

Privatization and the Social Contract:

Corporate Welfare and Low-Income Housing in the United States since 1986

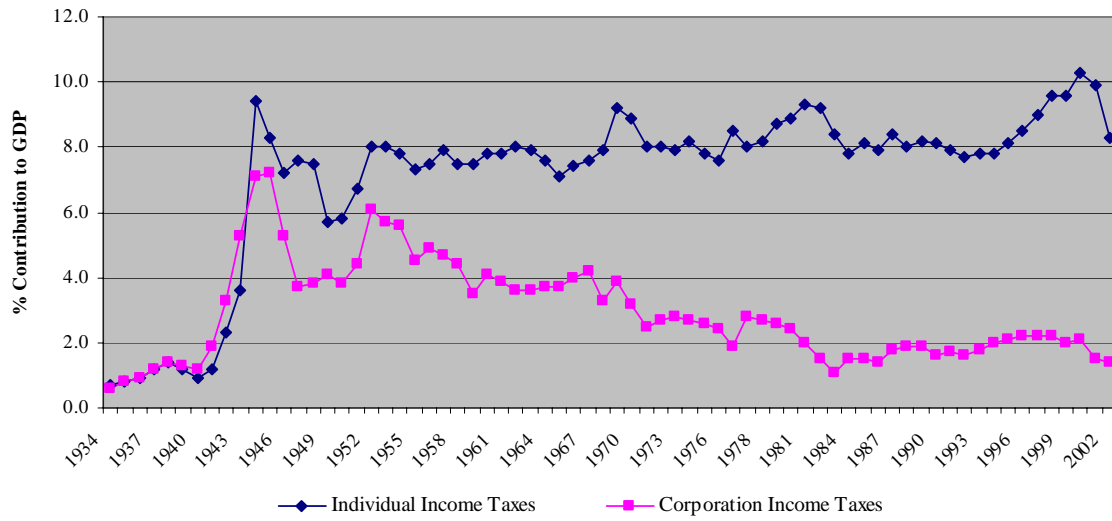
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ABSTRACT

This paper examines the process behind the emergence of the Low-Income Housing Tax Credit (LIHTC), a provision of the Tax Reform Act of 1986. While effectively channeling resources into inner city housing development, this policy shift created a windfall for corporations by allowing them a double tax break that individual citizens were explicitly denied. We place emphasis on the ways in which the political process is a murky world in which powerful lobbies can create hidden opportunities, and organizational actors can take advantage of these opportunities to forge new institutions and even, in some cases, new industries. A process of institutional selectivity then works to select systems that favor the powerful players and interest groups that are shaping legislation behind the scenes.

FIGURE 1: DECLINE IN CORPORATE TAXES AS PERCENTAGE OF GDP

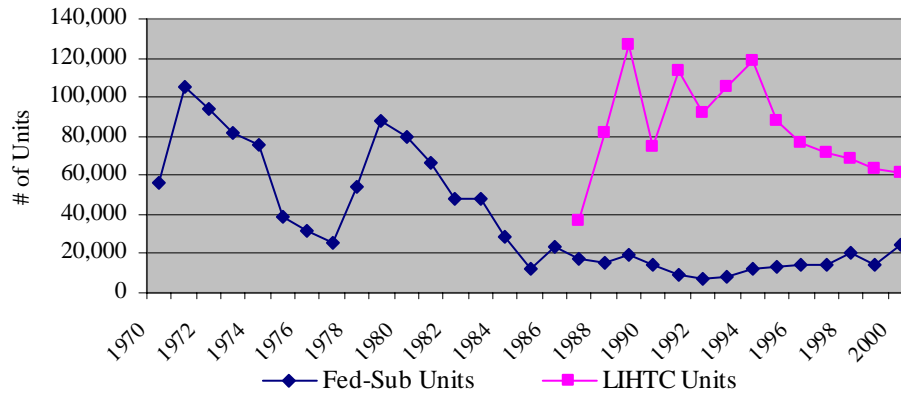
Receipts by Source as Percentages of GDP, 1934-2002



Source: US Government Printing Office

FIGURE 2: FUNDING OF LOW-INCOME HOUSING

Federally Subsidized and LIHTC Multi-Family Housing Units,
1970-2000



Source: US Census Bureau, Current Housing Reports

**FIGURE 3:
BUDGETARY ALLOCATION UNDER STANDARD WELFARE STATE REGIME**

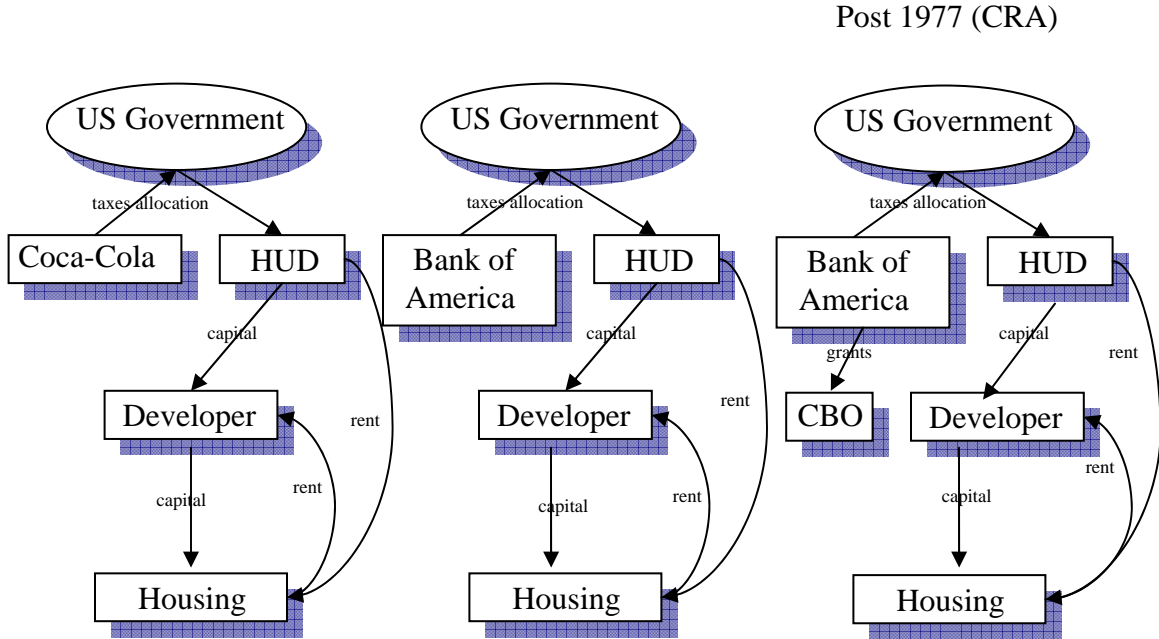


FIGURE 4: LIHTC REGIME

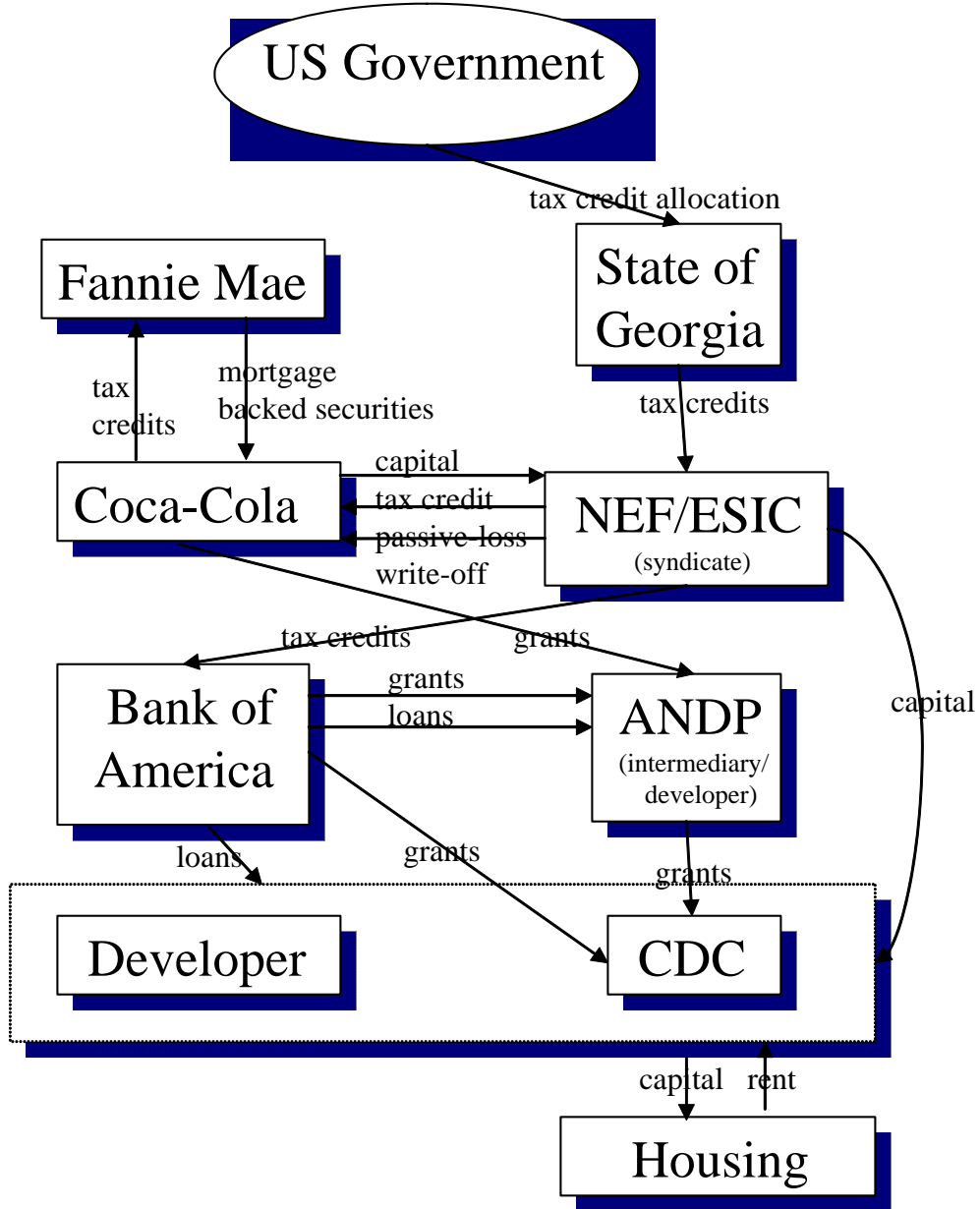
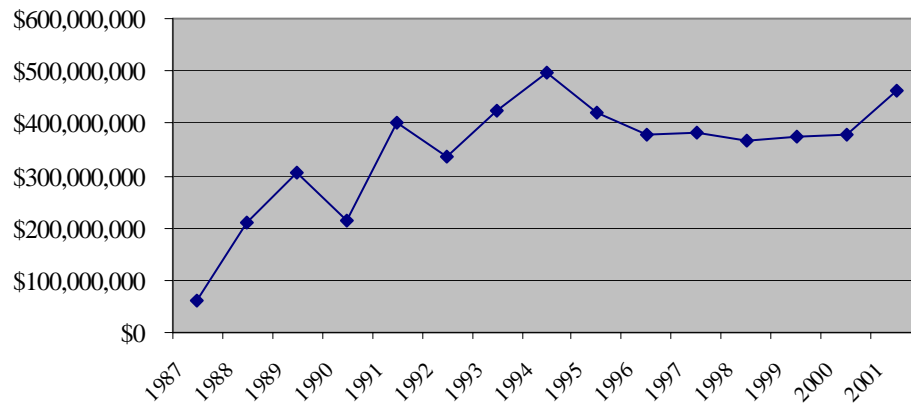


FIGURE 5: CORPORATE INVESTMENTS GENERATED FROM LIHTC

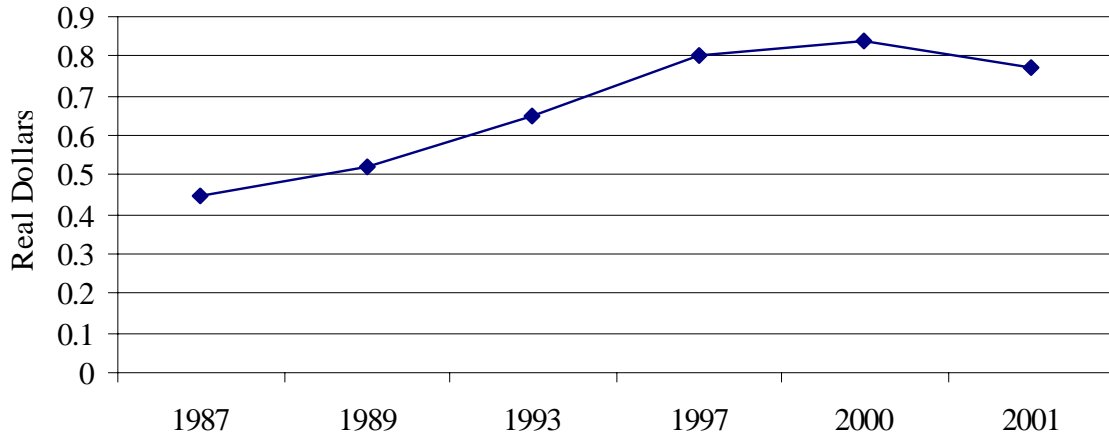
Value of Tax Credits Used Nationally (\$5.2 Billion YTD)



Source: Danter and U.S. Bureau of Census

FIGURE 6: SELLING TAX CREDITS AT A MARKET RATE

Purchase Price of Tax Credits Over the Life of LIHTC



Source: LIHTC Effectiveness and Efficiency Report