



The Diversity Imperative: The Effects of Local Economic Structure and Social Capital on Local Philanthropy

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Abstract Philanthropic endeavors are a form of institutionalized collective action that enhances a community’s capacity to address community needs and interests. Despite studies investigating the complex relationships between local economies, social capital, and local philanthropy, much remains unknown concerning the interaction between diverse local economic structures, social capital, and local philanthropy. Therefore, we explore whether local economies and social capital affect a community’s capacity to mobilize collective resources for two distinct forms of local philanthropy: *elite* and *social welfare-oriented*. Using a quantitative analysis, we empirically examine these relationships using a dataset covering three specified years spanning 3,036 US counties. Findings suggest that the diversity of local economic structures play a moderating role in facilitating the effect of social capital on local philanthropic activities aimed at satisfying local community demands and interests. The results illustrate important policy implications concerning the diversification of economic resources for local policymakers and community leaders.

Keywords Philanthropy · Resource mobilization · Social capital · Local economic structure

Introduction

A growing body of the literature has contributed to our understanding of local philanthropy by explicating community determinants that enhance a community’s capacity to meet constituents’ demands and interests. The concept of local philanthropy as an institutionalized form of collective action allows for an analysis of community resource mobilization (e.g., monetary contributions). This form of local philanthropy often grows in response to government and market failures. For instance, in local communities hit by hurricanes, there is a temporal void of government assistance (Domingue & Emrich, 2019). Hence, community constituents (i.e., individuals and organizations) quickly and collectively mobilize their resources to respond to imminent threats by contributing their time and money to rebuilding social infrastructure and providing humanitarian needs through philanthropic activities (Hwang & Joo, 2021). This demonstrates that the proliferation of local philanthropy largely depends on the resources mobilized by community constituents. Furthermore, degrees of local philanthropy may be used as a proxy for the community’s collective efficacy, which enables community capacity (i.e., a community’s willingness and capacity to mobilize resources to address community social problems) indicating that conscious individuals aware of community issues tend to mobilize their resources for local nonprofit organizations (e.g., community-based organizations) (King, 2008).

Nonprofit scholars have explored which community factors can determine the levels of local philanthropy (Paarlberg & Yoshioka, 2016). One of the explanations provided when identifying determinants of local philanthropy is social capital and its role in facilitating community member engagement and collective action to enhance

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the general public good (Glanville et al., 2016). Another explanation involves local economic conditions that vary with communities' socio-demographic characteristics. Although prior research suggests economic development promotes civic engagement (Hoyman et al., 2016), little is known about how the community factors, social capital and local economic structure, affect local philanthropy remain unexplored.

Studies investigating the relationship between social capital and local economic growth have reported concerns of reverse or simultaneous causality (Hawkins, 2010), while other studies have not found significant effects of change between local economic structure and social capital (Carden et al., 2009). Hence, we address how social capital and local economies determine the strength of local philanthropy. Although there are similarities and differences in subsectors of philanthropy, local philanthropy is generally correlated with community well-being and plays a vital role in promoting a community's capacity and impetus to fulfill community needs and interests (Hwang & Joo, 2021). As underlying mechanisms, local economic structure, whether concentrated or diverse, and social capital are likely to enhance the community capacity to mobilize collective resources by linking social actors (McCarthy & Zald, 1977).

Economic structures based on employment reflect the sectorial composition of economies in specific locales where local communities have been becoming either more diverse or more concentrated over time (O'Donoghue, 1999). Diverse economies lead to stability, ensuring continued growth, whereas over-specialization is considered risky; economic diversification mitigates the risk of over-dependence (Gilchrist & St. Louis, 1991). A significant relationship between social capital and economic development exists (Bell, 2009); thus, we assume that local economic structures have some impact on local philanthropy. In recent decades in the US, local economies underwent drastic changes that affected the civic community in terms of socioeconomic well-being, civic engagement, and social policy. Drastic changes in the local economic landscape were prompted by economic restructuring (i.e., the decline in the manufacturing industry and the emergence of the retail industry). This change hindered local economic growth via high unemployment rates, low wages, and the incursion of corporate big-box retail stores that devastated locally owned businesses (Goetz & Swaminathan, 2006). The proliferation of the manufacturing industry positively influenced workplace giving to United Way affiliates prior to the 1990s because manufacturing plants were large-scale workplaces with centralized structures that easily facilitated workplace giving (Booth et al., 1989; Paarlberg & Yoshioka, 2016). Given the dramatic shift from local manufacturing and locally

owned industries to dynamic local economic structures, workplace and charitable giving to community-based organizations has significantly declined since the 1990s (Paarlberg & Hwang, 2017), triggering the dissolution of small nonprofit organizations.

Conceptualizations of social capital and its relationship with community outcomes have been extensive. Social capital is defined as a "feature of social life" and a latent resource embedded in social relations, which stimulates individuals and organizations within communities to interact with other social actors (Adler & Kwon, 2002: p. 17; Lin, 1999; Portes, 1998). Putnam (2000) suggests that social capital plays an important role in facilitating community well-being as a public good accumulated by individuals and groups. The benefits of social capital for local communities in relation to economic growth and collective action have been widely explored. Hoyman et al., (2016) state that local economic development is reciprocally related to community social capital, and encompasses a wide range of civic engagement, trust and norms. Furthermore, social capital fosters local philanthropic activities through social interactions by facilitating collective action and resolving community problems (Paarlberg & Yoshioka, 2016).

Based on the literature, we examine the effects of social capital on two distinctive types of local philanthropy, differing by goals, beneficiaries, and stakeholders (i.e., *elite-* and *social welfare-oriented*). Additionally, this paper explores how the local economic structure of places plays a moderating role on the relationship between social capital and the two distinctive types of local philanthropy. Research on the relationship between social capital and local philanthropy emphasizes the positive role of social capital in promoting local philanthropy; however, limitedly via charitable giving to United Way (Lee & Marquis, 2018), community foundations (Suárez et al. 2018), and local UNICEF programs (Longhofer et al., 2019). Accordingly, this study expands upon these literatures by conceptualizing local philanthropy as a proxy for a community's capacity to mobilize collective resources and proposes that degrees of social capital correspond to local philanthropy within geographic communities with varying degrees of local economic diversity.

This paper contributes to philanthropy studies in two ways. First, our analysis broadens the conceptual framework for local philanthropy by distinguishing two types of local philanthropy, *elite-oriented* and *social welfare-oriented*. This is accomplished by characterizing differences in goals and missions, including collective needs, issues and interests that are manifested by the supply and demand sides within the nonprofit sector (Berrone et al., 2016; Corbin, 1999; Marquis et al., 2013). The effects of local economies and social capital on philanthropy might vary

with types of nonprofit organizations because there is conflicting evidence concerning the positive and negative effects of social capital on philanthropy (Brown & Ferris, 2007; Saxton & Benson, 2005). Secondly, the impact of local economies on philanthropy varies with levels of the compositional diversity of industrial structures. Although local economic concentration on the retail industry shows negative effects on giving to local United Ways (Paarlberg & Yoshioka, 2016), the density of various types of corporations was found to enable the growth of local philanthropy (Lee & Marquis, 2018). Thus, this study contributes to the literature by exploring the moderating effects of mixed economic structures on the relationship between social capital local philanthropy.

To illustrate baseline questions, the research model is visualized in Fig. 1. Our analysis tests whether local economic diversity can be considered an imperative condition positively moderating the effects of social capital on local philanthropy. The research model was accomplished after conceptualizing distinctive types of local philanthropy classified by the subsectors' features, missions, and stakeholders (Berrone et al. 2016; Marquis et al. 2013). By testing a more clarified conceptualization of collective philanthropic activities and their dependence on the effects of social capital and local economic structure, this study broadens conceptualizations of local philanthropy followed by policy implications for community embedded philanthropy.

Local Philanthropy

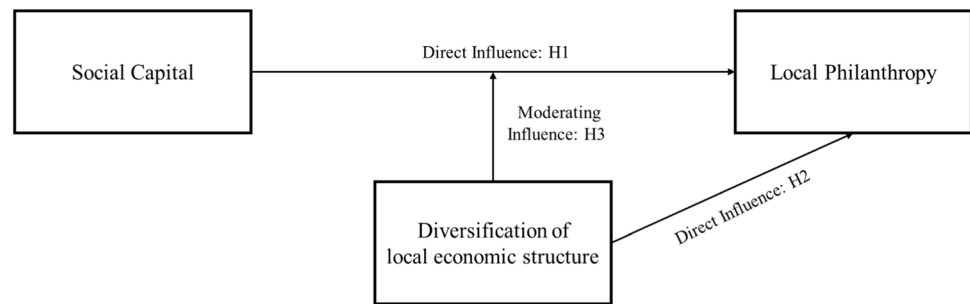
Local philanthropy is a proxy for the community's collective efficacy, which enables community constituents to mobilize resources for community needs and interests (Paarlberg & Hwang, 2019). Philanthropic activities are a form of collective action for "public [and social] good," and a mechanism of philanthropic behavior that is oriented toward resolving societal challenges while reflecting the shared values, norms, and beliefs held by collectives in the community (Brown & Ferris, 2007: 85). While the total amount of US national donations has grown over time, the growth of the local philanthropic sector is determined by many factors including social, economic, and cultural community characteristics. Philanthropic collective activities that are socially, culturally, and economically embedded in the geographic community via social interaction are referred to as local philanthropy. By measuring degrees of local philanthropy, we can ascertain a community's ability to engage in collective action by mobilizing community resources (Lee & Marquis, 2018; Paarlberg & Yoshioka, 2016). To emphasize the importance of the geographic location of organizations, the geographic community is

conceptualized as an institutional field that provides a spatial platform for social and cultural infrastructures enabling community constituents to interact (Wolpert, 1988). This fosters community resource mobilization, or the flow of resources to serve community interests and needs (Freeman & Audia, 2006; Marquis et al., 2013). As a form of institutionalized collective action, local philanthropy consists of identifying the collective demands of constituents while considering the collective's capacity for resource mobilization (King, 2008).

Incorporating the categorization of the subsets found in the local philanthropic sector is needed to clearly distinguish functionalities of philanthropy. Although the nonprofit sector is broadly conceptualized, the subfields of the nonprofit sector are differently categorized by their goals and stakeholders (Berrone et al., 2016). Likewise, philanthropic institutions are complex, varying in forms and identity depending on history, cultural values, socioeconomic status, donors, and politics, which constitutes the purposes of different subsectors (Maclean et al., 2020). The classification used here differentiates *elite-oriented* and *social welfare-oriented* types of philanthropy (Berrone et al., 2016; Marquis et al., 2013). A key distinction between these two types of local philanthropy varies according to the demands and beneficiaries of services and programs.

An elite-oriented type of philanthropy hereafter referred to as *elite-oriented* is significantly different from social welfare-oriented philanthropy in terms of beneficiaries and donor identities (Berrone et al. 2016; Ostrower, 1997). *Elite-oriented* concentrates on art, culture, and the humanities that typically preserve the cultures, traditions, solidarity, and values of the upper-social classes (Lee & Shon, 2018; Ostrower, 1997). DiMaggio & Anheier explain that art and museum nonprofits were initially driven by the "emerging upper-classes" (DiMaggio & Anheier 1990: 141). Likewise, *elite-oriented* nonprofits' services and activities are typically supplied through the governance of urban wealthy philanthropists seeking to enrich local cultural environments. Wealthy individuals and entrepreneurs are major donors who contribute to *elite-oriented* for multiple purposes (i.e., tax-exemption, social networks, and/or preserving political/cultural capital) (Maclean et al., 2020).

Conversely, the social welfare-oriented type of philanthropy hereafter referred to as *social welfare-oriented*, focuses on addressing societal challenges related to indispensable social and human services (Berrone et al., 2016). Since the policy implementation of Great Society, *social welfare-oriented* nonprofits have focused on pursuing social missions that provide necessary social and human services to impoverished and underprivileged individuals and groups (Salamon, 1999). *Social welfare-oriented*

Fig. 1 A prior research model

philanthropy enhances social impact when responding to the needs and interests of communities within geographic boundaries (Lee, 2019). Nonprofit organizations providing the services of affordable housing, food banks, education, job training, adult education, childcare, crime prevention, rehabilitation, and other human services can be categorized as *social-welfare oriented*.

These two types of philanthropy have clear distinctions in key stakeholders, beneficiaries, desired outcomes, organizational goals, and missions. *Elite-oriented* philanthropy is more likely to provide greater benefits toward upper-class solidarity and interests in service of long-term missions. *Social welfare-oriented* is more likely to provide greater benefits to underprivileged individuals that address both short-term necessities and long-term collective missions. While the *social welfare-oriented* focuses on individual beneficiaries and tangible supports when resolving community issues, the *elite-oriented* is rooted in class values, beliefs and norms that tend to preserve cultural capital. Drawing on supply- and demand-side perspectives, *elite-oriented* supports supply side philanthropy, while the *social welfare-oriented* supports demand side philanthropy (Evans et al., 2017).

Theorizing the Complex Relationships among Local Economic Structure, Soci Capital, and Local Philanthropy

Social Capital and Local Philanthropy

Social capital is conceptualized differently depending on the theoretical perspectives and levels of analysis. Social capital motivates individuals to cooperate with other groups that fosters collective action (Adler & Kwon, 2002). It is related to prosocial behaviors across globalized contexts including giving to both religious and secular causes in the US (Wang & Graddy, 2008); increased giving and volunteering behaviors in Mexico (Layton & Moreno,

2014), China (Wu et al., 2018), Japan (Taniguchi & Marshall, 2014), and older adults in Belgium (Dury et al., 2015). There are heterogenous social psychological determinants (Herzog & Yang, 2018) as well as community characteristics (Glanville et al., 2016).

At the community level, social capital is intangible and defined as “features of social life [within organizations or communities] such as trust, norms, and networks that can improve the efficiency of society,” and foster positive social and economic outcomes (Putnam, 1993:167; Hoyman et al., 2016). Initially, social capital was conceived as informal ties and trust for the smooth functioning of the society (Bourdieu, 1985). Later, Putnam (1993, 2000) broadened and quantified the definition of social capital including social networks, norms, and values; however, his concept is criticized for looseness and implicit difficulties measuring social capital (Ferragina & Arrigoni, 2016). Community social capital is a collective set of networks, norms, beliefs, and trust among individuals and groups, distinct from individual social capital focusing on atomized individuals (Hawes, 2019). When communities face collective issues, high levels of social capital increase the likelihood of achieving the desired goals and resolutions to issues via collective action (King, 2004). However, effective collective action requires strong solidarity founded upon the shared values, beliefs, and norms that promote networks and resource flow (Adger, 2003). Social capital accumulates through repeated social interactions and networks, functioning as a collective resource linking individuals and organizations by reinforcing social cohesion in the community in pursuit of collective goals (Adler & Kwon, 2002). Thus, social capital is highly related to the underlying mechanisms of collective action, where communities with higher levels of social capital are more likely to materialize resources for desired collective goals (King, 2008).

As such, social capital is an important factor facilitating collective action when communities encounter collective demands (Adger, 2003). Community social capital also

supports the cohesive social environments needed to motivate community members to mobilize resources to reach collective goals and promote economic growth (Putnam, 2000). According to the community ecology perspective (Freeman & Audia, 2006), a relationship between social capital and collective action evolves recursively in geographic communities within the institutional field, bolstering local philanthropy. Using this line of reasoning, local philanthropy is conceptualized as an institutionalized form of collective action facilitated by community social capital. Research affirming this position has found that building effective social capital leads to the proliferation of philanthropic collective behaviors including giving and volunteering (Brown & Ferris, 2007).

Since social capital plays a role in bringing community constituents together, thereby building effective civil society, high levels of community social capital are associated with greater social trust, cohesiveness, and civic engagement (Hawes, 2019). Moreover, community social capital as a collective resource strengthens collective identities (Guillén & Collins, 2019). This process can directly affect collective action influenced by social interactions as well as the fabric of internal connectedness among constituents, ultimately facilitating philanthropic activities. This study focuses on local philanthropic activities concerning aggregate monetary contributions made to local nonprofits as an outcome of community social capital rather than focusing on sources of social capital. This is because outcomes of social capital reinforce collective values and identities needed for the production of social goods and services.

Due to the functionality differences of philanthropy concerning goals and missions, the impact of social capital on local philanthropy varies with different types of philanthropy (Saxton & Benson, 2005). For example, social capital in racially diverse communities is more likely to be effective in response to imminent social problems such as environmental issues and natural disasters (Hwang & Young, 2020). Alternatively, social capital is more commonly strengthened in groups and communities with homogeneous characteristics (Putnam, 2007). Since the two types of philanthropy identified here serve distinct roles for community functionality for different desired goals and stakeholders, we examine whether the effects of social capital are consistent or varied across these two distinct types of local philanthropy. *Elite-oriented* satisfies relatively homogenous demands for culturally prestigious communities; in contrast, *social welfare-oriented* provides services that address social concerns and community well-being, whose demands and beneficiaries are diversified. First, we hypothesize that the effect of social capital on local philanthropy will be consistently positive regardless of the type of philanthropy (H1a). Second, as social capital

has stronger impacts on homogeneous demands (Putnam, 2007), we hypothesize that the effect of social capital on elite-oriented will be stronger than on social welfare-oriented (H1b).

Hypothesis 1a Greater social capital in a community will be associated with higher levels of local philanthropy.

Hypothesis 1b The association between social capital and local philanthropy will be stronger for *elite-oriented* than for *social welfare-oriented*.

Local Economic Structure and Local Philanthropy

Local economic structure is important when determining levels of local philanthropy as both a primary and moderating factor. Local economic development leads to the growth of wages and employment, enhancing the community's capacity to meet community needs and interests. Furthermore, local economic structure is conducive to developing economic infrastructures and capacities for local philanthropy (Crowley & Stainback, 2019). Initially, agricultural economic concentration in the 1940s strengthened community leadership and civic participation due to locally owned farm operations (Goldschmidt, 1978). When the manufacturing industry became a dominant industrial force prior to the 1980s, centralized local manufacturing industries led to higher employment and buttressed workplace philanthropy (Booth et al., 1989).

Throughout the 1990s, rapid transitions ensued in the industrial sector. The percentage of manufacturing employment declined over time; however, the percentage of employment in big-box retailers did not absorb substantial amounts of unemployed individuals displaced from the manufacturing industry (Davis, 2009). Thus, the corporate big-box retail boom did not make the same contribution to local economic development as the manufacturing industry. The consequences of local economic concentrations of big-box retail included resource flow restrictions and increased resource dependence on external corporate forces, deteriorating community well-being (Goetz & Swaminathan, 2006). This transition in local industrial structures changed the impacts of social capital on local philanthropy, yielding a decline of workplace giving such as to United Way (Paarlberg & Hwang, 2017). Thus, local economic structure helps reshape social structures, evidenced in the decline of the manufacturing industry. Furthermore, through the 1980s, steel plants in the rust belt region shut down, resulting in the collapse of the economic structures of various communities. Paarlberg and Yoshioka (2016) found positive effects where there is a higher percentage of employment in the manufacturing industry on social capital but revealed negative effects where there is a higher percentage of employment in the

retail industry via contributions to United Way. The economic downturn and the weakening of local manufacturing likely hindered the growth of local philanthropy.

According to resource dependence theory (Pfeffer & Salancik, 2003), when a community resource becomes dependent on a single dominant industry, it hinders resource flows and leads to the loss of autonomy among community leadership. Rural communities' resource dependence on natural resource development disrupts local social structure, causing higher crime and high school dropout rates because areas dominated by a singular industry face restrictive resource flows (Freudenburg, 1992). This does not motivate diverse sets of community members to mobilize collective resources. Although energy boomtowns concentrated upon shale energy development have experienced economic growth, local philanthropy in boomtowns are less likely to be supported by community constituents than non-energy producing towns (Hwang & Paarlberg, 2019). Mining communities in West Virginia also experienced declines in social capital because the greater dependence on the coal industry caused conflicts regarding environmental degradation and union solidarity (Bell, 2009). Therefore, to promote community resource flow and lower resource dependency on one dominant industry, local communities are encouraged to diversify economic resources across industrial boundaries to invigorate a community's capacity for local philanthropy.

Hypothesis 2 The greater the diversity of local economic structures in a community, the higher the levels of local philanthropy.

Social capital outcomes are more likely to be contingent upon local economic conditions because social capital is predicated upon the building of trust and networks that facilitate resource flows (Hoyman et al., 2016; Putnam, 1993). There is a positive association between social capital and economic development (Rupasingha et al., 2000). However, this positive association depends on the local economic structure. As social capital has Janus-faced impacts on community outcomes (Szreter, 2002), there are specific economic environments that facilitate the effects of social capital on local philanthropy. The growth of local economies focusing on a certain industry (e.g., shale energy or coalfield) is not always a bonanza and may result in the disruption of community well-being (Hwang & Paarlberg, 2019). Along this line of reasoning, the specialization of a local economy in certain types of industries undermine levels of local philanthropy and community capacity via declines in social capital (Hao, 2015). The diversity of local economic structure visualized in Fig. 2 is based on an index measuring the occupational and industrial structures of regional places since the dimension of employment is critical to understanding economic

development (O'Donoghue, 1999). In Fig. 2, we see that local communities in the Midwest and South have saliently become less diverse as higher concentrations of special industries emerge¹.

The effects of social capital on local philanthropy can be either facilitated or eroded; this is contingent on the intervening factor of local economic structure. Although Putnam (2007) asserts that community diversity hunkers down social capital, other research has found that a diverse set of social and demographic environments facilitates the effects of social capital on local civic action (Hwang & Young, 2020). Similar findings suggest that diverse social groups in gender, race and ethnicity are more capable of resolving collective problems than are homogenous groups (Rotolo et al., 2010). From the perspective of Durkheim (1984 [1893]), diverse economic structures coalesce individuals and organizations that have diverse expertise, thus producing organic solidarity based on the heterogeneous division of labor (Sherer et al., 2019). In communities with regional boundaries, the sectoral diversity of local economic structures enhances the community's capacity to adapt to drastic social changes while fostering stability for community well-being (Drucker, 2011). Thus, we posit that diverse local economic structures at the community level will play a positive moderating role in facilitating the link between social capital and local philanthropy.

Hypothesis 3 The relationship between social capital and local philanthropy is positively moderated by local economic diversity.

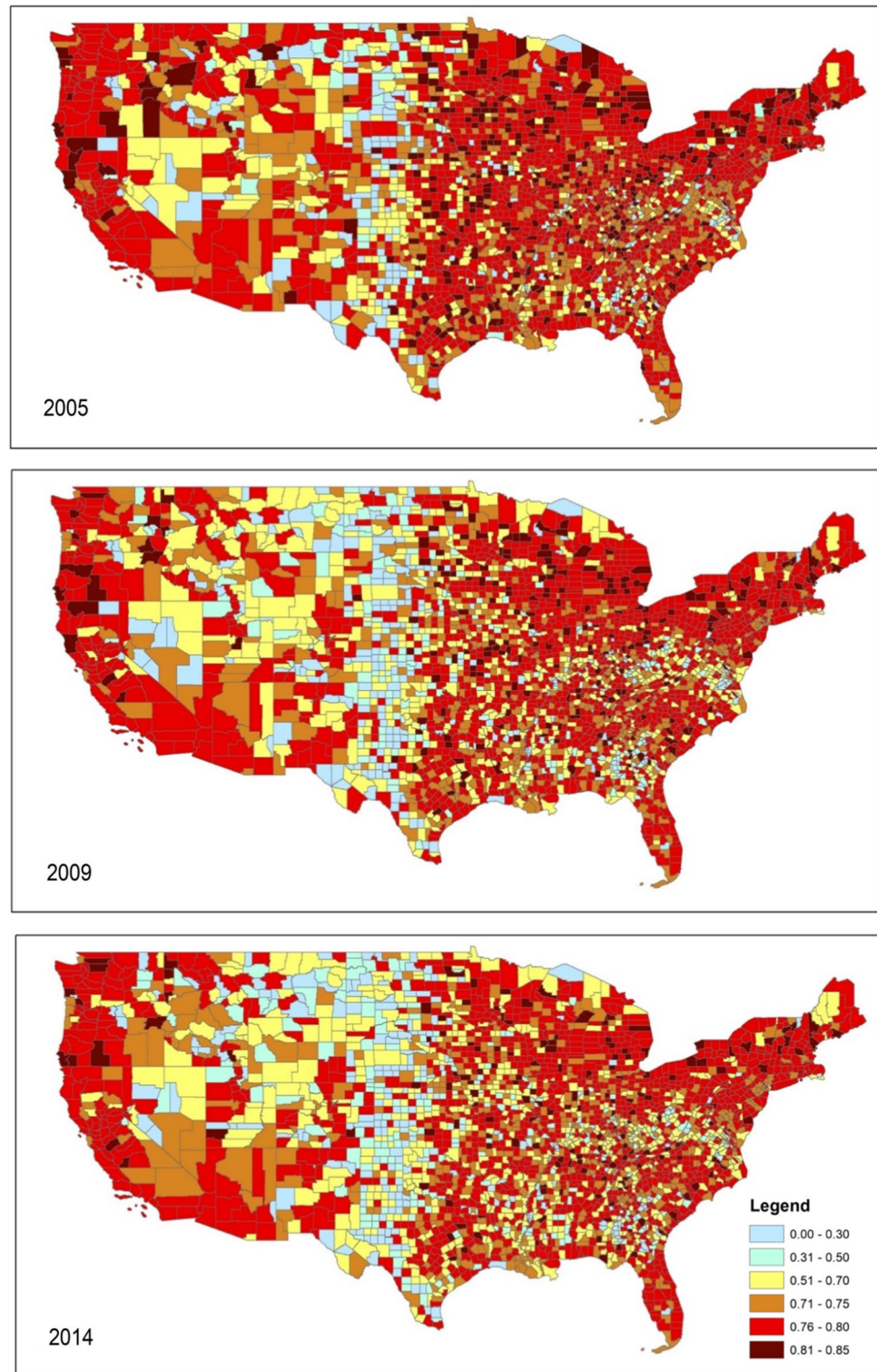
Methods

Data

This study examines the effects of social capital and local economic structure on local philanthropy, while also testing for the moderating effects of the diversity of local economic structure on the relationship between social capital and local philanthropy within US counties. Data were obtained from the National Center for Charitable Statistics, the American Community Survey (ACS) from the US Census Bureau, the Annual Economic Survey (AES) from the US Census Bureau, and the Northeast Regional Center for Rural Development at Pennsylvania State University. US counties are employed as the unit of analysis. Because this analysis conceptualizes the community as an institutional field for social interaction, the

¹ The local economic diversity index created in this paper ranges from 0 to 1. Within the range, 00-.3 is the least diverse while .81-.85 is the most diverse. The local economic diversity index is created and used as independent and moderating variables in this study.

Fig. 2 Local Economic Diversity in the US



community level unit of analysis must capture local, social and economic relationships. Thus, the county level is appropriate because US counties play a stabilizing role involving important key actors when implementing public policies related to the social and economic structure

(Hoyman et al., 2016; Longhofer et al., 2019). Among 3,143 counties in the US, this study analyzes 3,036 counties for the years 2005, 2009, and 2014 because a key variable for social capital is not available for consecutive

Table 1 Variable construction and operationalization

Variable	Type	Source	Variable transformation
Ln. Contributions to Elite-oriented (t + 1)	Dependent	NCCS	Aggregated monetary contributions to two types of philanthropy in each county
Ln. Contributions to Social welfare-oriented (t + 1)			Adjusted for inflation (\$) Per capita (divided by population)
Social Capital	Independent	Penn State	Social Capital Index (Putnam's model)
Diversity of local economies	Independent	Census AES	Gini Simpson index
Economic concentration	Independent	Census AES	The percent of employees working in each of six industries
Education	Control	Census ACS	The percent of individuals with bachelor's degrees or above
Socioeconomic status	Control	Census ACS	A factor score of median household income, poverty rate, and unemployment rate
Racial diversity	Control	Census ACS	Gini Simpson index
Business density	Control	Census AES	The number of all business establishment in each county
D. Economic recession	Control		Year dummy variables of 2009
D. Urbanity	Control	Census ACS	A dummy variable: Population of less than 50,000 versus 50,000 or more

Ln = The natural log; D = Dichotomous variable

years. Table 1 provides a summary of variable construction and operationalization.

Dependent Variable

The dependent variable is local philanthropy, classified as either *elite-oriented* or *social welfare-oriented*, is measured using aggregated philanthropic giving within a specific locale. Monetary contributions made to local nonprofit organizations are a proxy for collective resource mobilization. Hence, our dependent variables were operationalized as the sum of monetary contributions (from individuals and organizations but excluding government grants) to nonprofit organizations located in each county (Longhofer et al., 2019). Data for the dependent variables were obtained from the NCCS Core File compiled from annual files of Internal Revenue Service Form 990. To categorize the two different types of local philanthropy, the National Taxonomy of Exempt Entities (NTEE) Core Code is employed to capture the distinct goals and missions of nonprofit organizations. The NTEE Core Code is a standard taxonomy categorizing subsets of the nonprofit sector. The NTEE system classifies all nonprofit organizations into ten major categories and 26 subcategories. This categorical system is used to differentiate the two types of philanthropy by adopting a typology from the existing literature (Berrone et al., 2016; Marquis et al., 2013).

Elite-oriented includes nonprofit organizations in the Art, Culture, and Humanities organization (NTEE-CC A), private grantmaking foundations (T20), private independent foundations (T22), and private operating foundations (T23) (Lee, 2019). Private foundations are also included because they operate programs and serve stakeholders and beneficiaries to preserve specific purposes and goals of upper-class individuals and associations (Ostrower, 1997).

Social welfare-oriented includes the major human services categories of Crime & Legal-related (NTEE-CC I), Employment (NTEE-CC J), Food, Agriculture & Nutrition (NTEE-CC K), Housing & Shelter (NTEE-CC L), Public Safety, Disaster Preparedness & Relief (NTEE-CC M), Recreation & Sports (NTEE-CC N), Youth Development (NTEE-CC O), and Human Services (NTEE-CC P). *Social welfare-oriented* nonprofit organizations provide indispensable services to support community improvements and service underprivileged populations. This classification is an expansion of the extant concept of community philanthropy (i.e., community foundations and local United Way affiliates) by adding those extended organizations that deal with community demands and interests. To operationalize our dependent variables, all monetary contributions to nonprofits occurring in the geographic confines of counties are aggregated for each type of philanthropy. These aggregated monetary contributions are then divided by the total populations of each county to create a per capita

measurement that is also adjusted to account for inflation in 2015. Both dependent variables are transformed to the natural log.

Independent Variables

Our independent variable is a social capital index obtained from the Northeast Regional Center for Rural Development at Pennsylvania State University (Rupasingha et al., 2006). The social capital index is constructed using principal component analysis for four factors at the county level: (1) voter turnout, (2) the census response rate, (3) the number of civic groups and associations, and 4) the number of nonprofit organizations with local intent. This social capital index captures a dimension of social structure rooted in features of social life involving organizations and networks in the community. Years for the social capital index are 2005, 2009, and 2014 since the Northeast Regional Center for Rural Development provides the data for the limited specified years at the county level.

To examine the effects of diverse local economic structures on local philanthropy and the diversity contingent relationship between social capital and local philanthropy, we constructed a variable for local economic diversity that reflects the diverse occupational and industrial structures of local communities. A diversity index for local economic structure is measured by the following computational formula where the value of the index ranges from 0 to 1; 0 represents no diversity and 1 represents infinite diversity (Rotolo & Wilson, 2014). The Gini-Simpson Index is widely used to measure absolute diversity within spatial areas by using the proportion of different industrial sectors in the community (Cheng, 2019; Paarlberg et al., 2018).

$$\text{Gini - Simpson Index} = 1 - \sum_{n=1}^m (n/N)_i^2$$

For the local economic diversity variable, n is the proportion of each industry's employment, N is the total employment in each county, and i signifies seven industrial categories: (1) manufacturing (NAICS code 31–33), (2) retail (NAICS code 44–45), (3) information (NAICS code 51), (4) finance/insurance (NAICS code 52), (5) professional, scientific, and technical services (NAICS code 54) and healthcare and social assistance (NAICS code 62), (6) accommodation/food services (NAICS code 72), and (7) other industries. Categories for a local economic diversity index variable are derived from the US Census's classification (The US Census Bureau, 2018). Also, the percentages of employees working in each of the seven industrial categories listed above are employed to signify economic concentration. According to Davis (2009) the

manufacturing industry has declined over recent decades while the retail industry has not expanded the hiring of skilled employees from the manufacturing industry. On the other hand, information and technology firms and professional firms have expanded since the 2000s by hiring skilled workers. As shown, Fig. 2 visualizes local economic diversity in the US from 2005 to 2014.

Control Variables

This analysis includes several control variables to capture factors defined as extraneous to the desired effects, ideally affecting both independent and dependent variables (Bernerth & Aguinis, 2016; Carlson & Wu, 2012). For the community racial diversity variable, we use the same formula for local economic diversity with six racial categories: (1) White, (2) Black/African American, (3) Hispanic/Latino, (4) Asian, (5) American Indians/Alaskan Native/Native Hawaiian/other Pacific Islander, and (6) other races. A community resource index was created by employing a factor score using three variables: median household income, poverty rate, and unemployment rate ($\alpha = -0.009$). Since this analysis draws upon the community ecology perspective, the density of all business establishments is employed to control for organizational competition. The dichotomous variable of urbanity employed follows the US Census's classification using a county population threshold of 50,000. To control for economic recession, the year 2009 is coded as 1 to control for the Great Recession of 2008. Additionally, to control for regional differences in the US, we include state dummies to account for unobserved state-level factors.

Analytic Strategy

By using multiple data sources for the years of 2005, 2009, and 2014 across US counties, the panel dataset is consolidated to examine the effects of social capital and local economic structure on local philanthropy. Table 2 presents a summary of the descriptive statistics and a correlation table. The variance inflation factor (VIF) is 2.50 for a baseline linear regression model, alleviating concerns of multicollinearity among the independent and control variables. To address concerns regarding endogeneity of reverse or simultaneous causality, dependent variables are lagged for 1 year ($t + 1$). For our panel dataset, the generalized estimating equation (GEE) regression analysis with year and state level fixed effects is employed to control for unobserved and omitted unit (county) heterogeneity, which produces efficient and unbiased estimates for panel data analysis (Ballinger, 2004). The GEE model is set up as a population-averaged regression estimator that predicts the averages of the dependent variables within

Table 2 Descriptive statistics and correlations

Variables	Mean	S. D	Min	Max	1	2	3	4	5	6
<i>Dependent variables (t + 1)</i>										
1 Ln. contribution to elite-oriented nonprofits	2.39	1.77	0.00	10.27	1.00					
2 Ln. contribution to social welfare-oriented nonprofits	4.09	1.63	0.00	9.44	0.47	1.00				
<i>Independent and control variables (t)</i>										
3 Social capital index	-0.04	1.26	-3.93	21.81	0.11	-0.01	1.00			
4 Diversification of local economic structure	0.71	0.12	0.00	0.83	0.23	0.33	-0.14	1.00		
5 % Manufacturing	13.45	12.46	0.00	74.72	-0.07	-0.03	-0.11	0.35	1.00	
6 % Retail	15.75	4.93	0.00	60.54	-0.11	-0.01	-0.08	0.37	-0.20	1.00
7 % IT	1.05	1.33	0.00	18.24	0.40	0.33	-0.03	0.32	-0.06	-0.01
8 % Finance & insurance	3.37	2.43	0.00	43.13	0.17	0.13	0.12	0.28	-0.10	0.04
9 % Profession & food services	18.38	8.79	0.00	69.27	0.15	0.28	-0.03	0.52	-0.16	0.10
10 % Accommodation & food services	9.98	5.63	0.00	89.91	0.23	0.20	-0.06	0.32	-0.20	0.24
11 Education	18.47	8.56	4.60	74.40	0.58	0.39	0.16	0.16	-0.23	-0.09
12 Socioeconomic status	-0.01	0.81	-3.17	4.39	-0.30	-0.11	-0.30	-0.04	0.05	0.12
13 Racial diversity index	0.28	0.18	0.00	0.78	0.13	0.10	-0.36	0.01	-0.12	-0.06
14 Business density	6.60	1.38	2.83	12.46	0.57	0.55	-0.24	0.48	0.05	-0.04
15 D. Recession	0.33	0.47	0.00	1.00	-0.01	0.03	-0.01	-0.03	-0.06	0.01
16 D. Urbanity	0.32	0.47	0.00	1.00	0.40	0.38	-0.24	0.31	-0.02	-0.03
Variables	7	8	9	10	11	12	13	14	15	16
7 % IT	1.00									
8 % Finance & insurance	0.24	1.00								
9 % Profession & food services	0.20	0.13	1.00							
10 % Accommodation & food services	0.10	-0.03	0.02	1.00						
11 Education	0.45	0.22	0.15	0.27	1.00					
12 Socioeconomic status	-0.24	-0.20	0.07	-0.05	-0.51	1.00				
13 Racial diversity index	0.14	0.02	0.05	0.07	0.15	0.19	1.00			
14 Business density	0.55	0.25	0.27	0.22	0.59	-0.30	0.29	1.00		
15 D. Recession	-0.02	-0.01	-0.01	0.00	0.03	0.11	0.00	0.01	1.00	
16 D. Urbanity	0.40	0.17	0.20	0.14	0.46	-0.23	0.25	0.78	0.00	1.00

N 8,831; *Ln* The natural log; %: The percentage; and *D* Dummy variable

units (counties) sharing the same covariates. Since average values of the dependent variables give us a clear view of trends in the data, the population-averaged model generates less biased and more efficient estimates than other regression estimators used for panel data. The estimated models can be written as follows, where y_{ijt} is the dependent variable such that i = county, j = state, and t = year. $X_{k,ijt}$ represents independent variables, and β_k is the coefficient for the independent variables. α_j is an intercept for each state and represents the effects of unmeasured factors that homogeneously affect counties within each state, δ_t is the intercept for each year, and μ_{ijt} is an error term.

$$y_{ijt} = \beta_0 + \beta_1 X_{1,ijt} \dots \beta_k X_{k,ijt} + \alpha_j + \delta_t + \mu_{ijt}$$

Additionally, by specifying the covariance matrix and link function, the GEE model generates flexible and robust beta coefficients to reduce errors (Pan et al., 2018). The GEE estimator for this analysis is set for the distribution of the dependent variable as *Gaussian* because the two dependent variables are continuous and normally distributed. The link function is specified as the *identity*, and the *independent* correlation matrix is specified. To find the best fit for the correlation matrix, the quasi-likelihood Q under the independence model criterion (QIC) is compared between the *independent* and *exchangeable*. The QIC with the *exchangeable* correlation matrix is greater, which indicates that the *independent* correlation matrix is the

better fit (Cui & Qian, 2007). This analysis examines the relationship between social capital and local philanthropy moderated by specific local economic conditions as moderators. The moderated multiple regression function of the GEE model was employed to test the moderating effects of local economic diversity.

Results

Since the two types of local philanthropy constitute the dependent variables, the results of the beta-coefficients are presented in Table 3. When comparing models for the two dependent variables, slightly different effects of the interaction and independent variables were observed. The first purpose of the study was to find the direct effects of social capital on the two types of philanthropy. Although the magnitude of the coefficients for social capital varies slightly, the effect of social capital is consistently positive (model 1–1 = 0.253, $p < 0.001$; model 2–1 = 0.152, $p < 0.001$). The results indicate greater social capital is associated with greater degrees of local philanthropy regardless of the types of local philanthropy, supporting hypothesis 1a. Additionally, the magnitude of the coefficient is greater in model 1–1 than in model 2–1, also supporting hypothesis 1b.

Results also indicate economic concentration varies according to local philanthropy type. On *social welfare-oriented*, the effect of economic concentration in the manufacturing industry is positive, while effect of economic concentration of the retail industry on *elite-oriented* is negative. Although IT and finance industries have proliferated since the 1990s (Davis, 2009), these two industries have opposing effects on local philanthropy with positive effects of IT on *elite-oriented* and negative effects for finance and insurance industries on *social welfare-oriented*. Table 4 summarizes the effects of economic concentration of each industry on both types of local philanthropy at the community level. Marquis et al. (2013) suggests the density of large corporations on the US stock market is positively associated with both *elite-oriented* and *social welfare-oriented* in the 100 largest US cities. Paarlberg and Yoshioka (2016) report negative effects associated with the growth of manufacturing and retail industries in terms of giving to local United Way campaigns. Our results reveal consistent effects of growth in each industry across the two types of philanthropy.

Contrastingly, the diversity of local economic structure slightly varies between the two dependent variables on significance. The diversity of local economic structure is not significantly associated with growth in the *elite-oriented* (model 1–2 = 0.271, $p > 0.05$), while greater local economic diversity positively effects the *social welfare-*

oriented (model 2–2 = 0.694, $p < 0.05$). These findings reveal that the proliferation of *social welfare-oriented* philanthropy is associated with the diversity of local economic structure, partially supporting hypothesis 2.

The second purpose of our study is to examine the moderating effects of the diversity of local economic structure on the relationship between social capital and each type of philanthropy. Relationships between social capital and the two dependent variables are positively moderated by the diversity of local economics (model 1–3 = 0.234, $p < 0.01$; model 2–3 = 0.193, $p < 0.01$), supporting hypothesis 3. A moderator influences the nature of the relationship between social capital and the dependent variables. Figures 3 and 4 show the moderating effects of local economic diversity on the relationship between social capital and both types of local philanthropy. The interpretation suggests that social capital is positively associated with *elite-oriented* and *social welfare-oriented* philanthropy as the diversity of local economic structure increase. Regarding the magnitude of the moderating role of economic diversity, the effects of social capital on the *elite-oriented* are greater when levels of local economic diversity increase as shown in Fig. 3. Results show that social capital plays a role in positively influencing both types of philanthropy in most cases. Furthermore, the positive relationships between social capital and local philanthropy are catalyzed as local economies diversify.

Regarding the moderating effects of the diversity of local economics on the relationship between social capital and local philanthropy, results indicate that social capital has consistent positive effects on local philanthropy. Increased diversification in local economies yield higher levels of social capital, further strengthening the effects of social capital on local philanthropy. Local business and industrial factors play a pivotal role in facilitating the effects of social capital on the growth of philanthropic activities such as monetary giving and volunteering. The findings suggest that community resource indicators including income, unemployment, and poverty, are associated with the greater local philanthropy (Rotolo et al., 2010). Additionally, a greater density of business establishments is steadily associated with increased levels for both types of philanthropy, implying that local industrial structures are more consequential than community socioeconomic resources. Furthermore, higher percentages of employment in professional fields such as health care, accommodations, food service, and IT might facilitate greater philanthropic giving to *social welfare-oriented* that resolves grand societal challenges at the community level (Berrone et al., 2016). Contrastingly, findings reaffirm that local industrial concentration on retail does not enhance a community's capacity for philanthropic activities (Crowley & Stainback, 2019).

Table 3 Results of generalized estimating equation (GEE) models

Dependent variables:	Elite-oriented			Social welfare-oriented		
	Model 1–1	Model 1–2	Model 1–3	Model 2–1	Model 2–2	Model 2–3
Social capital	0.253*** (0.0157)		0.102* (0.0497)	0.152*** (0.0156)		0.0254 (0.0494)
Diversity of local economies		0.271 (0.294)	– 0.0503 (0.295)		0.694* (0.290)	0.559 (0.293)
Social capital*economic diversity			0.234** (0.0727)			0.193** (0.0722)
% Manufacturing	– 0.000824 (0.00135)	– 0.00268 (0.00207)	– 0.000824 (0.00206)	0.00410** (0.00134)	5.08e-05 (0.00204)	0.000909 (0.00205)
% Retail	– 0.0296*** (0.00305)	– 0.0349*** (0.00403)	– 0.0294*** (0.00402)	– 0.00318 (0.00304)	– 0.0109** (0.00397)	– 0.00837* (0.00399)
% IT	0.0493*** (0.0130)	0.0514*** (0.0133)	0.0493*** (0.0131)	0.0148 (0.0129)	0.0115 (0.0131)	0.0108 (0.0130)
% Finance & Insurance	– 0.00644 (0.00620)	0.000361 (0.00687)	– 0.00727 (0.00679)	– 0.0137* (0.00616)	– 0.0151* (0.00676)	– 0.0201** (0.00674)
% Profession & Healthcare	– 0.00376* (0.00173)	– 0.00513* (0.00259)	– 0.00426 (0.00256)	0.0183*** (0.00172)	0.0138*** (0.00255)	0.0140*** (0.00254)
% Accommodations & Food services	0.0281*** (0.00279)	0.0256*** (0.00340)	0.0279*** (0.00336)	0.0238*** (0.00278)	0.0181*** (0.00335)	0.0198*** (0.00334)
Education	0.0586*** (0.00279)	0.0686*** (0.00276)	0.0582*** (0.00280)	0.0241*** (0.00277)	0.0309*** (0.00272)	0.0244*** (0.00278)
Socioeconomic status	0.296*** (0.0269)	0.264*** (0.0272)	0.294*** (0.0270)	0.426*** (0.0268)	0.416*** (0.0268)	0.429*** (0.0268)
Racial diversity	0.230 (0.123)	0.00644 (0.123)	0.218 (0.123)	– 0.0403 (0.122)	– 0.173 (0.121)	– 0.0473 (0.122)
Business density	0.605*** (0.0221)	0.527*** (0.0229)	0.607*** (0.0231)	0.654*** (0.0220)	0.595*** (0.0226)	0.641*** (0.0230)
D. Recession	– 0.303*** (0.0369)	– 0.307*** (0.0373)	– 0.300*** (0.0369)	– 0.0519 (0.0366)	– 0.0620 (0.0367)	– 0.0520 (0.0367)
D. Urbanity	– 0.289*** (0.0481)	– 0.347*** (0.0487)	– 0.272*** (0.0484)	– 0.264*** (0.0478)	– 0.293*** (0.0480)	– 0.245*** (0.0481)
Constant	– 0.417 (0.331)	– 0.120 (0.216)	– 0.399 (0.333)	1.437*** (0.329)	1.410*** (0.213)	1.377*** (0.331)
Wald Chi ²	8389.28	7969.45	8409.64	6047.18	5966.88	6068.44
Observations	8,829	8,873	8,829	8,829	8,873	8,829
Number of FIPS	3,036	3,038	3,036	3,036	3,038	3,036

The significance of italic values indicate Standard Error (s.e.)

Results for states and year intercepts are not reporting in our models due to space limitation

*** $p < 0.001$, ** $p < 0.01$, * $p < 0.05$

Discussion and Conclusion

This study examined the moderating effects of the diversity of local economic structure on the relationship between social capital and local philanthropy. A long-standing debate over the role of local economies in influencing the relationship between social capital and the nonprofit sector

is central to this analysis. Prior research suggests that rural communities have greater social capital than urban and suburban areas (Pena & Lindo-Fuentes, 1998); however, recent studies reveal a decline of social capital in rural communities (Elshof & Bailey, 2015). Bell (2009) found that the high economic dependency on the coal industry destroyed local communities' store of social capital

Table 4 A summary of the effects of economic concentration on each industry

	Elite-oriented	Social welfare-oriented
% Manufacturing	n.s	+
% Retail	–	n.s
% IT	+	n.s
% Finance & Insurance	n.s	–
% Profession & Healthcare	–	+
% Accommodations & Food services	+	+

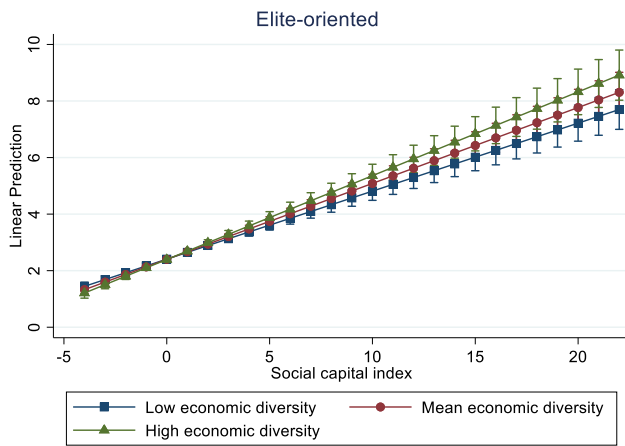


Fig. 3 Predicted values of contributions to *elite-oriented* (Model 1–3)

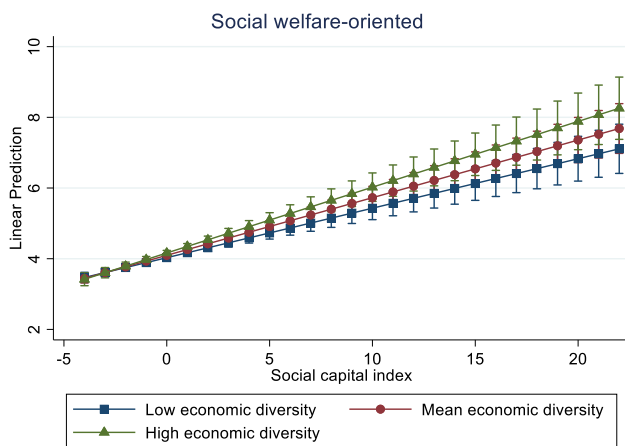


Fig. 4 Predicted values of contributions to *social welfare-oriented* (Model 2–3)

although the coalfields brought economic boom to the community for a given time. By lowering levels of dependency on one certain industry and diversifying the flow of economic resources, social capital can be stored through the dynamic interaction among individuals and organizations. Our analysis expanded upon theoretical perspectives of social capital by distinguishing the role of

local economic structures as either facilitating or mitigating the effects of social capital on philanthropic collective action rather than focusing on different store of social capital between urban and rural areas.

This study conceptualizes the local community as an institutional field that guides and shapes individual and organizational behaviors regarding philanthropic activities, a form of collective action (Lee & Marquis, 2018; Marquis et al., 2013). Geographic communities are the spatial platforms that shape resource flow among social actors and the routinized collective behaviors of individuals and organizations. Moreover, the concept of community is not only embedded in the spatial logic but also interacts with market, state, and professional organizations; trends suggest the emergence of a new governance system at the community level (Hammerschmid & Meyer, 2005). Geographic places shape and influence cultural and institutional environments leading to local philanthropic efforts based on a community’s capacity to address collective needs and interests (Williamson et al., 2021; Wo, 2018). Local philanthropy is essential for interactions and interdependence between nonprofit, social, and market institutions to produce the positive outcomes associated with greater social capital in response to local social problems.

This categorical conceptualization of local philanthropy suggests that social capital leads to growth in philanthropic activities. *Elite-oriented* is primarily shaped by elite individuals and organizational social interactions and differs from the logics of *social welfare-oriented*. There are underlying motivational rationales determining the collective behaviors of *elite-oriented* such as tax reductions or pure altruism to preserve donors’ upper-class values (Evans et al., 2017; Ostrower, 1997). Contrastingly, *social welfare-oriented* are more likely to focus on responding to the demand sides of community and respond to underprivileged individual needs or issues. Results imply that both types of local philanthropy are more likely to be promoted in diverse local economic structures that catalyze the effects of social capital. These findings hint to an overarching mechanism of philanthropic collective behaviors that may explain the fundamental link between the effective functions of philanthropy and the growth in social capital that is the diversity of local economic structures. The

positive effects of social capital on both types of local philanthropy are greater where higher levels of local economic diversity exist. This implies that organic community solidarity flourishes with heterogeneous community features and is supported by classic sociological theory, providing a strong rationale when explaining the effects of local economic diversity as a positive moderator regarding the relationship between social capital and local philanthropy (Durkheim, 1984 [1893]; Portes & Vickstrom, 2011).

Local policymakers should implement local business policies that encourage the diversification of local economic resources rather than over-specializing in certain industries or promoting one dominant industrial force. Diverse local economic structures facilitate local philanthropy while catalyzing the effects of social capital because diverse economies lead to employment stability and protects community members from economic fluctuations (O'Donogue, 1999). From the social movement perspective business, industry, corporate, and market forces have ambivalent functions for growth in a civic society when resolving grand societal challenges (climate change, inequality, public education, etc.) that are implicated within global and local contexts (Davis & McAdam, 2000). Hence, by diversifying local industrial structures, local policymakers may enhance the community's capacity to mobilize resources to solve community issues via high levels of social capital.

Our analysis includes a few limitations due to the use of empirical models with relatively short time periods of observation. This is largely due to limited data accessibility concerning the social capital index. Nevertheless, this study provides new insights for interdisciplinary audiences. First, the concept of local philanthropy is clarified, expanding a limited concept to one that considers multiple categories including recognizing distinct stakeholders, missions and goals, and nonprofit supply and demand side dynamics. Second, this study sheds light on a vital feature of local economic diversity: it is a catalyst enhancing the positive effects of social capital when considering local philanthropic growth. By incorporating a measurement for local economic diversity, we were able to create visualizations that offer an understanding for an intuitive time trend regarding how the landscape of local economic structures changed over a decade. Our findings have important sociopolitical implications for community-level nonprofit practitioners and policymakers prompting local economic diversity. Local philanthropy is a form of institutionalized collective action that allows a collaborative governance system within the institutional fields conducive to social interaction. Finally, it is expected that this approach will offer a better understanding of the complex relationship that exists among economic diversity, social

capital, and philanthropy, making a contribution to both the academic and practical rationales for implementing local public policies that support local economic diversity. This approach is understood to be an essential collective resource harnessing the effectiveness of social capital on local philanthropy.

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