0.34*
Other Hispanic ¹ Neighbourhood SES					-0.11
Percent Variance Explained at the Neighbourhood Level					
	N/A	N/A	N/A	82.7	89.0
Pseudo R ²	0.217	0.256	0.267	0.329	0.377

Notes: Reference Categories: ¹- Mexican American; ²- High School; ³-2012; ⁴-Spanish.

* $p < 0.1$. ** $p < 0.05$. *** $p < 0.01$.

Appendix

Table A1. Correlations among Neighbourhood-Level Indicators (Census Tracts N=722).

Neighbourhood-Level Variables	1	2	3	4	5
1 Adults 25 Year Old with Less than High School Education					
2 Unemployment Rate (Males)	0.80				
3 Households Receiving Public Assistance	0.78	0.77			
4 Single-Parent Households among Households with Children	0.80	0.82	0.79		
5 Median Household Income (2000 U.S. Dollars)	0.84	0.84	0.82	0.79	

Table A2. Coefficients from Spatial Lag Regression Models Predicting Conspicuous Consumption of Hispanic Households in 2002-2012 (Census Tracts N=722).

Neighbourhood-Level Variables	Conspicuous Consumption	
	Narrowly Defined	Widely Defined
Adults 25 Year Old with Less than High School Education	0.83**	0.75*
Unemployment Rate (Males)	0.79*	0.67*
Households Receiving Public Assistance	1.45***	1.38***
Single-Parent Households among Households with Children	0.98**	0.70*
Median Household Income (2000 U.S. Dollars)	1.61***	1.87***
Spatial Proximity	0.94**	1.10***
Percent Variance Explained at the Neighbourhood Level	90.9	87.4

Note; All models are estimated via maximum likelihood process.

* $p < 0.1$. ** $p < 0.05$. *** $p < 0.0$.