

Corporate Investment, Social Innovation, and Community Change:
The Local Political Economy of Low-Income Housing Development*

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ABSTRACT

While corporate philanthropy has been the focus of much research on corporate-community ties, the role of corporations in local communities has changed significantly in the last quarter century. Philanthropy remains an important part of the ways that corporations contribute to the communities in which they reside, however, a crucial—though often hidden—aspect of corporate-community relations today is defined by a provision in the tax code called the Low-Income Housing Tax Credit (LIHTC). The LIHTC is a significant vehicle of corporate welfare, as it allows corporations a double tax break that individual citizens were denied. In addition to its benefit to corporations, this institution facilitates the flow of resources into inner city housing development catalyzing a new institutional field, one that created dynamic partnerships among corporate, local government, and local nonprofit organizations. In the first part of this paper, we examine the institutional field that has emerged around the issue of corporate investment in this public good, illuminating the extent to which this field varies across localities. We then address the question of whether this field has created a shift in corporate philanthropic priorities in these localities. We show that the emergence of the LIHTC has shifted corporate priorities in significant ways, as corporations headquartered in states with higher corporate tax rates and higher LIHTC activity are significantly less oriented toward their local metropolitan areas in their philanthropic activity. Following neoinstitutional theory, we argue that corporations make decisions about philanthropic activity in accordance with the signals from the institutional environments in which they are embedded. In this case, corporations embedded in activist states see less of a need for corporate philanthropy in their local areas, because they read state activism as signaling from the government about the local state's commitment to the social contract. We illuminate these relationships through in-depth qualitative research in three case cities and data on a representative sample of 2,776 corporations.

“We take as innovative an approach in giving back to our communities as we do in our business.”

—Christina Shea, President,
*General Mills Foundation*¹

“At a time when federal housing funds are particularly limited, and our nation faces a continuing erosion of its low-income housing stock, it is important for corporations to step up and use the tools Congress has provided.”

—Senator John Heniz (R-PA),
*Speaking on the merits of the LIHTC*²

INTRODUCTION

Galaskiewicz’s (1979, 1985a, 1985b, 1989, 1991, 1997) pioneering research on the “urban grants economy” set a standard for research examining the ways that corporations invest in the local areas in which they are embedded. A number of scholars have examined corporate social investment and corporate philanthropic activity, but Galaskiewicz’s work stands out in this field, because of the way he systematically scrutinized the social forces driving corporate social investment in a US city that had become an important example of such activity. As the US welfare state has been whittled away over the last quarter century and local governments and local nonprofit organizations have looked increasingly to private sector solutions for fulfilling the social contract, this line of research has become all the more important.

Corporate-community relations have changed significantly in the years since Galaskiewicz began his research on Minneapolis-St. Paul. Today, philanthropy is only one part of the equation. While corporate giving has been on a constant upward trajectory over the last quarter century (in adjusted dollars)³, today additional forces beyond those that were in play in

¹ Quoted in *Businessweek*, “Special Report, Philanthropy 2003: The Corporate Donors,” December 1, 2003.

² Congressional Record, 1987. 100th Cong. 1st Sess., 133 Cong Rec S 14423, Vol. 133 No. 161.

³ Corporate and independent foundation giving hit an all-time high in 2001 and declined slightly in 2002 and 2003. However, the net difference for corporate and independent foundation giving over the last decade (in adjusted dollars) is 68 and 104 percent respectively (Renz and Lawrence 2004; see also Useem and Kutner 1986 for earlier discussion).

the 1980s have been added to those driving corporate support for local communities. In this paper, we examine one of the most significant aspects of corporate-community ties of the last quarter century, a set of issues and relationships in the area of corporate-community relations that are often hidden from the public view—the relationship between corporate resources and the development of low-income housing. In the mid-1980s, changes in the federal tax code created incentives for corporations to become the hidden investors in low-income housing, and, in some cities, this shift in tax incentives has also shaped corporate priorities with regard to philanthropic activity. The introduction of the Low-Income Housing Tax Credit (LIHTC) in The Tax Reform Act of 1986 created a new set of priorities for corporations in US cities, and in many of those cities it created an entirely new organizational field with a new institutional logic. With the introduction of this reform, corporations, local governments, and local nonprofit organizations suddenly had the mechanism in place that allowed them to successfully channel resources into the provision of low-income housing. In some cities, corporate commitments to low-income housing have become a key feature shaping the ways in which corporations are embedded in their local environments. Somewhat unexpectedly, the LIHTC catalyzed a reorganization of the way various organizations or institutions related to one another, most prominently, corporations, Community Development Corporations (CDCs), foundations, intermediaries, and local governments, reshaping the resources they had to draw upon in the re-building of their local communities.

In this paper, we draw on a national survey of 2,776 corporations regarding their philanthropic activities in the cities in which they are headquartered and in-depth qualitative research in three case cities to examine the emergence of this new institutional field. The qualitative data gathered in Atlanta, Cleveland, and Seattle allow us to identify key factors that

have shaped this system, showing how the fields have come together in the cases of Atlanta and Cleveland in contrast to the case of Seattle (where a similar field has not emerged). We argue that the LIHTC has significantly shaped corporate priorities with respect to philanthropic activity. We chart the emergence of this institutional field, showing the inter-organizational relationships and local political economies that define it and how they vary across localities. With use of the quantitative data, we address the question of whether this system has changed corporate commitments to local communities across the country. As it turns out, counter to what we expected, state corporate tax rates and state commitments to the LIHTC system both drive *down* corporate charitable commitments to their local areas. We argue that these effects both tie into the messages local governments send to organizational actors about the fulfillment of the social contract.

On a theoretical level, we have two related agendas in this paper. First, following the insights of neoinstitutional analysis, we show that the institutional environments in which corporations are embedded shape corporate philanthropic priorities. Second, we make a case for the importance of a fine-grained field level analysis to supplement studies on institutional structure and change. Organizational research has for decades been influenced by the notion of an organizational field, however, the concept has remained underdeveloped empirically. We show the specific ways that organizational actors in a given field become oriented around a common institutional logic, a key process in emergence of an organizational field. We also show the ways that local variation in the key players' relations to each other can bring about variation in these institutional logics.

THEORETICAL ISSUES

Our main theoretical interest here is in the importance of specifying the nature and impact of state and local level institutional environments. Many studies in neoinstitutional research in sociology have convincingly shown the ways in which shifting institutional environments can be linked to the transformation of the organizations that are embedded in those environments by analyzing time-period effects of federal legislation and state-level effects, however, some scholarship has argued that more work needs to be done in identifying the specific local-level institutions that shape organizational decision making (Arum 2003; Guthrie and Roth 1999a, 1999b). Our goal in this paper is similar, as we focus on the specific state and local level institutions that shape corporate philanthropy today.

Scholarship in neoinstitutional analysis has focused on the ways that institutions have shaped corporate action in realms as diverse as the economic decisions of vertical integration and diversification (Fligstein 1990), the implementation of intra-organizational fixtures such as affirmative action offices (Edelman 1990, 1992), the establishment of systems governing labor market processes inside the firm (Dobbin et al. 1993; Sutton et al. 1994; Dobbin and Sutton 1998), and the establishment of governance procedures in schools (Arum 2003). One of the difficulties with work in this area has been that, while changes in institutional environments are often driven by changes at the federal level, they are often filtered through local-level institutions that also play a hand in mediating how these institutional shifts are interpreted (Arum 2003; Guthrie and Roth 1999a, 1999b). Thus, while macro-level shifts in the institutional environment are important drivers of changing corporate practices, so too are the local-level systems in which corporations are embedded. The social construction of an organizational field (Powell 1999), one that is organized around a specific set of institutional logics, is a process that is built around local

organizational relationships and the local political economies in which these relationships are embedded.

Institutional analysis is not the only way to look at the social forces shaping organizational decision-making. Network analysis in economic sociology has focused on a variety of issues ranging from the ways that firms observe one another in setting prices (White 1981), to the ways that social relationships among firms condition economic transactions such as buying, lending, and the price setting of services (Uzzi 1996, 1999; Uzzi and Lancaster 2004), the social ties that define corporate governance (Davis and Greve 1997; Davis 1991), and where firms choose to be publicly traded (Rao et al. 2000). In recent years, there has been somewhat of a revolution in the methods of analyzing social embeddedness of firms, allowing scholars to examine the general properties of networks across a wide variety of environments and cases (Watts 1999a, 1999b; Watts and Strogatz 1998). A number of studies have followed suit in this area, examining the network properties of ownership links in German firms (Kogut and Walker 2001), network emergence in the making of Broadway plays (Uzzi et al. 2002), and linkages between biotechnology firms and universities (Powell et al. 1996; Powell and Owen-Smith 2002). Here again, we arrive at the tension between fine-grained analysis and generalizable phenomena. As Watts (2003) puts it: “Although in making such a drastic simplification, we inevitably miss features of the world we ultimately care about, we can tap into a wealth of knowledge and techniques that will enable us to address a set of very general questions about networks that we might never have been able to answer had we gotten bogged down in the messy details.” However, to the extent that these analyses allow us to see the common properties across time, place, and type of network, they also force us to gloss over the details that are central to the

structure of an organizational field. In some cases, the “messy details” may be central to understanding the institutional logic of a given organizational field.

In both of these lines of research, we lose the specificity of the institutions involved; we lose the complex nature of the institutional logics of a given field and the ways those logics shape different organizational outcomes. In this study, we examine the ways in which specific aspects of organizational fields in three different cities lead to similar types of behavior in two cities and very different behavior in a third. We begin by looking at these fields as interorganizational networks, defined by resource flows between corporations and philanthropic organizations on the one hand and local nonprofit organizations on the other. However, a closer examination of these cities revealed very specific issues that have shaped the institutional logic around which the field of giving is organized in each of these cities. In this paper, we aspire to detail the institutional underpinnings of the inter-organizational networks that define corporate philanthropy in these local areas.

Corporate Philanthropy

A number of scholars have looked at the issue of corporate philanthropy from a variety of perspectives.⁴ Some scholars have interpreted such practices in economic, profit-maximizing, or self-interested terms where corporate philanthropy is seen as an advertising tool. Corporations in certain sectors have incentives to institutionalize close ties with consumers, and they use philanthropy as a tool for that end (Burt 1983a, 1983b; see also Fry et al. 1982; Navarro 1988; Useem 1993). Other scholarship has set forth an institutional perspective on corporate

⁴ A number of studies have examined the issue of corporate philanthropy. Our focus here is on the questions Galaskiewicz raised in his study of the urban grants economy. As such, we do not delve into many other studies conducted in this area. However, for other important studies of corporate philanthropy, see, e.g., Schwartz 1966; Fremont-Smith 1972; Levy and Shatto 1978; Burt 1983b; Useem 1988, 1991, 1993; Useem and Kutner 1986; Bennett and Johnson 1980; Burlingame and Kaufman 1995; Haley 1991; Bockelman 2000.

philanthropy, examining the ways that institutional environments shape corporate giving (e.g., Galaskiewicz and Burt 1991; Galaskiewicz and Wasserman 1989).

Galaskiewicz's (1979, 1985a, 1985b, 1989, 1991, 1997) work has been among the most systematic at examining the issue of local giving of corporations. Focusing on the Twin Cities of city of Minneapolis-St. Paul, Galaskiewicz and his collaborators systematically examined the social forces behind corporate philanthropic giving in the Twin Cities. Based on a 1981-82 survey of the population of publicly owned corporations headquartered in Minneapolis-St. Paul, Galaskiewicz identifies the corporate factors most closely associated with corporate giving. Focusing on network and reputational effects for corporations as well as the business elites that run these institutions, Galaskiewicz (1985a) identifies a number of different categories of giving, which include giving-as-public-relations strategy, giving-as-social-currency, and giving-as-enlightened-self-interest. Galaskiewicz conceives of the urban grants economy as a network of collective action, where, for a variety of reasons, normative pressure from within the community shapes corporate pressure to give. A follow-up survey was conducted in 1989 to give temporal dimension to the study (Galaskiewicz 1997).

The strength of Galaskiewicz's in-depth work on the Twin Cities has also been its main limitation: by concentrating on one metropolitan area, Galaskiewicz and his collaborators have, over the years, set forth a very deep understanding of the sociology of the urban grants economy in that site; however, the focus on one place does not allow for a comparative framework, which would allow us to look deeper into the question of how variation in the institutional environment shapes the decisions organizations make in the area of corporate giving. Galaskiewicz's study has drawn upon the insights of institutional analysis, mostly tracking the ways that individuals and organizations within an organizational field influence one another in strategy and behavior

(e.g., Galaskiewicz 1985a, 1991; Galaskiewicz and Wasserman 1989; Galaskiewicz and Burt 1991). However, with a single research site, the work on corporate philanthropy has not drawn on one of the principal insights of new institutional analysis in organizational sociology—that variation in the institutional environment plays a key role in shaping what organizations in local environments do. As Galaskiewicz (1985a, p. 207) points out in the conclusion of his book on the topic: “without comparative data we cannot say why company giving in other cities did not match the Twin Cities.”

In the study we describe here, we attempt to extend upon Galaskiewicz’s work by showing the ways that local environments vary and the ways that this variation creates an institutional logic that is organized around specific issues. We also extend upon Galaskiewicz’s work as we illuminate a key change in corporate-community relations, which came about in the mid-1980s and has heretofore been unexplored in the literature on corporate-community relations. In the sections of the paper that follow, we first describe the study from which this paper emerged; we describe two types of data collection—qualitative and quantitative. Second, using the qualitative data we gathered for this study, we describe the case of corporate philanthropy and the institutional logic of a specific case of corporate-community relations across these three cities. Third, from these case-based analyses we derive hypotheses, which we then test with the quantitative data from the study.

DATA

For the last three years, we have been engaged in a national study that examines the issues of corporate social investment. Substantively, our study most closely follows Galaskiewicz’s (1985a) research on the urban grants economy in Minneapolis-St. Paul, though there are

important differences in our research design. Galaskiewicz’s study is an in-depth examination of one metropolitan area, bringing together qualitative research—in the form of in-depth interviews—and quantitative data on samples of corporations, corporate elites, and nonprofit organizations. Like Galaskiewicz, we sought to bring together a systematic assessment of corporate activity in the local metropolitan areas in which they are headquartered with an in-depth understanding of the nonprofit community to which the corporations were donating resources. The strength of our approach is that our study is comparative. By focusing on a single metropolitan area, Galaskiewicz’s Twin Cities study was unable to draw on one of the principal insights of new institutional analysis in organizational sociology—that variation in the institutional environment plays a key role in shaping what organizations in local environments do. Without comparative data across localities, the Twin Cities study was unable to assess the impact of institutional variation. We designed our study to deal with this issue directly. The survey for this study (described in greater detail below) is a national survey of 2,776 corporations with oversamples in three cities, Seattle, Cleveland, and Atlanta, where we then conducted qualitative research to gain an in-depth understanding of the intersection of corporate-nonprofit-local government relationships in the three cities.⁵ In addition to in-depth data gathered on the economic, political, demographic and philanthropic aspects of each of these cities, we also conducted 150 in-depth interviews in the three case cities. Thus, with a national sample of corporations and detailed information on three oversampled cities, we are able to add a comparative dimension to the questions that Galaskiewicz began examining more than 20 years ago. However, the breadth of our study has also come with a cost: where Galaskiewicz’s study is exceptional because of the systematic depth and the multiple lenses through which he

⁵ These metropolitan areas are similar in size—ranging between 2.5 and 4.5 million. More importantly, they have similarly-sized business communities and nonprofit communities. For specific numbers, see city comparative data in the Appendix.

examines the problem, our study, on the other hand, was not as systematic in our sampling or examination of the nonprofit organizational field, and we did no systematic work in the examination of the corporate elite, as was the case in Galaskiewicz's study.

The goal of our in-depth interviews (approximately 50 in each city) was to gain a deeper understanding of the corporate-community ties in our three case cities. The interviews were conducted with individuals working in community development corporations, the local government, intermediaries, corporations and banks headquartered in the three cities that were the focus of this research. Interviews were semi-structured, organized around the issues of public-private partnerships, the roles of corporations and nonprofit organizations in the local metropolitan area, and the primary issues around which these relationships congealed. All interviews were recorded and transcribed. These interviews were crucial, because they illuminated key issues that are often hidden below the surface of philanthropic activity. In addition to these interviews, on the qualitative side, we also gathered data on the giving practices of the Fortune 1000 corporations and all private foundations with an annual giving budget of \$200,000 or more.⁶ These data were supplemented with economic, political, and demographic data for the three cities.

For the corporate survey, we draw on data from a survey of 2,776 corporations in the 50 largest metropolitan sampling areas (MSAs) on the ways corporations give in the local metropolitan areas in which they are located. Following Guthrie and Roth (1999a, 1999b), we argue that state- and local-level institutional variation influences the way that corporations make decisions regarding the local environments in which they are embedded. Following this logic, we merge these survey data with contextual variables at the metropolitan area and state levels,

⁶ While each city has many independent foundations that fall below this cutoff, there is a qualitative difference in the access to information among the smaller foundations. Those that have annual giving of \$200,000 or more all make information publicly available in the *Foundation Yearbook*.

allowing us to analyze the extent to which local institutions and local political economies shape corporate practices in different regions and in the face of differing local and state institutions. In addition, where past studies have looked primarily at a single type of corporate form—for example, focusing on publicly traded corporations (e.g., Galaskiewicz 1985a, 1986; Atkinson and Galaskiewicz 1991)—this study compares across corporate types, allowing us to capture the similarities and differences between private and public corporate practices in these areas.

The organizational sample was drawn from the Dun and Bradstreet Database of U.S. Organizations, with the sampling frame consisting of for-profit organizations of 50 or more employees in the 50 largest MSAs in the United States. The sample was stratified by size and by sector. The sector stratification approach was used to ensure a representation of organizations from a variety of important sectors, as defined by the 2-digit Standard Industrial Classification (SIC). Stratification by size was a little more complicated: It is likely that the practices of larger corporations have more of a societal impact than the practices of smaller corporations in the area of corporate giving (in other words, the practices of large corporations may contribute more to the normative environment that shapes the practices of smaller corporations in the same area), and it is likely that this relationship does not vary monotonically with size, so the survey also oversampled larger corporations.⁷ Thus, size stratification was accomplished through a size-based proportional probability sampling technique, where the factor of sampling increased with categories of size ranging from 50-99, 100-250, 251-1000, and 1000+.⁸ In addition to the size

⁷ The logic here is that the economic, social, and political impact of large corporations on local environments is much greater than that of small corporations. Thus, any sample that does not include the largest corporations in these cities is not a representative sample in terms of the institutional dynamics of those cities.

⁸ Further, pilot research revealed that large local branches of multi-establishment organizations had autonomous discretion over local giving, so generally we focused on the giving practices of the sampled branch organization. However, given the complexity of the dynamics of giving practices between headquarters and local branches, we further controlled for this issue in two ways. First, early on in the survey (question 2), we asked whether, headquarters handled giving decisions if the organization was a multi-establishment organization. In 21 of the cases (.8 percent) the answer to this question was ‘yes’ and for these cases we then shifted the interview to headquarters.

and sector stratification, oversamples were drawn in three of the cities—Cleveland, Seattle, and Atlanta—in order to match the associations observed in the quantitative analyses with in-depth qualitative research in each of these settings. The sampling strategy plays a key role in how we carry out our analysis in this study. Because we have data from the 50 largest MSA across the country, we can include contextual variation to assess the ways that different institutional and economic environments shape the giving practices of corporations.⁹

The survey asked a wide range of questions about companies' involvement in the communities in which they are located.¹⁰ Any involvement at all, or even a total lack of involvement, was of interest. The demographic section of the survey draws upon accounting data collected by Dun and Bradstreet, including information on size, revenues, nature of the business, growth history, age of company, union status, legal status of the organization, changes in labor force, and background of the CEO, among others. Beyond these demographic data, the 103-question survey focused primarily on the decisions corporations make about charitable behavior and philanthropic practices. We asked how companies administrated their philanthropy and donations, the specific types of activities in which they were involved, and the amounts they gave. We also asked about their interaction with local civic organizations, local governments, and other groups. The survey also looked beyond corporate philanthropy *per se* to map the types of links corporations have to local nonprofits, local governments, local schools, how they make

Second, in our models, we control for whether the organization is a 'branch' organization, i.e., an establishment in a multi-establishment organization.

⁹ One problem that arises, however, is that this sampling strategy has given rise to the necessity of differences in weighting strategies for different quantitative models. For models that include dummy variables for the three oversampled cities, we use no weights, as the dummy variables effectively provide the control for the oversampling in these areas.

¹⁰ "Location" is a complicated term for this study, as it might imply where a corporation is headquartered or where a branch office is located. Both have implications for where a corporation is "located" and the local institutions to which it directs its resources. This tension was critical in our study, as we oversampled on large organizations, which are more likely to be multi-establishment organizations and therefore more likely to have branches and headquarters in different places. We dealt with this issue in a variety of ways, as we describe below.

decisions about giving, among others. The survey itself was carried out by the University of California, Berkeley Survey Research Center (UCB-SRC). Telephone interviews were conducted with the individual deemed most appropriate by the senior human resource manager in the organization. In large corporations, the individual interviewed was often the Director or Vice President of the corporation's corporate-community relations office. In smaller corporations, the individuals interviewed varied from the Human Resource Manager to the Chief Financial Officer to, in some cases, the Chief Executive Officer.¹¹ The overall participation rate for the study was 60.8 percent.

SIMILARITIES AND DIFFERENCES IN THREE METROPOLITAN AREAS

Over the course of our study, information gathered from the in-depth studies of each of the cities has illuminated issues that motivate the questions explored more systematically in the quantitative research on corporate philanthropy. Accordingly, we begin this analysis with two puzzles that emerged in the qualitative work we did in the three case cities.

Variation in Local Giving

The first of these puzzles begins where Galaskiewicz's (1985a, p. 207) research left off, addressing the question of how and why company giving varies across metropolitan areas. There

¹¹ Variation in size and structure of the organizations included in the sample meant there was significant variation in the roles, responsibilities, and practices of corporate giving. Many large-scale corporations have entire divisions devoted to corporate-community relations with senior officers of VP status running these divisions; others have no such office and place the practice under HR, operations, or even finance. In order to determine the right person to be interviewed for the survey, we adopted a somewhat extended process for the interview workup. First, UCB-SRC sent out a letter introducing the survey. These letters were followed by a pre-interview phone call, usually with an HR manager, to identify the correct person to be interviewed for the survey. Following this conversation, a web-based version of the survey was sent to the person identified. These individuals were encouraged to first go through the web-based version of the survey before the telephone interview in order to identify and collect relevant information that might not otherwise be readily available to them. We then followed up with a telephone interview and went through the survey systematically in a telephone survey format using the CATI system, developed by UCB-SRC.

is considerable variation in the philanthropic activity in our three case cities—both in the overall philanthropic activity and, more importantly for the line of inquiry we are pursuing in this paper, in the extent to which this philanthropic activity is directed locally.¹² When individuals working in the area of corporate-community relationships in these cities discuss corporate-community ties, they tend to talk about these issues in terms of local mentalities and local cultures of giving. As one program director at an Atlanta local intermediary, put it:

The mentality [of the Atlanta corporation] is really to be an outstanding corporate citizen... There's a sense of pride through all levels of the corporate and non-profit sector... It's very rare that a non-profit can have the ear of a CEO executive, but that's just the professionalism that's been instilled in the community. It's still a very conservative community that was founded on a lot of religious principles and a lot of executives in town these days still have a lot of these fundamental beliefs and morals that have maintained and kind of trickled down through the generations. It's changed, obviously with the times but I think that the fundamentals of the morals still exist throughout corporate Atlanta. And until you have that change of guard where different generations take over I think it will continue and I think that due that many people will be guided to giving for their community (Personal Interview, 2002).

An individual working in the Cleveland nonprofit sector reflected a similar view of Cleveland.

Cleveland is unique I think in that it's not just home to kind of an unusual amount of corporate giving, but we also are privileged to have a substantial amount of philanthropic giving, not only locally. So... you can go up to these corporations and say, 'your money is not gonna be the only money on the street, but it's leveraging tens of millions of dollars from the Cleveland Foundation, the Gund Foundation, the Ford Foundation.' Ford has been a major investor in Cleveland, through LISC... (Personal Interview, 2002).¹³

Views of high levels of local commitment are common in Atlanta and Cleveland, yet few individuals we interviewed in Seattle say similar things about local commitments there.

However, perceptions of local giving patterns can be superficial. In order to gain a more systematic understanding of local philanthropic activity, we collected information from three

¹² See Appendix for discussion of comparative economic and demographic data for the three cities.

¹³ A small misperception here: Ford has been a significant investor in Cleveland through the Local Initiative Support Corporation (LISC). The Enterprise Foundation, while similar to LISC in structure and mission, is a wholly other entity (we describe the relationship between these two organizations below). Thus, the Ford Foundation's link to Cleveland is primarily through LISC.

different sources that help us profile the philanthropic activity in these three metropolitan areas. Table 1 shows several aspects of the philanthropic activity in these cities in comparative light. We begin with basic statistics on the demography of the nonprofit sector and the aggregate data on philanthropic activity. First of all, Table 1 shows that there is variation in the local nonprofit sectors of these three cities. According to the National Center for Charitable Statistics (NCCS), Atlanta has the highest number of nonprofit organizations registered, with Seattle and Cleveland following. Cleveland has the highest number of support organizations, independent foundations, and corporate foundations with Atlanta and Seattle following in these categories. According to national statistics on philanthropic giving by organizations located in each of these cities, far more philanthropic dollars are committed by foundations located in Seattle than those in Atlanta or Cleveland. However, when we look at the differences between mean and median levels of philanthropic giving, one of the key anomalies of Seattle begins to emerge: Seattle is home of the Bill and Melinda Gates Foundation, the largest Foundation in the country, with an annual budget of nearly \$1 Billion.

(TABLE 1 ABOUT HERE)

While the variation in the amount of philanthropic giving in metropolitan areas across the country is well documented, there is no data that allows us to compare the percentage of philanthropic activity is directed toward a given locality. Thus, the data presented in the top half of Table 1, which come from national sources, illuminate the total amount of philanthropic activity in each place, but they do not yield information that relates directly to the question we are addressing here: to what extent do organizations in a given locality direct their philanthropic activities to the locality in which they are embedded? Accordingly, for the year 2002, we collected data from the annual reports of all foundations that gave at least \$200,000 in 2002 and

all Fortune 1000 corporations in that city. We focus on foundations that gave at least \$200,000 in 2002, because organizations giving at levels lower than this do not systematically have annual reports available. We then looked at every grant given by these organizations and the Fortune 1000 corporations headquartered in each area, looking at the location the receiving organization of each grant. First of all, we see that from this pool of organizations, while Seattle giving is the highest in absolute dollars, it is only about half of the percentage of total dollars that flow into the local community when compared with Cleveland and Atlanta. When we remove the Gates Foundation from the equation, it is clear that the level of local giving is far below that of the other two MSAs.¹⁴ When we look at higher levels of commitment for both receiving and giving organizations, we see that fewer and fewer organizations give in Seattle than in the other two cities. For example, of the population of major giving organizations in Atlanta, Cleveland, and Seattle, about a third of the organizations in each city have grants to local nonprofit organizations. However, at higher levels of local commitments, significantly fewer organizations in Seattle give at these levels. Similarly, of the population of operating nonprofit organizations, each city sees some support of a little over half of these organizations by the organizations with philanthropic budgets of over \$200,000. For Atlanta, Cleveland, and Seattle, the percentage of the nonprofit population supported at levels of \$50,000 or more is 13, 22, and 9 percent respectively; at \$100,000 or more the percentage of the population supported is 8, 14, and 5 percent respectively; and at \$200,000 or more the percentage of the population supported is 6, 9, 2 percent respectively. Figures 1.1-1.6 present a graphical representation of these organizational relationships. Reflecting the associations presented in Table 1, Figures 1.1-1.6 show that the

¹⁴ It could be argued that all of these cities have major patron organizations and, therefore, removing the largest patrons from the pool would yield similar outcomes in the other two cities. However, whereas in Seattle the Gates Foundation accounts for 89% of the local giving, the largest patron in either of the other two cities accounts for only 15% of the local giving.

organizational networks—defined by the flow of resources from giving organizations (private foundations, corporate foundations, and Fortune 1000 corporations) to receiving nonprofit organizations—are similar across the case cities at lower levels of giving. However, at higher levels of giving, while the density of Atlanta’s and Cleveland’s organizational networks remains similar, the network defined by this flow of resources in Seattle is sparse in comparison.

(FIGURES 1.1-1.6 ABOUT HERE)

In sum, as levels of giving increase, proportionally fewer organizations in Seattle direct resources to causes in the Seattle metropolitan area than is the case in Cleveland and Atlanta. This is true despite the fact that philanthropic resources are significantly higher in Seattle than in the other two cities; it is also true when accounting for the size of the “consuming” population: in proportion to the size of the potential receiving nonprofit population, Cleveland and Atlanta organizations support more local organizations than do corporations and philanthropic organizations in Seattle. Questions arise, however, over the forces behind this local variation in philanthropic activity. We turn now to one specific area of corporate-community ties that our qualitative research suggests is linked to corporate commitments to a given locality.

The Housing Focus in Community Development

The second puzzle emerged from our in-depth interviews with local players in the nonprofit communities in each of these cities. In the cases of Cleveland and Atlanta, the issue of low-income housing development is unquestionably the dominant issue in discussions of corporate-community relations and the orientation of the nonprofit community more generally; on the other hand, the issue is almost completely absent from the agendas of nonprofit organizations in Seattle. While there are important differences in the organization of the nonprofit communities in

Atlanta and Cleveland, in both cities the CDC movement is a dominant force in the nonprofit world, and the primary focus among the nonprofits in this community is the development of low-income housing. In Seattle, there are few CDCs, and even those that do exist do not place low-income housing development as a high priority. Over the course of our research, we have come to understand that these two puzzles are actually linked. Corporate-community relations have changed in fundamental ways since the mid-1980s, and in some cities, these relationships have come to be oriented around the issue of low-income housing (Guthrie 2004; Guthrie and McQuarrie forthcoming).¹⁵

Starting in 1977, small changes began to take place within the institutional environments that drive corporate investment in local communities. First, with Housing and Urban Development budgets in decline and many cities reaching a level of urban crisis, strong evidence of redlining by banks prompted Congress to pass the Community Reinvestment Act (CRA), which mandated that banks invest resources in the local communities in which they operate.¹⁶ While the intent of the CRA was to channel the flow of resources into the inner cities where banks had operations, the actual effect in the 1970s and early 1980s was small. Banks generally “invested” in these communities through grants and charitable donations to local nonprofit organizations, but the legislation did nothing to change the logic of their lending practices, even as the changing of lending practices was the initial intent of the legislation. Thus, in response to the shift in the institutional environment, banks did adopt the practice of giving grants to nonprofit organizations in their local communities, but they were, at this point, still reluctant to change their lending practices.

¹⁵ In addition to the work of Guthrie (2004) and Guthrie and McQuarrie (forthcoming), the analysis that follows also draws upon the US Congressional Records (1986a, b, c, d, 1987, 1989a, b, 1990).

¹⁶ Before the CRA was passed, the Housing Mortgage Disclosure Act (HMDA) was passed in 1975 as a way of making available the data on banks’ lending practices. These two acts are often viewed in tandem, as the revelations that emerged from HMDA in the mid-1970s significantly bolstered the argument for the CRA.

However, in 1986, a federal-level institutional change came about that would fundamentally alter the ways that corporations would be engaged in the inner cities in which they were embedded. As a part of the Tax Reform Act of 1986, Congress introduced a provision in the tax code called the Low-Income Housing Tax Credit. Guthrie (2004) and Guthrie and McQuarrie (Forthcoming) have described the political process gave rise to this shift in spending policy. Under this system, tax credits are allocated to states by the IRS as \$1.75 per person in the state population.¹⁷ Corporations provide capital through a syndicator, a type of organization that arose in the 1980s as the financial institution that transforms tax credits that originate with the sponsor into capital that comes from the corporate sector.¹⁸ In return, corporations receive a dollar-for-dollar credit against bottom line tax liability. In addition, corporations also receive a “passive-loss” write-off against the future book-value depreciation of the low-income property, allowing them to achieve a double tax break, as they receive the credit *and* the write-off against future losses.¹⁹ In other words, instead of paying taxes, corporations become the hidden “investors” in low-income housing, and in return, they receive tax credits and future write-offs against depreciation in the value of that property. This system is now a central feature of the flow of resources around low-income housing and a central feature of hidden corporate welfare. Through this system, corporate resources then flow into development deals, where they are put together with other financing sources, namely financing from banks, foundations, intermediaries,

¹⁷ The program began as a \$1.25 per capita allocation. In 2000, that figure changed to \$1.75, and beginning in 2002, increases were pegged to inflation rates.

¹⁸ The National Equity Fund (NEF) and the Enterprise Social Investment Fund (ESIC), which are the syndicate arms of the Local Initiative Support Corporation (LISC) and the Enterprise Foundation respectively, were the earliest models of these organizations, though today, most large banks also provide similar services in-house.

¹⁹ One of the interesting features here is that these depreciation values are all expected “book-value” assessments of the properties. Giving the passive loss to the corporate “investor” does not create the same negative incentive that individual developers had, because the investor and the developer/owner are separated in this system. After the corporate investor has fully realized the depreciation benefits, which are graduated in over a 10-year period, the developer, who receives no benefits from depreciation, will want the property to be as valuable as possible. It is also interesting to note here that corporations actually receive a better than dollar-for-dollar value for the credits. Because credits are sold to corporations in an essentially unregulated market, syndicators will compete for corporate dollars to get the development deals done. As a result, they often purchase credits at about 80 cents on the dollar.

and public money where it is available. These deals require a sponsor, who initially applies for tax credits from the state housing finance commissions; these sponsors can be for-profit developers, nonprofit organizations, or a local housing authority. The deals require various sources of public and private funding that are then stitched together into extremely complex and, consequently, very asset-intensive deals.

In short, since 1986, the LIHTC has become the primary driver behind the flow of resources into inner-city housing project development, accounting for over \$5 billion in corporate dollars invested in low-income housing.²⁰ The success of this program has been recorded in the Congressional Record by many in Congress. For example, Senator Dixon (D-IL) said of the provision in 1989:

That Act [Tax Reform Act of 1986]... did include one housing incentive, and it has proved immensely successful. In Chicago, local corporations working with Chicago United and the Local Initiatives Support Corp., a technical adviser to community development corporations celebrating its 10th anniversary, created the Chicago Equity Fund to pool their use of the tax credits. So far, the fund has raised \$30 million, and that money has seeded a total of \$110 million in newly constructed or rehabbed housing priced for low-income families. The 5,000 homes that money has produced would not exist today without the housing tax credit. Nor would the construction jobs the \$110 million generated, or the income tax money and other tax revenue contributed by the workers who got those jobs, or the spinoff jobs created by the income earned by those workers, or the property tax revenue paid by the people who own those 5,000 dwellings. Add in the value of injecting new life to ailing neighborhoods, and it's clear that whatever this subsidy cost will be more than returned to federal, state and local governments in the form of other tax revenue.²¹

Senator Sasser (D-TN) echoed this view, saying,

In housing today, the participation of the private sector is more important than ever before. The low-income housing tax credit is an excellent incentive for private developers

²⁰ It is important to note here that the figure of \$5 billion only scratches the surface of what the LIHTC actually means in terms of the flow of resources. In the past, Section 8 New Construction Projects were built almost fully on government direct allocations. The LIHTC acts as initial financing that then leverages other sources—usually comprising somewhere between 15-30 percent of the total financing of a low-income housing development project—in order to make the financing by commercial institutions more attractive. As a result, the resources here provide financing that attracts financiers that heretofore had little to do with low-income development projects.

²¹ Congressional Record – Senate Tuesday, October 31, 1989; (Legislative day of Monday, September 18, 1989) 101st Cong. 1st Sess. 135 Cong Rec S 14380; REFERENCE: Vol. 135 No. 150.

to build projects that provide affordable housing to low-income individuals... I have long supported the Low-Income Housing Tax Credit. It helps guarantee that a steady supply of new housing will remain available to our poor. While this tax credit cannot be expected to eliminate all of our housing shortages, it is a key element in encouraging the private sector to build multi-family housing for lower income families (U.S. Congressional Record, 1989a).²²

Nevertheless, as successful as the LIHTC has been for channeling corporate resources into inner cities and in generating new housing in these urban areas, there has been significant variation in the use of these tax credits at the state and MSA levels. While data on the use of these tax credits are not kept systematically at the MSA level, we can see the variation very clearly at the state level. State-level data are relevant here, because it is at the state-level that these tax credits are distributed to help fund development projects. As Table 2 indicates, there is significant variation in the use of the LIHTC at the state levels. In particular, the cities that are the focus of this study reflect significant differences in the institutional environments in which they are embedded: the states of Ohio and Georgia have been among the most aggressive users of the LIHTC. In the total use of tax credits and the authorization of LIHTC units per 1,000 households, Ohio and Georgia are both in the top 11 in the United States, and both are well above the national averages in both categories. The state of Washington's use of LIHTCs is significantly lower than the other two states where our case cities are located. This variation is critical in defining corporate priorities in a given locale. Inasmuch as the LIHTC has become a key factor in defining the ways that corporations in a given locale will support the local community, state activism surrounding the use of the LIHTC plays a key role in defining the parameters of this dynamic.

(TABLE 2 ABOUT HERE)

²² Congressional Record – Senate May 11, 1989; 5/11/89, 101st Cong. 1st Sess., 135 Cong Rec S 5188; REFERENCE: Vol. 135 No. 59.

While the emergence of the LIHTC was critical for the channeling of corporate resources into the building of low-income housing, the legislation was not enough (Guthrie 2004; Guthrie and McQuarrie forthcoming). Corporations benefit tremendously from the LIHTC, but they are not in the business of managing community-level development projects. What was required was the spread of a type of organization that would play the roles of managing the flow of resources from the corporate side and the management of development projects of the community side. Thus, a second key institutional shift in corporate-community relations has been the emergence of “intermediaries”—institutions that play the role of power brokers between corporations and banks on the one hand and local nonprofits on the other. The Ford Foundation and a developer named Jim Rouse were a key players in the development of these organizations at the national level (with local-level offices), though local-level versions of these organizations followed soon after. In 1979, Ford set aside \$10 million to fund a nonprofit organization, the Local Initiative Support Corporation (LISC), which would have as its central mission community development through an emphasis on low-income housing. Set up to work with local nonprofit organizations (mostly CDCs), LISC’s mission was to serve as the initiator of local development projects with technical, training, project, and operating support for CDCs. Serving as an intermediary between these CDCs and various funders from foundations to corporations, LISC grew quickly in its scope and mission, working as an intermediary between the corporate community, banks, and the CDCs representing local neighborhoods and communities. In 1982, a similar organization—The Enterprise Foundation—was founded by Rouse, which also had at its core mission the economic development of local communities. These two organizations became the national models for a number of other local-level intermediaries that would serve a similar function.²³ One Executive

²³ In Cleveland the key local intermediary is an organization called Neighborhood Progress, Inc. (NPI); in Atlanta, the key player is the Atlanta Neighborhood Development Corporation (ANDP).

Director of a community-based organization explained the importance of these new institutions in the following way:

Around this time [early 1980s], intermediaries like LISC and Enterprise started to emerge. This was absolutely crucial. These intermediaries were able to work with the banks. This is the fabric that holds it all together... See, there's this two-tier system. There's all this capital up here, and then there's all this community down here. It used to be that governments were the primary ones 'helping' the poor and doing a terrible job at it. And corporations were afraid of the poor. But then corporations were forced to invest, and these intermediaries emerged to help them figure out how to spend their money on a local level. This dynamic changed everything (Personal Interview, 2002).

These national intermediaries are selective about where they locate their local offices, and this has a significant impact on the nature of corporate-community relations in different cities. First of all, one of the primary goals of these intermediaries is to serve as the interface between the corporate and nonprofit communities in a given area. Second, both LISC and Enterprise are primarily focused on the development of low-income housing.²⁴ After the passage of the LIHTC, these intermediaries become the only two national intermediaries to form subsidiary organizations that would deal with the syndication of low-income housing tax credits.²⁵

The relationships among local governments and the corporate and nonprofit communities also vary significantly across these cases. In some cases, the local government has taken a very active role in the cultivation of ties between the local corporate and local nonprofit communities. One non-profit program director from Atlanta described the relationship in the following way:

We all work very closely with the governor's office and the Chamber [Metro Atlanta Chamber of Commerce], to address staffing issues, water quality, air quality. So I think

²⁴ LISC is actually almost exclusively focused on low-income housing, while Enterprise has a somewhat broader agenda, focusing on "provid[ing] low-income people with affordable housing, safer streets and access to jobs and child care" (from The Enterprise Foundation's Mission Statement). One additional aspect of the relationship between these two organizations is that they stay out of each other's way by agreement—in only a few cases to LISC and Enterprise co-exist in the same cities Only New York, Los Angeles, and Cleveland have both LISC and Enterprise offices.

²⁵ LISC formed the National Equity Fund and Enterprise formed the Enterprise Social Investment Corporation. Both organizations, for several years, were the primary syndicators of LIHTCs.

there are huge transfers between non-profits and city and state governments working together to further a certain cause. [But] on these tasks, on these committees, it's always driven by the corporate sector. I think from a media standpoint the issue is to build the corporate image.

One banker in the city of Cleveland described the relationships this way:

This is all partnership. At [this bank], we're investors, [but] you've got to have somebody else who comes up with ideas and concepts [for the] developers. You have to have public support. It's a three-way triangle. It can't work without it... So it's this public-private partnership tied together. You've got the private developer and the public sector, along with the government... It's all those things work together. The city's giving a tax abatement—that's the public side. The investor puts his money out there, you know, building houses, getting financing, doing the mortgage, all part of the public-private partnership. It's a clear strategy to make that happen. And what we've been able to do is take this concept and talk to other cities that we've taken it to. We bring people to come in and talk to [a Cleveland official], and then it happens. And they say, tell us how you did it in Cleveland (Personal Interview, 2002).

Local Political Economies of Community Development

To illustrate the differences among the localities we studied, we now turn to the specific case of low-income housing development in each of these three metropolitan areas. Figures 2a-2c show the organizational relationships that have come together in each of these three cities. As the figures show, there is significant variation across a number of features that define this institutional field. While a significant amount has been written about urban renewal in Cleveland especially, our focus here is on the specific institutional field that has brought together corporations, local governments, and nonprofit communities around the issue of low-income housing.

(FIGURES 2a-2c ABOUT HERE)

Cleveland: The way institutions cooperate around LIHTC-financed housing production in Cleveland has provided a model for LIHTC production nationwide. Nonetheless, there are important variations from city to city, especially in the level of commitment of the key

stakeholders in this process—the local nonprofit community development field, the local business community, and the municipal government. As illustrated in Figure 2a we distinguish a few key sets of institutional actors in Cleveland: wealthy and active community foundations, an organized and locally-active business community represented by Cleveland Tomorrow, local and national intermediaries that are funded by corporations and foundations, a heavily-populated sector of CDCs, and municipal governors. This analysis begins with an understanding of the roles and commitments of these institutional actors. In the aggregate, it should be noted that the level of institutional coherence both around LIHTC-financed housing production is very high in Cleveland’s case and the role of Neighborhood Progress, Inc. (NPI) as a hub for these relationships is clear.

The most important political experience in Cleveland’s postwar history was the city’s bankruptcy and the subsequent collapse of municipal government during the mayoralty of Dennis Kucinich (1977-79), a period that has been dealt with extensively by Todd Swanstrom (1985). The effect of the collapse was to hasten an ongoing process of deindustrialization and depopulation. In the absence of economic growth and in the face of fiscal collapse, Cleveland was in crisis. Important responses came from two places: the neighborhoods, and the corporate sector. The neighborhoods, led by the Alinsky-style organizations built in the city’s white ethnic communities on the West Side, were protesting the collapse in city services, the lack of jobs, and price-gouging by local corporations.²⁶ This protest quickly spilled over from an attack on the city’s elected officials into one on the local corporate leadership.

²⁶ The other constituency that we could expect to be active in the protests is East Side African-Americans. However, their political incorporation with the election of Carl Stokes (1967-1971) as a two-term mayor gave them access to political patronage and political power through more conventional channels. Moreover, an African-American, George Forbes, controlled the powerful ward-based council until the election of Mayor Mike White in 1989, the city’s second African-American mayor.

At the same time, with the local regime of accumulation in a state of crisis, making it extremely difficult for businesses to make money, Cleveland Tomorrow was formed.²⁷ An organization of CEOs, the people with the power to make decisions and write checks, Cleveland Tomorrow took a very activist approach to local problems (Adams 1998). The organization developed, funded, and implemented strategic plans to restart local economic growth that would enable the revalorization of corporate investments in the city. Assuming that rebuilding the neighborhoods was central to the revalorization of downtown real estate and maintaining a local supply of workers, Cleveland Tomorrow initiated a program to redevelop the housing stock in the neighborhoods. The fact that they chose to do this by funding the very same organizations that were engaged in direct protest against their business practices is perhaps odd. In establishing NPI, however, Cleveland Tomorrow effectively created a large pool of money that was earmarked for the community organizations but on which they could place a variety of limitations and requirements. The funding would only be available for ‘bricks and mortar’ projects, not organizing. The offer was attractive not just because of the money but because

²⁷ While discussions of capital accumulation might invoke discussions of urban political economy, this paper is not primarily concerned with these issues. However, it is informed by two relevant literatures on urban political economy, in addition to our engagement with economic sociology. The first is that on ‘growth machines’. Logan and Molotch (1987) and Swanstrom (1985) argue that the valorization of real estate is an organizing concern of a variety of urban interest groups that facilitate the building of effective electoral coalitions (see also Stone 1993; Ferman 1996; Yin 1998; Goetz 1993). In Swanstrom’s analysis, one which we see little reason to dispute and many reasons to agree with, the Kucinich mayoralty resulted in a ‘crisis of growth politics’ in Cleveland. The crisis was indeed twofold. First was a crisis in the ability of the city to provide a basis for continued economic growth and therefore to attract investment. Second was the crisis in the legitimacy of both the corporate and government components of the coalition caused by the effects of the city’s bankruptcy. Also particularly relevant here are the concerns of scholars of urban governance and urban political economy. This approach looks at the confluence of economic and political actors into ‘regimes of accumulation’—or political economic configurations of institutions and practices that are necessary to secure the continuing accumulation of capital (Brenner and Theodore 2002, Harvey 1989). There has been some tension between these two literatures (Lauria 1997), but to our mind this is an overblown reaction to the fact that they mostly operate at different levels of abstraction. This reference might appear unusual in that most of this paper primarily takes up the concerns of economic sociology which does not, for the most part, have a dialogue with either the growth machine or the regulationist literatures. However, we feel that understanding the particular institutional configurations defined in Figures 2a-2c works better when these literatures are placed in dialogue with one another, a task we will undertake to explicate at greater length in future work. For the purposes of this paper it is enough to have a general understanding of the distinctions between the institutional configurations of these cities and how they affect corporate giving.

abandonment, deterioration and a lack of city services had made a mess of many of Cleveland's neighborhoods, facts that community leaders were intimately familiar with and, indeed, were responding to on their own with lease-purchase and rehabilitation efforts.

Municipal governors in Cleveland have, since Kucinich's mayoralty, been very effective at facilitating various public-private partnerships to implement various policy goals. The relative success of municipal government in an environment where Cleveland has been unsuccessful at finding a basis for sustainable growth is impressive. However, government has been aided by the collaboration between the neighborhoods and the business community around bricks and mortar development. The role of municipal government in this environment has primarily been to act as a facilitator by doing things such as rewriting zoning laws, creating land banks, and providing bridge funding that enables the goals of this collaboration. Relatedly, but perhaps implausibly, it has also argued that the redevelopment of Cleveland's neighborhoods will become a sustainable basis for the city's economic growth.²⁸

Even if LIHTC-funded housing development does not become the self-sustaining engine for growth, the system of LIHTC-funded housing development in Cleveland has solved other pressing problems. Most importantly, it has resolved the crisis of legitimacy that the Cleveland growth machine suffered through in the 1970s. In the process, it has successfully incorporated Cleveland community organizations into the growth coalition and largely silenced their protest. Lastly, it has provided an effective mechanism for community development that has served as a

²⁸ It is a mantra of the intermediaries that the collapse of many inner-city communities is a market problem that can be solved by priming the pump of real estate investment through methods such as LIHTC-funded housing development. They might have a point. Certainly, such development has transformed many communities, including the South Bronx, which now 'enjoys' speculative investment and property flipping—the final stage of real estate revalorization before gentrification begins (Mele 1994, cf. Smith 1996). What this perspective overlooks is that it was the dynamics of the same real estate market that destroyed these communities in the first place—aided by the collapse or purposive withdrawal of city services. Tom Bier, a highly attentive and sophisticated observer of the Cleveland housing market, says that the claim is suspicious in the case of Cleveland because the contribution of the CDCs to the city's housing stock would need to be multiplied tenfold to revive the city's real estate market (personal communication).

giant vacuum for private sector and philanthropic money. This institutional field has become one that well-heeled supporters can engage in confident in the proven effectiveness of the system. Finally, using NPI as the clearinghouse for funds ensures that the money will be used for stated projects and will be used effectively by organizations with the necessary capacity. NPI becomes a ‘fund-and-forget’ system of philanthropy and investment in which the benefits of committing money are not weighed down by the need of the giver to distribute to and observe dozens of community organizations. They write a check and let NPI deal with the rest.²⁹ Lastly, supporting this high level of organizational coherence cannot be done with tax credits and investment because those funds go to development. Maintaining this commitment requires significant local philanthropic effort. NPI alone has required millions of dollars in support. The CDCs require much less, but they are numerous.

Atlanta: In Atlanta during the same time period, a field bringing corporate, local government, and nonprofit resources together around the building of low-income housing bears many similarities to Cleveland. However, there are key differences as well. First, the CDC community in Atlanta is significantly less organized and significantly less resource-rich than that in Cleveland. In Atlanta, there are about one-third the number of active CDCs, and only 4-5 of them actually play an active role in local development projects. There is a central overseeing body that serves as the formal association for local CDCs, but it is much less organized than

²⁹ This ‘fund and forget’ approach is the key to the effectiveness of LIHTC. If investors had to seek out individual development projects and then ensure compliance on their own, the administrative burden of LIHTC would easily outweigh the potential benefits. Intermediaries are key because their control over funds ensures that they can police the compliance of CDCs. LIHTC investors, then, are merely buying a security, not becoming experts in community development. If the flow of funds, whether philanthropic or invested, is to be large, a system that relieves funders of administrative burdens is necessary. In Cleveland this is done by having an intermediary as a clearinghouse—a system that is broadly imitated. However, another approach is to have a couple of large recipients rather than attempting to distribute to numerous neighborhood-based CDCs. This is the approach taken in Seattle and famously in cities like Newark that have CDCs with a massive footprint, such as the Newark’s New Community Corporation. The problem is that intermediaries need competition among CDCs to have enough market power to ensure CDC compliance with LISC methods (not to mention the LISC fee structure). The competition is intense in Cleveland, but much less so in Seattle.

Cleveland's trade association, CNDC. Established in 1988, The Atlanta Housing Association of Neighborhood Based Developers (AHAND), did not actually hire fulltime staff until late 2002.

The Executive Director of Atlanta's chapter of the Enterprise Foundation described the Atlanta's umbrella organization for CDC's, in the following way:

AHAND originally probably started out on a volunteer basis before I ever came to Enterprise. And when I came to Enterprise, a little over five years ago, AHAND had part time staff and that part time staff had responsibility for pulling things together. AHAND meets monthly. Within the past couple of years AHAND has tried to hire some full time staff, but hasn't been able to identify the right person. AHAND receives funding from both United Way and there's a local intermediary here called the Atlanta Neighborhood Development Partnership. And we have tried to support AHAND by helping pay for a strategic plan and helping them organize some strategic activities.

This is a much different situation from CNDC, which employs nine fulltime staff members, and has had a strong and organized presence in Cleveland's nonprofit community since 1982.

Most importantly, there is no governing intermediary analogous to Cleveland's NPI.

There are still key intermediaries that work as the interface between the corporate and nonprofit communities, but they serve much broader agendas, and they do not keep the tight leash on CDC agendas that NPI does in Cleveland. There are three key intermediaries in Atlanta. Among key national intermediaries, the Enterprise Foundation, works in Atlanta, and it directly supports 3-4 of the key CDCs. There is also a large local intermediary, the Atlanta Neighborhood Development Partnership (ANDP). And, in Atlanta, the United Way actually acts like an intermediary, as it is one of the United Way chapters that has led the way in shifting the funding model from individual donations for programmatic support to corporate donations and foundation grants for programmatic support for nonprofit organizations.

In theory, the Atlanta Metro Chamber of Commerce plays a role that parallels that of Cleveland Tomorrow—and many of our interviewees in the Atlanta community believe this to be true—however, in practice this is not the case. Cleveland Tomorrow is a tightly run

organization with a specific set of goals, which all revolve around community revival through public-private partnerships; it is an organization that is closely linked to the city government. The Atlanta Chamber of Commerce, on the other hand, does not have the well-defined organizational agenda, and it does not have the linkages or influence to the local government. Most importantly, it is not an organization of CEOs. As such, it is not regarded by local government leaders as having the clout that an organization like Cleveland Tomorrow has in its local area. In fact, the organizations that have significantly more clout as organizations of corporate leaders are ANDP and the United Way, as the boards of these organizations both have significant ties to the local corporate community.³⁰

Through these organizational relationships, we see a local field that is much more loosely structured. There are no formal or exclusive channels through which resources flow or relationships are brokered. As a result, the CDCs are much more autonomous and the local corporate community, while having a sense of civic commitment, is much less focused in agenda of the public-private partnerships in which they engage. The CDCs in Atlanta are also resource-poor compared to those in Cleveland. The most significant aspect of the Atlanta field, however, has to do with the role of the state. Whereas in the case of Cleveland the local housing authority has nothing to do with LIHTC development itself, in Atlanta, the local housing authority is the biggest player in the LIHTC market. As an office of the local city government, the housing authority has significant advantages in competing for tax credit proposals. So, while a few of the local CDCs have done LIHTC projects, the vast majority of these resources have run through Atlanta's housing office. In addition, in Atlanta, the local intermediary, ANDP, is also a direct competitor with the CDCs and the Atlanta Housing Authority for LIHTC resources from the

³⁰ In the late-1980s, Haddie Dorsey aspired to bring corporate and nonprofit community together; forms a large local intermediary, ANDP; she then went on to transform United Way in the same way.

state. The loosely structured nature of the corporate-nonprofit relationships in Atlanta is thus shaped in a fundamental way by the fact that the local state and the main local intermediary are direct competitors with the CDCs themselves. They have little incentive to help build CDCs up through programmatic funding or support in building relationships with the corporate community, because in doing so they would be increasing the organizational power of potential competitors.

The other side of this lack of support, however, is a lack of control over the agendas of the CDCs. Where Cleveland CDCs are all but mandated to focus on ‘bricks and mortar’, Atlanta CDCs, have no organizations that force their agendas in one direction or another. For example, in 2002, when the state was considering one of the most aggressive pieces of anti-predatory lending legislation in the nation, The Georgia Fair Lending Act, Atlanta’s CDCs were at the forefront of the mobilization effort to pass this legislation.³¹ When we subsequently inquired about similar activities in Cleveland, CDC activists there were unanimous in the view that this type of activity would be completely out of bounds for a Cleveland CDC, lest they risk being cut off from all future funding. Atlanta’s CDC community is thus resource-poor in comparison to the community in Cleveland, but it is a community that is free to pursue agendas that are as much about community activism and democratic participation as they are about the development of low-income housing. Nevertheless, while notably different in Cleveland and Atlanta, low-income community development and the corporate role in this process operate by a similar institutional logic. Both places are defined by corporate investment in low-income housing through the LIHTC and significant sponsorship through other stakeholders in the communities.

³¹ The Act went into effect Oct. 1, 2002. It was subsequently rescinded by the legislature in 2003. However, the key issue here is the role the CDCs in Atlanta were able to play in mobilizing support for the Act.

Seattle: Low-income housing production in Seattle is an entirely different challenge from the one in Cleveland simply because the real estate market is overheated. Using LIHTC-funded housing development to help revive a local real estate market is completely unnecessary in Seattle. Instead, what is necessary are efforts to ensure that Seattle remains affordable to the blue collar population. By itself, LIHTC is not adequate to this task. To help fill the gap, the state of Washington has passed two housing trust funds that can be drawn upon in low-income housing deals. Despite this strong leadership from the state government to make LIHTC-funded development feasible, such production has a different tone in Seattle.

CDCs in Seattle are diverse, as they are everywhere. However, only a few focus on housing development and these take two forms. One is a real specialist in LIHTC deals and has an excellent relationship with the local LISC affiliate, Impact Capital. This CDC is so focused on housing production that it manages to survive almost entirely on fee income from development, a circumstance that is regularly held out as a goal for CDCs but almost never actually achieved. The other housing developers are committed to ensuring affordable housing for the city's most marginal residents. They have grown out of advocacy while CDCs in Cleveland grew out of community organizing. The primary difference here is that advocacy organizations do not mount a challenge to the local growth machine so incorporating their concerns has never become a high priority for the local business community or municipal government.

Turning to the business community in Seattle we find it composed to two very distinct groupings. The first, centered on the aerospace industry and Boeing, is a declining manufacturing sector. This sector is concerned about the cost of living in Seattle as it makes local production uncompetitive for manufacturers or unaffordable for the workforce. There is some consensus locally to do what is necessary to preserve these high-paying, unionized jobs. The second is the

young tech sector which has underpinned Seattle's rapid growth. This sector is dominated by Microsoft and Amazon. For some time the leaders of this industry paid little attention to local issues. However, this has changed recently with Bill Gates's interest in educational issues and Paul Allen's dominant role in downtown real estate. We should note here that downtown real estate is expensive and issues such as affordable housing are merely nuisances to redevelopment. This is radically different from Cleveland where a collapsed real estate market made the development of new low-income housing stock attractive.

To the extent that Seattle's business community is organized around a particular issue it is mostly economic development and business incubation. The struggle is primarily one to find new tech companies to nurture and at the same time preserve the manufacturing sector. There are numerous economic development organizations, business incubators, and intermediaries for business development in Seattle. In comparison with Atlanta and Cleveland, then, Seattle's low-income housing development is not a high priority of any political grouping that is relevant to the local growth machine. It still happens, of course, but it is not viewed as a solution to any pressing problems and, consequently, receives little attention. In terms of organizational cooperation around LIHTC-funded development, there is some but it is not particularly organized and it certainly is not important enough to warrant philanthropic giving or investment in the institutions necessary to give the field coherence. Indeed, the local LISC office renamed itself to avoid being associated with housing development. LISC is involved in economic development issues and supports efforts to develop affordable housing for ownership—an essential task if Seattle is to have any hope of hanging on to its highly-skilled blue collar workforce. There is a significant effort to coordinate the solicitation of funds for community development in Seattle but it is coordinated by a CDC because there is no big local intermediary to do it and more traditional

fund raisers like the United Way are not interested in housing. Compared to Cleveland and Atlanta we see much less organizational coherence, a circumstance which impacts directly upon the level of local philanthropic giving.

Summary of Three Cities: Table 3 lays out the comparison of the three cities in terms of the parameters discussed here. We argue that the presence of various constituencies that have come together to find solutions around low-income housing have focused the corporate community in specific ways. All the cities have what we would call effective sponsors for dealing with the issue of low-income housing. However, across a number of different stakeholder groups, Atlanta and Cleveland have developed strong commitments to solving the problems of low-income housing, while Seattle's priorities for many of the stakeholders are elsewhere. In the sections that follow, we operationalize some of these relationships to more systematically analyze the factors that shape corporate-community relations in metropolitan areas across the country.

(TABLE 3 ABOUT HERE)

QUANTITATIVE ANALYSIS OF CORPORATE GIVING

Has the emergence of the institutional field we describe above influenced the ways that corporations funnel resources to their localities across the country? For example, has the focus on channeling corporate resources into the development of low-income housing changed corporate priorities in the area of philanthropic giving? If our argument that corporate-community relations have changed as a result of the emerging institutional field described above, we should expect to see the footprint of these kinds of institutional commitments at the state level shaping corporate action in this area more broadly. In this section we turn to an analysis of

quantitative data on corporate philanthropic activity in order to suggest some answers to these questions. Because we are dealing with cross-sectional data from 2002, we cannot answer this question authoritatively in a causal sense. However, we are able to show some relationships between corporate practices and the structure of the institutional environments in which these organizations are embedded that suggest that there is a relationship between corporate priorities and the changes of the last 20 years. In the sections that follow, we first lay out some formal hypotheses that arise from the organizational relationships we have described above. We then briefly discuss the variables upon which the quantitative analyses are based. Following that, we present results from regression analyses modeling the relationships among these variables.

Hypotheses

If the sentiments about local differences reflected in the qualitative data gathered in our three case cities are correct, we might expect to see variation in the level of local commitments of corporations headquartered in these localities. Individuals working in Atlanta and Cleveland perceive their localities as being characterized by a strong culture of local commitments and local orientation. Seattle, on the other hand, at least according to Table 1 (above), has a significantly lower rate of local giving overall than is the case in our other two case cities. Do these qualitative assessments stand up to scrutiny at the national level?

Hypothesis 1: Philanthropic activity of a corporation will vary significantly across the local areas in which a corporation is embedded. Location in Seattle should have a net negative effect on whether corporations orient their philanthropic gifts locally. Location in Atlanta and Cleveland should have a net positive association with the extent to which corporations direct their charitable gifts to the communities in which they are headquartered.

While the practice of local giving varies in critical ways across these metropolitan areas, it is also likely that this variation is driven by institutions that shape the practice of philanthropic

giving. Thus, we expect that variation in the institutional environments that shape these local areas are also important above and beyond the local cultures or mentalities that define them. A number of scholars have shown that variation in state-level legal cultures, variation in state-level statutory provisions, and even variation across the federal judiciary all lead to variation in corporate practices in various localities (Dobbin et al. 1993; Sutton et al. 1994; Dobbin and Sutton 1998; Guthrie and Roth 1999a, 1999b). But how do those local institutions matter specifically with respect to corporate philanthropic activity? One key way that states vary with respect to governance of the corporate sector is through local taxation: some states, such as Washington, have no corporate tax, while others, like New York, have a corporate tax of more than 9%. Conventional wisdom often seems to assert that a reduction in taxes will lead to an increase in philanthropic and charitable giving. Indeed, in his famous “1,000 points of light” statement in 1989, then President George Bush (1989) declared that public goods should be fulfilled by a “readiness and ability of every individual and every institution in America to initiate action as ‘a point of light’; meaningful one-to-one engagement in the lives of others is now required to overcome our most serious national problems.” Arguing that charitable action and the fulfillment of public goods should be individual and community-based rather than federally-funded, Bush called for “a movement that is grassroots and community-based rather than devised in and imposed from Washington, a movement that does not compensate people with federal dollars for what should be an obligation of citizenship.” The argument here is that a reduction in taxes (and thus a removal of “Washington” from the allocation of resources for public goods) will free up resources for “grass-roots and community-based” fulfillment of the social contract.

However, this view of the tradeoff between taxes and charitable donations, while popular, is not supported by research. Indeed, a number of studies have shown that as taxation declines, so does philanthropic giving (Burt 1983a; Levy and Shatto 1978; Bennett and Johnson 1980; Schwartz 1966; Bakija and Slemrod 1996, 2001; Bakija and Steuerle 1994; Bakija et al. 2003; Bakija and Gale 2003). The argument most commonly advanced for this association is simple: with taxes, potential givers—individuals or corporations—have incentives to give because of tax write-offs; without taxes, there is no opportunity for write-offs and thus no incentive to give. Extending upon this argument, we argue that state institutions not only work on coercive levels; they also shape normative understandings of how society should be organized. Thus, states with higher levels of taxation not only create incentives and opportunities for tax write-offs, they also set in place a normative environment signaling the importance of creating and maintaining the health of the local society in which the organizations are embedded. For both of these reasons, we expect that corporate giving will increase with the local corporate tax rate.

Hypothesis 2a: State level variation in corporate tax rates will influence the level of corporate giving. The higher the local corporate tax rate, the higher the level of giving will be among corporations headquartered in that locality.

Overall giving, however, is a separate matter from the proportion of a corporation's philanthropic resources that are devoted to the locality in which a corporation is headquartered. Some scholars of neoinstitutional analysis have focused on the ways that institutional environments send signals to the organizations in those environments (Edelman 1990, 1992; Dobbin and Sutton 1998). It may be the case that local government action in the area of local taxation sends signals about the needs of local citizens to support the social contract in the local areas in which they are embedded. We expect that higher local taxes will drive up local

commitments, because higher local corporate tax rates send signals to local corporations about commitments with respect to the social contract.

Hypothesis 2b: The higher the local corporate tax rate, the higher a corporation's level of local commitment will be.

Corporate tax rates are only one of the ways that the local governments can take an active role in the shaping of corporate-community ties. As we pointed out above (Table 2), there is significant variation across the country in the levels of authorization by states that occur in the LIHTC program; variation in the state's use of tax credits for the building of low-income housing may influence corporate philanthropic priorities in their local areas as well. Consistent with the argument advanced with respect to local corporate tax rates, we expect that states active in the area of low-income housing send signals of commitment to the development of this aspect of the social contract. As such, corporations give more locally.

Hypothesis 3: State level variation in the use of Low-Income Housing Tax Credits influences the corporate commitment to local communities.

Finally, of the key institutional changes we have described above, we have argued that the rise of intermediaries play a key role in the shaping of corporate commitments to local communities. If intermediaries are important as the liaisons between the corporate community and local nonprofit organizations, the presence of local intermediaries in a given locality should affect the local orientation of a corporation in that locality.

Hypothesis 4: The presence of national intermediaries increases corporate commitments to local communities.

Table 4 summarizes the associations we expect to observe based on these hypotheses. In the sections that follow, we test these associations. After describing the specific variables we include in the analysis, we show the relationships among organizational variables, the

institutional environments in which the organizations are embedded, and corporate decisions around philanthropic giving.

(TABLE 4 ABOUT HERE)

Variables

Table 5 presents the means, standard deviations and definitions for the variables included in this part of the quantitative analyses that follow. The dependent variables include the following: first, we look at the total philanthropic giving of a corporation. We use the natural log of this outcome, as the log transformation better conforms to the assumptions of normal distribution. We also asked corporations what percentage of their philanthropic activity is directed to the local metropolitan area in which the corporation resides.³² For this dependent variable, we look at the actual percentage as an outcome. However, as a significant number of the cases are clustered within the range of 90-100 percent, we also look at this variable as a dichotomous outcome—those firms that directed greater than 90 percent of their philanthropic contributions to the local metropolitan areas in which they are headquartered, and those that direct 90 percent or less to causes outside of their area. Third, we look at specific causes that corporations name as their philanthropic priorities. Here we look at whether a corporation gives to international causes and whether the corporation targets local civic infrastructure and/or low-income housing.³³ Summing across the latter two categories yields an ordinal variable with values of ‘0’, ‘1’ and ‘2’. For the continuous variables we model these outcomes with the use of ordinary least squares analysis;

³² The actual wording of the survey question was: “Thinking about all the resources your company contributes to charitable gifts, philanthropic activity, or investment in community programs, what percentage of those resources go to the [REGION] metropolitan area, as opposed to national or international contributions?”

³³ The first of these was worded: “Does your company engage in any charitable giving, philanthropic activity, or investment in community-oriented programs at the international level?” The second variable was constructed by summing across answers to the questions of whether the corporation contributes to (1) “local government projects (e.g., building civic infrastructure)?” and (2) “Subsidizing the building or renovation of public housing?”

for binary outcome variables, we employ logistic regression analysis; and for the ordinal outcome, we employ an ordinal logit.

(TABLE 5 ABOUT HERE)

A number of independent variables are included in the analysis of corporate giving in the local metropolitan areas in which they are headquartered. We include dummy variables for location in each of the three oversampled metropolitan areas. Because the models that include dummy variables for the three oversampled cities, we do not weight the data, as the dummy variables effectively provide the control for the oversampling in these areas. At the organizational level, we control for the size of the organization. We use the natural log transformation of this variable, as we assume that the effect of size increases at a diminishing rate. We include dummy variables for whether the corporation is publicly traded, whether it is a multinational corporation, and whether the corporation is unionized. We also include dummy variables for whether the organization has an official policy articulating goals and practices surrounding corporate-community relations and whether it has an office that is “devoted solely to [philanthropic] activities.” In the models presented below, we also control for sector based on 2-digit standard industrial classification codes; we include dummy controls for a corporation’s location in manufacturing, wholesale and retail trade, and finance sectors. We operationalize variables relating to the institutional environment in three ways. We include a dummy variable indicating whether a corporation’s metropolitan area has a local chapter of the Local Initiative Support Corporation or the Enterprise Foundation. Local corporate tax rate is a continuous variable ranging from 0-9.99. State activism in the area of low-income housing development is examined as the total number of LIHTC units a state authorized from 1987-2000. We use the natural log transformation of this variable in order to reduce the skewed effect these outliers have

on the models. Because these models contain multiple levels of analysis, we use Huber-White corrections to control for contextual effects.

Analysis

Table 6 presents the determinants of total corporate giving, the percentage of giving directed toward a corporation's local metropolitan area, and the probability that a corporation directs greater than 90 percent of its philanthropic activity toward its local area. In the first model, net of other variables, corporations in Cleveland give significantly less money in philanthropic donations than corporations nationally, while corporations in Seattle give significantly more in philanthropic gifts.³⁴ Yet, in terms of the amount of a corporation's giving that is directed towards the corporation's locality, Cleveland corporations give significantly more in terms of percentages and they are significantly more likely to direct greater than 90 percent of their charitable donations to the Cleveland metropolitan area. Corporations in Seattle are the opposite: although they give significantly more money on average than corporations located in other areas throughout the country, those resources are directed at significantly lower rates to the Seattle metropolitan area. These effects fit loosely with the philanthropic activity overall in these cities (see Table 1 above), and the Seattle effects fit with the associations specified in Hypothesis 1. We do not interpret these results as support for a culture-of-giving argument, as some of the anecdotal views expressed by our interviewees suggest; indeed, there may be other institutional variables that define these cities, which we have not captured in our models here. Nevertheless, it is interesting to note that, controlling for size, sector, unionization, public listing, and

³⁴ One obvious problem with Model 1 in Table 6 is the high number of missing cases. We are not sure why the number of missing cases on the actual figure for corporate philanthropy in 2002 is so much higher than it is for other questions. One reason is that we chose to ask this as an open-ended question (as opposed to pre-determined categorical choices) in order to get the most accurate answers from responding organizations. The missing data here require that we approach the results presented in Model 1 with caution.

organizational policies surrounding giving, a random sample of corporations in these cities follow the overall trends of philanthropic activity in the cities.

(TABLE 6 ABOUT HERE)

Several key organizational variables are significantly associated with corporate philanthropic decisions as well. Size is a significant predictor of levels of giving, though it has no association with either of the dependent variables measuring *local* commitments. Controlling for other variables, multinational organizations give significantly less than their domestic counterparts, though they have no significant association with local commitments. Unionization is not significantly associated with overall levels of giving, though, there is some evidence that unionized corporations direct more of their philanthropic giving to their local metropolitan areas. There is evidence that the institutionalization of philanthropic programs within a corporation shapes the organization's approach to philanthropy. Corporations with official policies guiding their philanthropic programs give significantly more overall and they give significantly less to the local metropolitan areas in which the corporations are headquartered. Even stronger significant effects exist for organizations that have offices devoted to the organization and overseeing of philanthropic activities: Corporations that have offices devoted to philanthropic activities give about 10 percent less of their philanthropic resources to their localities than their less institutionalized counterparts, and they are about 21 percent less likely to direct 90 percent or more of their resources to the local metropolitan area.

Most importantly for our analysis here, there are key institutional effects that suggest a relationship between local institutions and the priorities of corporations in a given metropolitan area, however, the effects are generally the opposite of what we predicted in Hypotheses 2b and 3. First of all, net of other effects, local corporate taxes increase the overall levels of corporate

philanthropy, a finding that supports Hypothesis 2a and one that fits well with the literature on corporate philanthropy. As we noted above, higher levels of taxation create greater incentives to find ways of reducing taxable income, and charitable gifts are one such outlet. However, in opposition to Hypothesis 2b, while higher tax rates increase philanthropic activity, they also appear to drive down a corporation's commitment to its locality.

Higher rates of corporate taxation increase philanthropic giving, but they drive down local commitments. What would the argument for such an association be? We believe this finding is tied to a signal about the social contract and the fitness of the welfare state in a given area. State and local taxes are related to federal taxes—for instance, state and local taxes are deductible at the federal level—however, tax deductions (or write-offs) are not tied to specific places (Scholes et al. 1992). In other words, if a corporation takes a write-off for a charitable contribution, there is no requirement that the contribution has to be directed to a given place for the corporation to take a deduction from its local taxes. Corporations in areas that are highly taxed may view themselves as contributors to the local welfare state. Put simply, corporations located in high-tax-rate areas give more—for the write-off benefits—but they see their localities as less needy than other charitable causes. They view the social contract as being fulfilled by their financial commitments to the state. These findings add an important caveat to the thousand-points-of-light notion advanced by President Bush (1989) as a rationalization for the receding welfare state. First of all, there is no support for the idea that lower tax rates will lead to higher levels of support by tax paying citizens (individual and corporate); in fact, the opposite appears to be true. However, higher tax rates in a given locality do send a signal to tax paying citizens (in this case corporations) about the fitness of the local welfare state, leading them to direct charitable activity elsewhere. We find a similar association with respect to state activism in the

area of low income housing and the probability that a corporation will direct the vast majority of its resources to its local metropolitan area (also in opposition to Hypothesis 3).

Figures 3.1-3.3 present these institutional effects graphically.³⁵ For the average corporation, as local tax rates increase from 0 to 10 percent, the percentage of giving that is directed toward the local MSA declines from 89 to 78 percent. Similarly, as local tax rates increase from 0 to 10 percent, the probability that a corporation will direct the vast majority of its resources towards its locality decreases from 78 to 43 percent. Finally, with respect to state activism in the area of low-income housing, as the number of LIHTC authorized units over the lifetime of this institution rises from the smallest number authorized in any state (1536 units in Alaska) to the largest number authorized (125,634 units authorized in Texas), the probability that a corporation will direct virtually all of its resources to its locality declines from 78 to 50 percent.

(FIGURES 3.1-3.3 ABOUT HERE)

We also looked at corporate priorities in the areas of philanthropy to examine the fit between questions of local versus national and international commitments. Table 7 presents the determinants of (1) whether corporations give internationally and (2) whether they view contributing to the developing of “public housing” and “local civic infrastructure” as priorities. Because of the small numbers that fall into either of the latter two categories, we combined them into one dependent variable. Thus, corporations for the final analysis fall into one of the following three categories: (1) neither of these are priorities, (2) one of them is a priority, and (3) both are viewed as priorities. The findings in these models generally fit with those presented above in terms of the patterns of variables associated with local versus extra-local causes. Net of other effects, corporations in Cleveland and Atlanta are significantly less likely to direct

³⁵ Effects displayed in Figures 3.1-3.3 are based on the models presented in Table 6. All other variables are constrained at the means.

resources toward international causes. Net of other effects, multinational corporations are significantly more likely to give to international causes as are corporations that have offices devoted to overseeing philanthropic activity. Organizations in states that have higher corporate tax rates as well as those that are more active in the LIHTC program are both more likely to give to international causes.

(TABLE 7 ABOUT HERE)

With respect to local civic infrastructure, corporations in Seattle score significantly lower on this ordinal scale than the national average, a finding that fits with the view that, despite higher levels of philanthropic activity overall, resources generally flow out of Seattle. Publicly traded and unionized corporations both score higher on the scale of local civic infrastructure. In the latter case, a union presence may create pressure for greater commitment to local causes, because of a union's connection to its local constituency. Corporations with offices set up to oversee philanthropic activity also score higher on the scale of local civic commitments. The institutional variables once again reveal interesting associations that largely support the hypotheses advanced above. First, fitting with the effects illuminated above, higher corporate tax rates at the state level increase the likelihood that a corporation will give to international causes. And corporations that are in states that are active participants in the LIHTC program are not only more likely to give to international causes, but they also score significantly lower on the local civic commitments scale. Second, having a chapter of a national intermediary (LISC or Enterprise) significantly increases the odds that a corporation will direct resources to local civic projects.

DISCUSSION AND CONCLUSIONS

In the years since Galaskiewicz began his path breaking research on the urban grants economy, corporate-community relations have changed in significant ways. Today, philanthropy is still an important part of the ways that corporations make their presences felt. However, the receding welfare state and changes in the tax code have created new pressures as well as new opportunities for corporate investment in local communities. The flow of resources we have described here is considerably different in logic and practice of the urban grants economy. In cities throughout the United States today, corporate resources flow into the development of low-income housing through the double-dip tax break that corporations receive through use of the Low-Income Housing Tax Credit. In addition to being a great boon for corporations, it has also been a great source of resources for the nonprofit community organizations that are interested in low-income housing development (Guthrie 2004; Guthrie and McQuarrie Forthcoming). The LIHTC is an institution that has had a significant impact on the shaping of corporate-community relations in many cities, as corporate resources now often flow as much from the accounting side of the corporation as they do from the offices of community affairs or from corporate foundations.

Under the LIHTC, an organizational field of CDCs, local government development offices, intermediaries, and local corporations became organized around a new institutional logic about how to forge public-private partnerships. The organizational field that has emerged since 1986 has employed the LIHTC as a critical source of funding in the development of low-income housing. In some cities, the system has effectively oriented the corporate community—including banks—toward a specific set of issues and goals in community development. Based on in-depth qualitative research in three cities, we argue that a combination of effective sponsors to

institutionalize the use of the LIHTC as a tool for community development and a combination of stakeholders that become invested in this organizational field are necessary conditions for the institutional logic of the field to take hold. However, there is significant variation across metropolitan areas in terms of how these local political economies are structured. In Atlanta, for example, the local government dominates—and thus benefits from—the business of community development through the use of the LIHTC. In Cleveland, a wealthy field of CDCs dominates the process of LIHTC-driven community development, however, they, in turn, are dominated by the corporate community via a local intermediary, NPI. This local intermediary controls the flow of corporate resources and CDCs for their part, engage in the Faustian bargain of focusing solely on “bricks and mortar” in return for those resources. Seattle lacks an organized stakeholder community around the issue of low-income housing development, and thus the community is not organized the same way.

While the story of local variation in the institutional logic of the organizational fields that have emerged surrounding the LIHTC is an important one, we sought to take this analysis one step further. Following Galaskiewicz’s work on the urban grants economy, we sought to address the question of whether the structure of these fields shapes the local commitments of a given locality’s corporate community. The answer to that question turned out to be somewhat surprising and counter to what we expected. Based on our analysis of a national sample of corporations from the 50 largest metropolitan areas in the United States, we find that local commitments by state governments do, indeed, shape corporate-community relations but in the opposite direction from what we expected. Consistent with other research on the relationship between taxes and charitable giving, we found that higher local taxes lead to higher levels of philanthropic giving for corporations in those localities. However, higher taxes also appear to

drive down local commitments: The greater the level of local corporate taxation the lower the level of corporate resources are directed locally; similarly, corporations in these local areas are more likely to give to international causes. State activism with respect to the LIHTC has a similar set of effects: high levels of state activism with the LIHTC program over the years is associated with lower levels of local commitment, higher likelihood of commitment to international causes, and lower likelihood of commitment to local civic projects.

In interpreting these associations, we have suggested that corporations see this type of state activism in tradeoff terms. Corporations in states that are active in creating higher state-led welfare state systems—through higher local taxes and more activism in the LIHTC system—view these states as having stronger commitments to the provision of public goods. Thus, the social responsibility falls less on the shoulders of the corporations, at least with respect to philanthropy. Corporations in states that participate in the funding of low-income housing through tax credits (which do not show up on charitable-giving balance sheets) see their commitments to community building as being fulfilled through this institution. Local institutions and local political economies shape corporate decision making in the area of corporate philanthropy, and the field of low-income housing is a part of the changing political economies in local urban areas. However, the evidence we present here suggests that local welfare state activity and local activism in the forging of public-private partnerships end up driving down corporate commitments to local communities.

APPENDIX

The sampling frame for this study is a population of corporations of at least 50 employees³⁶ headquartered in the 50 largest Standard Metropolitan Statistical Areas³⁷ (SMSAs) in the United States. Table A1 lists the 50 SMSAs that comprise the sampling frame for this part of the study. In addition, we also oversampled on three cities within this national sample. For the oversampled cities, we chose metropolitan areas that are basically comparable in size but at the same time have significant differences in terms of the trajectory of economic restructuring over the last 30 years. The cities chosen for this study are Seattle, Cleveland, and Atlanta, each with populations ranging between 2 and 4.5 million. More important than population size, these cities have similarly-sized corporate communities, making the in-depth comparisons among them more easily understood. In addition, each city has shown some growth in the area of corporate-civic relations, though there is considerable variation across these cities in terms of the type of corporate-community relations and the patterns of development that have occurred in these areas.

(TABLES A1 AND A2 ABOUT HERE)

Cleveland—The “Rustbelt”: The PMSA of Cleveland is comprised of five counties, all clustered around the Southern shore of Lake Erie. With a population of 2,148,143 in the five-county area, Cleveland is the smallest of the three oversampled metropolitan areas. It also has grown the least since 1990, expanding only 2.2 percent over the last decade. Cleveland has the

³⁶ As noted above, the population was selected through a proportional probability sample that gives a greater likelihood of sampling for larger organizations than smaller organizations.

³⁷ The various categories of Metropolitan Statistical Areas were officially defined in 1990 by the Statistical Policy Office of the Office of Management and Budget (Federal Register 55 FR 12154-12160, March 30, 1990). The key categories that fall under the rubric of Standard Metropolitan Statistical Area (SMSA) are: Metropolitan Statistical Area (MSA), Primary Metropolitan Statistical Area (PMSA), and Consolidated Metropolitan Statistical Area (CMSA). MSAs are metropolitan areas that are not linked to other metropolitan areas in regional economies (e.g., Atlanta). PMSAs are metropolitan areas that are linked to other MSAs in a general regional economy or CMSA. For example Cleveland-Lorain-Elyria is the PMSA of the Cleveland-Akron CMSA. Because CMSAs are regional economies that extend beyond a given metropolitan area (i.e., they are more than one metropolitan area linked together), we limit our sampling frame to MSAs and PMSAs.

smallest labor force of the three MSAs, and it had a slightly higher unemployment rate both in the year 2000 and an average rate over the last decade. The per capita income in Cleveland is slightly lower than that in Atlanta and significantly lower than in Seattle; city taxes per capita are slightly higher than in Atlanta. Cleveland also has the smallest corporate/business community of the three cities. Where old industrial cities such as Pittsburgh have almost fully transformed themselves in the post-industrial era, Cleveland has maintained a presence in manufacturing throughout the last several decades of deindustrialization. In addition, Cleveland has maintained a solid presence in manufacturing, while reconfiguring manufacturing processes to fit with the current post-Fordist trends in industry. Companies such as TRW and LTV, which were both based in Cleveland, were, until 2001, good examples of this reconfiguration: both companies became models of the type of flexible production that is so often cited in the post-Fordist industrial area. Cleveland is further of interest because it is a city that has developed a civic-minded corporate culture, and therefore will emerge as an important case study in the areas in which this study is engaged.

Seattle—The “New Economy”: Although little has been written on Seattle, this city has emerged in the public consciousness as one of primary hubs of the New Economy. The Seattle-Bellevue-Everett metropolitan area is the PMSA of the Seattle-Tacoma-Bremerton CMSA. This PMSA is comprised of King, Snohomish, and Island counties. With a population 563,374, the city proper is the largest of the three MSAs included in this study; the MSA population (3,043,878) lies in between that of Atlanta and Cleveland. The MSA has had a growth rate of 18.9 percent over the last decade. The labor force is only slightly larger than that of Cleveland. Seattle has had a lower unemployment rate over the decade than Cleveland. Per capita income and city taxes per capita are both the higher in Seattle than in the other two cities. The size of the

business community in this PMSA is slightly larger in each category than in Cleveland. As for the notion of this city as a hub of the New Economy, the presence of Microsoft is the most obvious example of the New Economy influence in Seattle. However, literally hundreds of other Internet, computer, software, and other information technology related companies inhabit the Seattle metropolitan area.³⁸ It could be argued that San Jose is more clearly the heart of the New Economy and that this city should be the representative city for this part of the analysis. We find Seattle to be a more appropriate comparison for a couple of reasons. First, Seattle was an established city before the New Economy boom began, making it a more stable comparison to Atlanta and Cleveland. Second, Seattle also has other industries (e.g., aerospace) that will give us a broader sense of the city's economic landscape, where San Jose is much more narrowly defined around the industries of the New Economy.

Atlanta—The “New South”: Atlanta is a mix between these two ends of the spectrum. The population of the city proper is the smallest of the three areas, though the population of the metropolitan area overall (4,247,981) is significantly larger than that of Cleveland and Seattle. The area's growth of more than 38 percent over the last decades makes it one of the fastest growing metropolitan areas in the country. Atlanta has a larger labor force and a lower unemployment rate than the other two MSAs. Per capita income and city taxes per capita are both similar to Cleveland and lower than Seattle. With the exception of the number of Fortune 1000 companies headquartered there in 2001, the business community is more than 50 percent larger than in the other two areas in each category depicted in Table A2. As a city whose economy has grown dramatically in the last 30 years, Atlanta's economic infrastructure is also closely tied to the New Economy. According to the Atlanta Metropolitan Chamber of

³⁸ A search on Yahoo's city profiles produces a list of more than 700 Internet/software/information technology related businesses for the Seattle metropolitan area.

Commerce, the area boasts over 1,900 software companies, 300 Internet companies, and 60 telecommunications companies, support more than 160,000 technology workers.³⁹ However, is also home to major corporations outside of the New Economy (e.g., Coca-Cola, Georgia-Pacific Group), and it has developed into a major financial center over the last three decades as well. Further, the city also has a very complex political history, which has led to a very particular set of relations among corporations and civic associations. The history of race relations and they ways these tensions have informed politics and civic participation make Atlanta an interesting case in the study of corporate-community ties.

Table A3 lists the Fortune 1000 companies headquartered in 2001 each of the three oversampled cities included in this study. For the national sample, the Survey of Corporate-Community Relations examined the way companies interact with their local communities. In particular the study looked at charitable giving and philanthropy as a means of community involvement. The goal was to better understand the role of the corporate sector in society. Data were collected through telephone interviews conducted by the University of California Berkeley Survey Research Center. The data provide insights into how various businesses see their role in the community.

(TABLE A3 ABOUT HERE)

³⁹ These numbers, if they are accurate, are obviously very high estimates, as 1,900 companies in a given sector for any city would be a huge number. While the Metro Atlanta Chamber of Commerce does not specify, these estimates are clearly dealing with all companies (i.e., including very small companies of fewer than 50 employees).

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