The health and growth of the U.S. economy increasingly relies on the health and growth of the economic fortunes of the country's Latino population. Latinos are now the second fastest-growing ethnic group (after Asians) and the largest “minority” group in the United States. Latinos are likely to continue to grow in importance given immigration patterns (though these are increasingly unpredictable), the young average age of the Latino population, and the relatively high birth rate among Latinos. Historically, Latinos’ role in the economy was heavily concentrated in certain areas such as southern Florida and southern California, but Latinos have become a sizable demographic group throughout most of the country.

So, simply due to its size and growth, the Latino population is a substantial part of our overall economy and is important to businesses, policy makers, and the entire country given the interconnections of the economy. It is worth noting that if American Latinos were their own separate country, they would be the seventh-largest economy in the world with a gross domestic product roughly equal to the 1.3 billion people in India (Schink and Hayes-Bautista 2017).

While Latinos are an important part of the U.S. economy, the group on balance is in a precarious position. At the entrepreneurship level, Latinos own businesses at a lower rate than the rest of the population. But the economic challenges to the Latino community go well beyond entrepreneurship, given that the average Latino household has less than one-fifth the wealth of a typical American household and earns about 46 cents on
the dollar relative to the broader population (Dettling et al. 2017). These differences reflect underlying differences in education and other factors: as the labor market value of skill and education has increased in recent decades, the Latino population has had difficulty holding onto its relative standing in the U.S. economy.

The Stanford Latino Entrepreneurship Initiative (SLEI) and the contributors to this book are interested in understanding how entrepreneurship can play a role in developing the economic fortunes of American Latinos. In SLEI’s 2017 State of Latino Entrepreneurship (SOLE) report, we published figures and statistics that highlight the current challenges of Latinos while also showing some signs of hope that Latino entrepreneurship is growing and is poised for future growth that will contribute to the economic development of Latinos.

Figure P.1, which is taken from the 2017 SOLE report, gives a graphical representation of some of the basic facts and shows causes for both concern and optimism. The top line on the graph reinforces the growth of the Latino population, which has more than doubled as a share of Americans in the last three decades. However, note that Latinos are significantly underrepresented as business owners. The share of businesses that are owned by Latinos is much lower than Latinos’ share of the population, and the share of larger firms (“employer” firms, meaning firms that have employees beyond the owner) is about a third of the share of Latinos in the population. In other words, an important contributing factor to the

![Figure P.1 Latino population and businesses in the U.S. (Source: Calculations from the SBO and U.S. Census.)](image-url)
difference in household wealth between Latino and non-Latino households appears to be that Latinos are much less likely to hold an ownership stake in a business.

The graph also suggests a hopeful side, as trends may be moving more in Latinos’ favor. Latinos are clearly growing as a share of the population but are growing even faster as a share of business owners. So, the gap between the Latino population share and the share of businesses owned by Latinos appears to be closing in recent years. As the 2017 SOLE report details, the growth rate of Latino larger firms (those that employ workers beyond the founder) from 2007 to 2015 was robust and much faster than the growth rate for non-Latino firms with employees. In addition, the 2017 SOLE report provides optimistic statistics regarding success of Latino millennial entrepreneurs in starting businesses that are scaling successfully. Overall, as discussed in the SOLE report and in the chapter in this volume by SLEI researchers Marlene Orozco and Iliana Perez, there are as many as 5 million Latino-owned businesses in the United States. Thus, in terms of sheer numbers these businesses are a large economic force. While Latino business ownership and entrepreneurship lags the population as a whole, there is reason to think that the gap is closing.

So, why do Latinos lag in entrepreneurship and business ownership? And how do we help the Latino community continue to close the gap and become a more significant share of the ownership of businesses? This book provides some insight into those questions by looking at Latino entrepreneurship from many perspectives.

At a nationwide societal level, the differences we see between Latino and non-Latino ownership and assets reflect the fundamental differences in opportunity that exist for children (and adults, for that matter) based on where they are born and the circumstances in which they grow up. A lot of great work being done by social scientists shows that inequality has grown dramatically in the United States in recent decades and that socioeconomic upward mobility has slowed. Much of this is reinforced by differences in opportunity early in life. Addressing those concerns is beyond the scope of this book, as it requires a broad effort to ensure that Latino children, whether immigrant or native-born, have the tools they need to compete in the economy of the future.

But what can we do in the shorter term and more specifically focus on the entrepreneurship world? The SOLE report and the research in this
volume show that there is a lack of preparedness for Latino entrepreneurs compared to other entrepreneurs. A substantial number of existing and potential Latino entrepreneurs are not properly equipped to open and grow businesses. They do not have proper business plans, procedures in place, and financial statements that are required to access capital, work with agencies such as the Small Business Administration, and grow a business. Latino entrepreneurs need to build and expand their networks to find more support and figure out how to better exploit the fact that they are, according to our SOLE report, more international than other businesses.

This book presents an excellent and detailed set of studies of both the big and the focused pictures of Latino entrepreneurship. The approaches taken by the authors are highly varied. As the Latino population is itself extremely heterogeneous, with important differences in country of origin, migration history and settlement patterns, and local/regional political and economic conditions, the wide range of chapters in the volume captures some of this diversity. The message of all the chapters in this volume and other analyses of Latino entrepreneurs is that Latino businesses face gaps in terms of being underrepresented overall, small, relatively unsophisticated, and underfinanced. They also face the additional challenges that as income inequality has increased dramatically in recent decades, many Latinos have been left behind, and Latino entrepreneurs, like all entrepreneurs, face the fact that business creation levels have slowed.

But the work in this book and elsewhere also paints a positive path in the future because some trends are in the right direction. The startup rate for Latinos is higher than for other groups (so they are catching up), and the younger generation of Latino entrepreneurs is making progress in starting businesses that will scale.

I hope this book will spark additional interest in the topic of entrepreneurship in the Latino community. I am hopeful that the research in this book and the research it spawns will influence policy discussions as policy makers try to help Latino entrepreneurs—and entrepreneurs of all types—create wealth and value in our economy. The findings have the potential to inform economic policy, giving policy makers an arsenal of data with which to critically assess existing policies and develop more effective policies. The chapters in the book can also contribute to scholarship by providing findings to assist scholars in arbitrating between
competing theories about how and why specific conditions influence Latino entrepreneurship.

REFERENCES

