

Embracing Market Liberalism? Community Structure, Embeddedness, and Mutual Savings and Loan Conversions to Stock Corporations

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Abstract

Integrating research on communities with economic and organizational sociology, we analyze how organizations' responses to marketization are shaped by their embeddedness in communities and the socio-associational structure of those communities. We address these relations via event-history analyses of mutual conversions to stock corporations among savings and loan associations (SLAs) in the United States, a population of depositor-owned and traditionally community-based banks that demutualized amid deregulation during the 1970s and 1980s. Consistent with accounts of social disorganization and declining social capital, SLA managers abandoned mutual for corporate enterprise as SLAs became less locally embedded, and where communities experienced disorganization and declining working- or cross-class associationalism. Yet conversions also depended on elite detachment, civic reorganization, bifurcation within communities, and "upwardly oriented" associations that helped SLA managers reorient SLAs from Main Street to Wall Street. Through this study, we look beyond networks, institutions, and categories to add communities and local associations to economic sociology's toolkit for understanding the social foundations of firms and markets. We show how financialization coupled macro-level political-institutional dynamics of marketization with community-level dynamics of elite disconnection, class and ethno-racial fracture, and civic reorganization, while also shedding light on the contemporary fates of mutual and cooperative forms.

Keywords

mutuals and cooperatives, demutualization, community, financialization, neoliberalism, institutional change

From the Populist era through the Great Society initiatives, community-based cooperative, nonprofit, and local public enterprise proliferated alongside for-profit corporations, populating U.S. capitalism with a strikingly diverse array of enterprise systems (Hansmann 1996; Haveman and Rao 1997; Schneiberg 2007, 2011; Soskis 2020). In finance, for example, consumer, business, and affinity groups organized more

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than 3,200 insurance mutuals, 4,100 mutual associations and banks, and 7,700 credit unions, making segmented systems of community-based banking a hallmark of the post New Deal financial architecture. In agriculture, over 10,000 grain elevator, dairy, and grower cooperative associations were created in the Midwest. In electricity, consumers and cities formed over 3,000 municipal utilities and 1,000 cooperatives that serve nearly 27 percent of all residential utility customers in the United States. And in sectors like health-care, social services, and education, nonprofit enterprises emerged in even greater numbers, accounting for roughly half the nation's hospitals, 70 percent of individual and family service agencies, and nearly 40 percent of higher-education institutions in 2007 (Hall 2006; Salamon 2016). Fueled by struggles over "trusts" and the shape of the economy, fights for equality, and the expansion of the welfare state, these enterprise ecologies were, and remain, organizational infrastructures for making markets, expanding access to resources, fostering small stakeholder economies, and promoting community and local self-governance (Clemens and Guthrie 2010; Hall 2006; Levy 2017; Schneiberg 2011; Soskis 2020).

Since the 1970s, however, alternatives to for-profit investor-owned corporations of almost all types have been subject to the call of the market—to exhortations that they align their structures and strategies with market logics, corporate practices, and the dictates of competitive capitalism. Neoliberalism and market logics transformed the contexts within which enterprises operate, underwriting new economic policies, including deregulation and "new public management" (Campbell and Pederson 2001; Derthick and Quirk 1985; Djelic 2006; Henisz, Zelner, and Guillén 2005; Krippner 2011). These logics brought new conceptions of organizing, rooted in agency theory and financial or shareholder value maximization conceptions of control (Davis 2009; Dobbin and Zorn 2005; Fligstein 2001). They injected new evaluative criteria and business models into public, cooperative, and nonprofit

domains, fueling commercialization and concerns about mission displacement (Mosley 2020; Owen-Smith and Powell 2001; Salamon 2016; Scott et al. 2000; Soskis 2020; Thornton 2004). And they prompted public, cooperative, and nonprofit firms in a range of sectors to abandon their basic forms via privatization or conversions to for-profit stock corporations (Chaddad and Cook 2004; D'Aunno, Succi, and Alexander 2000; Fulton and Hueth 2009; Goddeeris and Weisbrod 1998; Levi-Faur 2005).

In this article, we focus on changes in forms and analyze how ties to local communities shaped organizational responses to neoliberalism among one key group of alternative enterprises in the United States: mutual savings and loan associations (SLAs). During the mid-1970s, mutual SLAs began to convert in growing numbers to for-profit stock corporations. We consider the links between mutuals, managers, and their communities as key factors in this process, focusing on how local community structure and the embeddedness of SLAs in their communities shaped bankers' propensities to abandon Main Street and mutual forms for Wall Street and the for-profit corporation. Here, we build on a growing stream of work studying the relationships between organizations and community (Marquis and Battilana 2009; McQuarrie and Marwell 2009). And we engage the sociological literature on the changing character of communities and the effects of those changes on key outcomes, including crime rates, voting, protests, enterprise formation, and elites' ability to manage economic change (Portes and Manning 1986; Putnam 2000; Safford 2009; Sampson et al. 2005; Sampson, Raudenbush, and Earls 1997; Skocpol 2003; Small 2009). Such work raises the prospect that social transformations that saw Americans increasingly "bowling alone," elites becoming less tied to their local communities, and communities fracturing along class and race lines also weakened the relational and institutional foundations of mutual, cooperative, and kindred enterprises, leaving them more receptive to the call of the market and its for-profit

forms. We ask to what extent did SLA conversions to for-profit corporations in the face of financial deregulation rest on the detachment of mutuals and managers from their communities, widening divisions within those communities, or changes in local associational structures?

The savings and loan case is ideally suited for analyzing relations between form and community in the neoliberal era. As we will document, mutual conversions to stock corporations represented an abandonment of the basic form SLAs had used for over a century to organize mortgage lending in the United States. Mutual SLAs, like many other alternative enterprises, originated in communities, dedicated their missions to community and public service, and adopted organizational (mutual) forms to reflect those missions. Indeed, SLAs occupied a distinctive niche among alternative credit institutions for how they were tied to residential communities, mortgage markets, and homeownership; wrapped in the language of communities of place; and required to organize as mutuals to ensure local connections and flows of housing loans to places underserved by commercial banks.

Conversions, in contrast, entailed a reorientation from Main Street and traditional conceptions of community-based missions to Wall Street, national securities markets, and the pursuit of profit in an increasingly integrated, global, and market-based financial system. Conversions transferred property rights in SLAs from local depositor-owners to a new class of independent shareholders, laying organizational foundations for the pursuit of financialization, expanded banking powers, and derivative transactions that ultimately consumed mortgage markets. Exposed early and heavily to deregulation and the market, SLAs had wider (and often earlier) regulatory latitude than did other alternative financial institutions to meet those forces by changing their form, and they converted in far greater numbers.

Yet in many places, SLAs eschewed conversion and remained mutuals, producing substantial variations in organizational

responses to broader institutional changes. We develop hypotheses about the community foundations for that variation. And we use event-history analysis of the full population of 3,700 mutual SLAs to assess whether conversions to corporations depended on the embeddedness of SLAs in their communities, and the stability, composition, and associational structure of those communities.

In addressing these relationships, we develop new possibilities for linking economic sociology and organizational analysis with urban sociology and community studies. As we will show, community environments play a key role in shaping whether local organizational elites embrace community-based enterprise or pursue new modes of business organization. Documenting those connections extends the insights of community sociology and contributes to a central agenda in economic sociology: to understand how social structures and relations support different forms of economic organization and trajectories of economic transformation.

For institutional and organizational analysis, we contribute new insights into how and why organizations vary in responding to broad institutional transformations, including the neoliberal resurgence of the late twentieth century. Scholars have long understood that diffusion typically occurs in a lumpy, uneven, and partial fashion across fields (Djelic 1998; Fiss and Zajac 2004; Strang and Soule 1998). They have also begun to analyze how community contexts mediate responses to market pressures (Marquis and Battilana 2009; Marquis, Lounsbury, and Greenwood 2011). We integrate these lines of work to address variations in organizations' responses to deregulation and market logics, tracing how the character of communities and ties to those communities left managers more or less receptive to the market's call.

For literature on cooperativism and kindred forms, we provide insights into the social-structural roots of alternative organizations, and their uneven vulnerabilities to abandon their traditional forms in the face of market and institutional pressures (Chen and

Chen 2021; Cheney 1999; Rothschild and Whitt 1986). Here, we shed new light on the conditions under which alternatives to corporate capitalism are more or less likely to be purged from the path.

Finally, we contribute to the historical sociology of financialization (e.g., Krippner 2011; Quinn 2017) and highlight a key prelude. S&L demutualizations marked the first stage in a decades-long organizational restructuring of U.S. finance (Funk and Hirschman 2014; Goldstein and Fligstein 2017). Critically, we gain new insights into what drove financialization by analyzing linkages between two main currents of late-twentieth-century social transformation: marketization and community restructuring. As we will show, the transformation of mortgage finance from a community-based, Main Street system to one centered on Wall Street, securitization, and market-based banking was grounded not only in macro-level institutional changes, deregulation, and expanded asset powers, but also in local social structures, the bifurcation of U.S. communities, and the disconnection of local banking elites from those communities.

CONTEXT: CONVERSIONS, MUTUALS, AND THE SAVINGS AND LOAN FIELD

Conversions of organizational form—whether from public to private, nonprofit to for-profit enterprise, or cooperative or mutual to stock corporation—occurred in numerous U.S. sectors during the late twentieth century, including healthcare, agriculture, social services, banking, insurance, electricity, and water utilities (Chaddad and Cook 2004; Cutler and Horwitz 2000; D'Aunno et al. 2000; Fulton and Hueth 2009; Goddeeris and Weisbrod 1998; Masulis 1987; Rasmusen 1988). Conversions can be seen broadly as responses to the resurgence of the market and associated institutional changes in the late twentieth century. They transform the basic genetic code of organizations, altering organizations' internal structure, and changing both which stakeholders have decision-making authority and who

holds property rights or claims to firms' net income and assets. They also involve shifts in organizations' identity or mission, the audiences or projects they address, and the contexts in which they operate. Indeed, conversions often entail a reorientation from local, publicly oriented, or community-based missions to distal concerns with commercialization, new funding sources, and the market. Nowhere was this more true than in the savings and loan field, where mutual conversions to stock corporations in the 1970s and 1980s went hand-in-hand with shifts in business practices.

Mutuals and Main Street

Prior to the 1970s, local, community-based banking via mutual savings and loan associations had been the organizational foundation for mortgage finance in the United States. These were not-for-profit depositor-owned banks, organized as local associations that accepted members' deposits ("shares" or "subscriptions") and used pooled funds to provide home loans to members. Mutuals enjoyed relational and informational advantages over for-profit commercial banks that helped make viable mortgage markets (Hansmann 1996; Mason 2004; Masulis 1987; Rasmusen 1988). By eliminating the independent shareholder, mutuals mitigated incentives for managers to pursue risky investments, while enabling depositors to monitor co-resident managers to ensure they invested prudently. Moreover, as managers and other members often personally knew the borrowers, mutuals could leverage social ties to screen loan applicants, oblige borrowers to honor promises, and work out problems.

Mutual SLAs were also routinely enlisted as vehicles for fostering communitarian projects and republican virtues, notably mutuality, or self-help among peers; thrift, or planning and disciplined saving for the future; and community development via homeownership (Haveman and Rao 1997; Haveman, Rao, and Paruchuri 2007; Mason 2004). Managerialism distanced many SLAs from the romantic imagery of the 1946 film *It's a Wonderful Life*. Yet, public officials

persisted in theorizing mutuals as embodiments of Main Street—as nonprofit, locally owned and operated vehicles for promoting vibrant communities of virtuous householders—enshrining SLAs as local civic institutions in law and regulation from the New Deal onward. Lawmakers segregated the S&L subsector from for-profit commercial banking and Wall Street, giving S&Ls their own regulator, the Federal Home Loan Bank Board (FHLBB) (Mason 2004). They restricted S&L investments to home mortgages and bounded operations at state lines, ensuring localism and specialization, while using favorable taxation and interest rate differentials to protect their status as privileged mortgage providers. And they ensured SLAs remained mutually-owned, de facto banning conversions, and insulating the sector from stock corporate forms.¹ In 1955, 90 percent of the nation's 3,544 SLAs were mutuals, controlling 89 percent of the industry's assets; in 1975, mutuals still accounted for 85 percent of the 4,100 SLAs regulated by the Office of Thrift Supervision (OTS). As late as 1989, 75 percent of SLAs did business in six counties or fewer; half did at least two-thirds of their loans in their home county.

Within the segmented architecture of the mid-twentieth-century U.S. financial system, SLAs occupied a similar niche as other alternatives to commercial banks, such as credit unions, farm credit associations, and mutual insurers (Hansmann 1996; Mason 2004; Schneiberg 2011). Yet MSLAs stood out among alternatives for how they were institutionalized within visions of Main Street communities of place, and tied by regulation and law to residential communities, mortgage markets, and homeownership.² Moreover, MSLAs stood at the forefront of the late-twentieth-century turn to the market, with earlier and broader exposure to deregulatory pressures than these other forms.

From Main Street to Wall Street, Mutuals to Stock Corporations

During the late 1960s and 1970s, three institutional changes breached the boundaries that

had preserved SLAs as an insulated financial subsector, enabling them to reorient and convert. First, economic experts retheorized the SLA and used an agency theory critique of the mutual to legitimate stock forms as a more rational, efficient, and modern way to organize. These critiques first emerged in a 1969 FHLBB commissioned study under Wharton Professor of Finance Irvin Friend, summarized effectively by economist Edward Herman (1969:944–5):

[T]he separation of ownership from effective control of mutual associations is virtually complete. Power is in the hands of small management groups [who] in theory are fiduciary representatives of the mutual shareholders, [but] give every indication of being in business for personal gain. . . . [T]he spirit of mutuality is of little force . . . and many mutual managers come to regard the association as their personal property. This has contributed to the relatively more extensive nepotism found in the mutual sector [and] to the higher levels of compensation and other expenses.

For Herman, “the present state of mutuality is the best argument for the stock form.”

UCLA's Alfred Nicols agreed, as did a host of other economists (e.g., Blair and Placone 1988; Hannan and Mavinga 1980; O'Hara 1981; Verbrugge and Goldstein 1981). From “democratic cooperatives,” mutuals had become “self-perpetuating aristocracies” of managers who used permanent proxies and more for “a seizure of absolute control” and to benefit themselves at depositors' expense (Nicols 1972:1–2, 12–13). “Unlike the corporation, there is no effective way for anyone to challenge his decisions or power” (Nicols 1972:2, 12). For Nicols (1972:300–301) the remedy was “obvious. If mutuals were converted to stock associations . . . profit [and the threat of takeover would] provide a basis for rational decision making,” eliminating the need for regulatory subsidies or protection.

Such arguments gained force in Congress and regulatory hearings in the early 1970s,

especially as critics reframed the mutual form as a limit to lending. Mutuals, critics stressed, could not raise capital via equity issues in order to expand lending and exploit market opportunities. A Florida SLA president testified that they moved to convert because they were "in one of the glorious fast growing areas . . . and to sustain [growth] it's essential that we broaden our capital base [via] the equity market" (U.S. Senate 1976:100). The FHLBB chair elaborated:

[C]onversions increase the equity of associations thus supporting continued deposit growth and mortgage lending. . . . [They] offer the association the opportunity to expand as well as enhance its competitive ability in a number of other areas. It can attract high quality management with stock option plans. (U.S. Senate 1976:8–9)

Defenders of mutualism countered by denouncing stock forms and conversions as an abandonment of Main Street for Wall Street, a betrayal of mission, and an expropriation of community assets. According to the Vice President of the Council of Mutual Savings Institute,

Conversion shifts the independent, community-oriented mutual S&L, immune from take-overs, corporate raids, proxy fights and acquisition, into a basically hostile environment—the securities market. . . . The mutual form is best for the promotion of thrift and homeownership because, since it doesn't have to pay dividends to stockholders, its cost of capital is lower. Because there are no investor pressures, stock speculation [and] acquisition threats, management tends to be more stable. (U.S. Senate 1976:47)

Some mutual managers agreed. SLAs, one explained, "have traditionally been local lending institutions, sensitive to the needs of the communities they serve. How can a SLA . . . with a papier-mache board of directors and relocated managers, know their community, much less serve it?" (*Savings and Loan News* 1979:47).

"The management," complained another MSLA president, "will no longer be interested in investing in the community" (*Savings Institutions* 1983:47). Others attacked conversions as a ploy by insiders to enrich themselves, as an expression, not a corrective, to managerial self-dealing: SLA assets, "which belong to the association and are a community asset," will be "appropriated for the benefit of those insiders who engineer the conversion, constituting a 'windfall'" (U.S. Senate 1976:47). Yet with economists' support, arguments for efficiency and for expanding lending capital as "serving the community" won the day for regulators and lawmakers, leading to a second key change.

Based on these accounts, regulators and lawmakers enacted pro-market regulation that changed ownership rules and authorized conversions (Dunham 1985; OTS 1997; U.S. Senate 1976). Lawmakers had repeatedly placed moratoria on conversions, fearing insider abuse, windfalls, and risk of bankruptcies. But as expert analysis and Wall Street advocacy for change accumulated against the mutual form, the FHLBB developed protocols for converting SLAs to stock corporations, conducted test conversions from 1972 to 1974, and used those test results to press Congress and the Senate Banking Committee to end the moratoria. In 1976, Congress granted the FHLBB the authority to approve conversions, producing a salvo of financial deregulation that predated the later removal of interest rate caps and expanded asset powers for SLAs. These changes granted SLAs early and unusually wide latitude to alter their form in response to this new context, especially in contrast to credit unions, who had to wait decades, until 1998, for similar authorization (Wilcox 2006), and insurance mutuals, who had to negotiate a patchwork of state regulations (Viswanathan and Cummins 2003).

Third, SLAs forged new and deepening business ties with Wall Street. On the deposit side, competition from money market mutual funds pushed SLAs to seek new sources of funds via Wall Street investment banks. By 1985, brokered institutional deposits reached

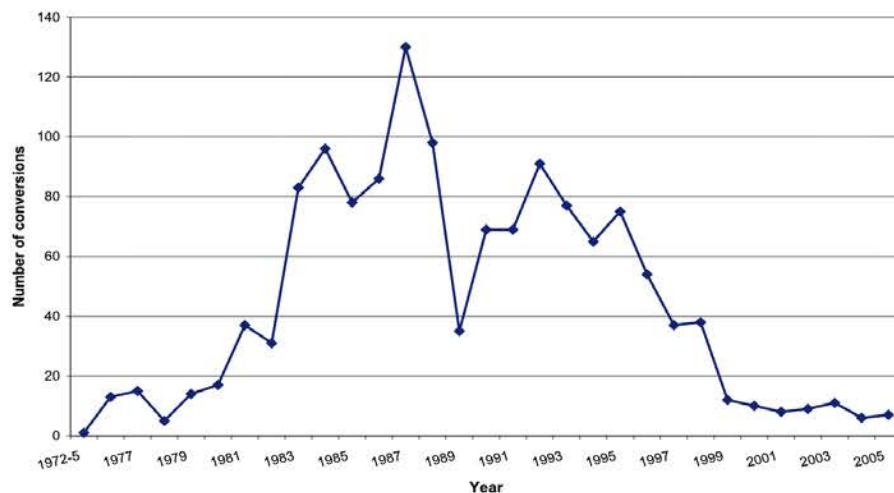


Figure 1. Annual Number of Mutual SLA Conversions to Stock Ownership Form, 1972 to 2005

Data Source: Federal Home Loan Bank Board and Office of Thrift Services.

14 percent of SLA deposits. On the asset side, SLAs turned to mortgage-backed securitization, which grew from 0 to 16 percent of SLA assets by 1988 (OTS 2007). The conversion process itself also deepened linkages with Wall Street, as consultants and investment bankers entered the field to promote and profit from SLA stock IPOs. By 1976, investment banks like Thomson and McKinnon and Dean Witter had organized specialized units to orchestrate conversions and were actively peddling conversions to SLA managers (U.S. Senate 1976:32, 75, 181). Already by 1979, before the Depository Institutions Deregulation and Monetary Control Act of 1980, the U.S. League of Saving Associations had its own consultants “to build new bridges to [the] investment community” (*Savings and Loan News* 1979:19).

Together, these changes breached the boundaries between Main Street and Wall Street. They integrated the S&L field with national financial markets, populated it with multiple organizing models, and encouraged new business strategies. By the late 1970s, SLA managers and boards faced competing logics, with a traditional, community-oriented mutual model vying against a model of delocalized markets, growth via diversified investment, collaboration with investment bankers, and stock ownership (Haveman 1993; Marquis and Lounsbury

2007). In response, SLA managers converted mutuals in substantial numbers.

Conversions

Conversions proceeded via FHLBB protocols. They began with a plan that had to be approved by two-thirds of the board, followed by notification of depositors and a filing with the FHLBB (Masulis 1987; OTS 1997). After FHLBB approval, the board had to call a meeting of members and obtain a two-thirds vote of approval for the conversion. Members had first rights of refusal for the stock subscription, followed by managers, board members, and then the general public. Such protocols were designed to foster participation and safeguard depositor interests. In practice, however, depositors rarely voiced opposition, participated in the process, or exercised subscription rights. Rather, managers and boards were the change agents, and they most often ended up owning large shares of the converted association (Dunham 1985; Pettigrew et al 1999).³

Figures 1 and 2 chart the temporal and geographic distributions of stock conversion activity. From 1977 to 1989, 759 of the country's 3,350 mutual SLAs converted. By 2005, an additional 639 followed suit (OTS 2007). By the numbers, mutual SLAs far surpassed

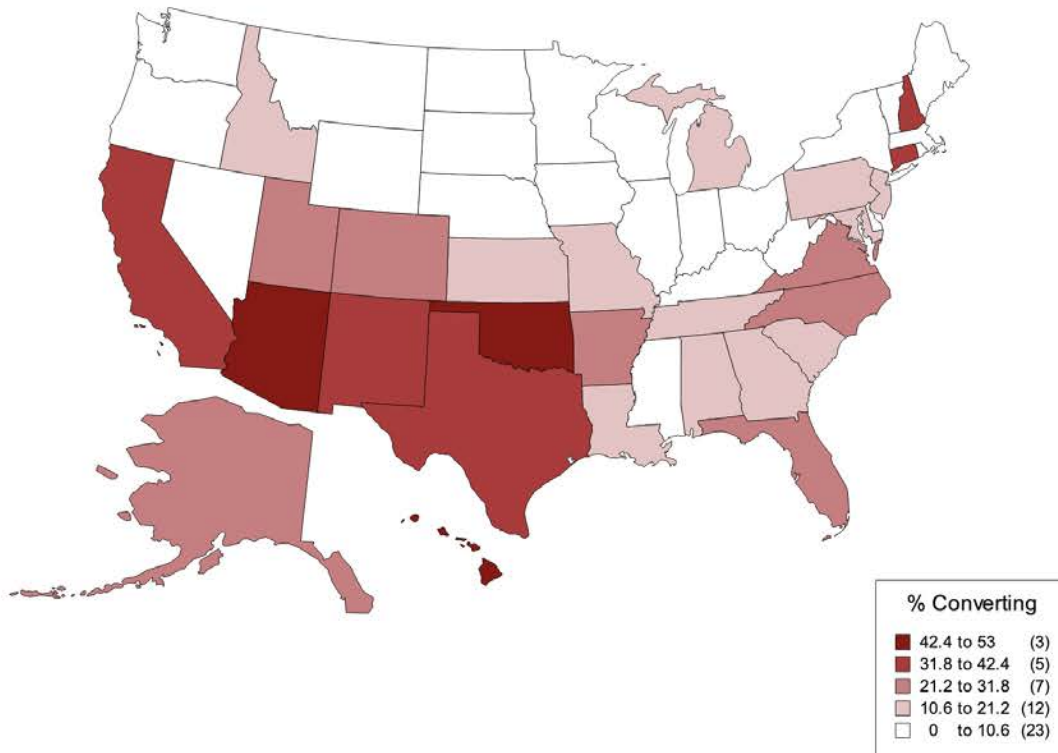


Figure 2. Proportion of Mutuals in Each State That Converted to Stock Ownership, 1976 to 1988

Data Source: Federal Home Loan Bank Board and Office of Thrift Services.

kindred financial institutions in embracing this particular response to financial integration.⁴ Yet many MSLAs eschewed conversion and retained the mutual form, creating substantial temporal and regional variation in conversions. Conversion rates were highest in Arizona, Texas, California, and Florida, and much lower in upper-Midwestern states like Wisconsin and Minnesota.

Existing explanations for mutual conversions and their variation focus on market pressures and locate the impetus to convert in economic strains (Chaddad and Cook 2004). These explanations often mirror rationales put forth by actors within the field: conversions were driven by the need for capital, especially among the numerous SLAs who found themselves squeezed by rising interest rates and competition for deposits with money market mutual funds on the liability side of the ledger, and lock-in to older, low-yielding 30-year fixed-rate mortgages on the asset side of the balance sheet (Kroszner and Strahan 1996;

Masulis 1987; Peristiani and Wizman 1997; Spencer 2000). Sale of stock could provide capital to exploit opportunities for growth and fund investments in higher returning assets. From this perspective, conversion represented a functional adaptation to financial constraints and local market pressures for SLAs facing regulatory solvency pressures or constraints on lending due to undercapitalization. In contrast, we argue that SLAs' varying propensities to abandon mutual ownership during this period rested not only on economic pressures, but also on SLAs' varying social connections to local communities, and the consonance of those communities with traditional views of the mutual form.

THEORY: CONVERSIONS AND COMMUNITIES

There are compelling reasons for linking conversions to communities. First, a growing body of research documents the effect

of community and local embeddedness on organizations and elites (Marquis and Batilana 2009; Marquis et al. 2011; Yue 2015). Globalization notwithstanding, local community contexts remain key determinants of organizational behaviors and can mediate responses to broader institutional change. Second, community was deeply woven into organizational identity and the institutional mythos of the SLA field, with participants repeatedly invoking Main Street in critiquing and defending MSLAs throughout the twentieth century. “Community” was a master field-frame (Lounsbury, Ventresca, and Hirsch 2003) through which actors assessed and challenged claims about SLA form. As we will argue, this frame left SLA managers vulnerable to arguments for conversion in communities whose social structures less plausibly aligned with *gemeinschaftlich* depictions of Main Street. Finally, Figure 2’s map displays a telling social geography of conversions. Mutuals converted at far higher rates in the sunbelt states like California and Florida characterized by in-migration, expanding populations, and the wholesale manufacture of new communities, than in upper-Midwestern regions noted for social capital, established communities, and traditions of cooperative enterprise (Gamm and Putnam 1999; Rupasingha, Goetz, and Freshwater 2006; Schneiberg 2007).

Two complementary mechanisms could link managers’ decisions about mutual form and conversion with community and local embeddedness. One lies in how managerial constraints and commitments flow from the social relations in which mutuals and managers operate. The other rests on the cultural resonance between traditional conceptions of mutuals and the contemporary local social context. Both mechanisms would render mutuals and their managers more likely to embrace the market and convert as (1) SLAs become less deeply embedded in their local communities; and (2) those communities diverge from the stable and homogenous solidarities, rich in interpersonal ties, trust, civic associations, and cross-class connections that

are commonly associated with mutualism and other forms of collective enterprise.

Local Community Embeddedness

Our first hypothesis is that SLA managers’ commitment to the mutual form and receptivity to conversion depends on how much firms’ economic exchange remains embedded in their local contexts (Dacin, Ventresca, and Beal 1999). By local embeddedness, we refer to organizational context and determinants (see Small 2009), and to how much SLAs through their normal operating routines focus managers’ attention, transactions, and interactions in their day-to-day work within a circumscribed area defined by firms’ home communities. High embeddedness implies concentrated attention and interaction, focused on deposit-taking and lending, and through them, dense, concentrated contact and social relations between firms, managers, and clients within a local community.

Prior research finds that localism and dense social ties between organizations, elites, and their home communities can profoundly shape elites’ commitments toward those communities and their immunity to market logics. As organizations and elites become less locally enmeshed, they become less prone to resist downsizing and firing in response to neoliberalism (Clark and Soulsby 1998; Greenwood et al. 2010), less inclined to local charitable giving (Galaskiewicz and Burt 1991), less likely to form nonprofits dedicated to a community’s poor (Marquis, Davis, and Glynn 2013), less inclined or capable of investing locally or coordinating local development (Safford 2009), and less prone to resist risky speculative investment (Almandoz 2014). As Putnam (2000:307) argues, nationalization and internationalization of markets during the latter twentieth century shifted elites’ commitments away from local communities: “As Wal-Mart replaces the corner hardware store, Bank of America takes over the First National Bank, and local owners are succeeded by impersonal markets, the incentives for business elites to contribute to community life atrophy.”

How organizational embeddedness configures work and interaction will likewise affect SLA managers. Declining local embeddedness will boost managers' receptivity to conversion and the market by eroding social relations that could foster obligations, communities of fate, and mutual identification between managers, members, and their home communities. As SLAs operate more distally and focus less on local credit intermediation, there is less face-to-face interaction between managers, boards, and community member-depositors in the course of their daily work. *Ceteris paribus*, managers of SLAs operating across multiple communities will be less prone to develop ties and commitments to those communities than will managers of SLAs that remain locally focused. Detachment, in turn, would leave associations with fewer relational mechanisms for fostering managers' commitments to a community-based vision of organization, or for sustaining their sensitivities and obligations to their home communities in the face of market demands, new claims, or opportunities offered by Wall Street outsiders. It can also erode mechanisms for exerting informal local social control (Granovetter 1985), leaving managers and well-placed insiders with fewer constraints or hang-ups about expropriating ownership rights from members, whether to realize efficiencies, exploit market opportunities, or enrich themselves.

Diminished embeddedness could likewise undermine the cultural resonance of the community-based mutual form for managers and boards. As sociologists of religion and social movements point out, social contexts within which actors operate on a daily basis constitute "plausibility structures" through which they evaluate competing claims (Berger 1967). Claims gain credibility insofar as they are reinforced by existing social relations and resonate with audiences' lived experience (Snow and Benford 1988). In this view, arguments about how to organize SLAs will gain greater traction when advocates can frame them as consistent with prevailing practices, or draw on existing social structures

as analogies or tangible incarnations of core concepts (Haveman et al. 2007).

For SLA managers, arguments for mutuality and community ownership would resonate more relative to claims for stock ownership when the day-to-day reality of locally focused business activities reinforces the plausibility of the community-oriented logics or moral sentiments on which mutualism rests. Conversely, as embeddedness declines, the community becomes a less tangible presence in managers' work experiences. Traditional claims for mutuality, community, and service appear less credible relative to counterclaims about market opportunity, and the superiority of more "modern" and "efficient" corporate forms. Managers would thus be more prone to reject arguments for mutualism as mere nostalgia that no longer aligned with the reality of the organization's activities in impersonal, delocalized markets (Meyer, Boli, and Thomas 1987)—and become increasingly receptive to arguments for conversion.

Community Characteristics

Our second broad hypothesis is that managers' receptivity to conversion depends not just on SLA local embeddedness, but also on the character of those communities. Organizational scholars have extensively documented how cooperatives, mutuals, and member-driven nonprofits depend on supportive social contexts. These business forms are most likely to emerge and thrive in stable, homogenous communities, characterized by long-standing personal ties, trust, a common cultural heritage, preexisting ecologies of churches or civic associations, socially cohesive immigrant and ethnic groups, or legacies of prior cooperativism (Greve and Rao 2012; Hansmann 1996; Haveman et al. 2007; Ingram and Simons 2000; Rothschild and Whitt 1986; Schneiberg 2002, 2007; Schneiberg, King, and Smith 2008; Spicer 2021). In these contexts, mutuals and kindred forms enjoy their greatest advantages in cultivating participation and commitment among members, binding managers to associations'

well-being, and resonating strongly with organizational elites.

These findings imply that SLA managers will be more prone to abandon mutual forms and embrace conversions in places where the social structures of local communities diverge from the vibrant, solidaristic types of community with which mutual organization has long been associated. Prior research supplies at least three accounts of how late-twentieth-century U.S. communities depart from these types. Each points to distinct local social-structural characteristics that would increase managers' propensities to convert.

Social disorganization and declining social capital. Arguably the best-known account emphasizes atomization or horizontal disconnection and disintegration within U.S. communities. For sociologists and political scientists, the stability and presence within communities of developed social networks and associations decisively affect their social capital or collective efficacy—that is, residents' capacity to exert informal social control, produce interpersonal trust, and oblige individuals to contribute to collective purposes (Baldassari and Diani 2007; Gamm and Putnam 1999; Kaufman 2003; Putnam 2000; Sampson et al. 2005; Sampson et al. 1997; Skocpol 2003). Community stability, trust, and networks, in turn, affect crime rates, voting, associational participation, how residents occupy public spaces, citizens' ability to mobilize collectively for political ends (Tran et al. 2013), residents' ability to withstand or overcome hardships like heatwaves or poverty (Klinenberg 2015; Small 2009), and local elites' capacity to manage the collapse of markets (Safford 2009).

We expect that disorganization and diminished associationalism would also undercut communities' relational capacity to preserve mutuals against pressures to adopt stock forms. In communities with low stability, sparse associations, or thin network ties, SLA members will have less capacity to sustain themselves as vibrant democratic collectives: for obliging one another to participate in

association governance; for drawing boundaries between community, the market, and Wall Street outsiders; or for motivating members to pay attention to the association beyond their transactions as depositors or borrowers. Moreover, less socially vibrant or interactive communities will be less able to inspire managers' and board members' identification and commitment to community purpose, or to exert informal social control over insiders looking to convert mutuals for their own gain.

Furthermore, as with disembeddedness, greater disorganization in the local community can shift the plausibility structures through which managers assess competing claims about how to best organize SLAs. Where mutual members increasingly disconnect and bowl alone, the framing of MSLAs as solidary civic associations loses resonance. And as managers and boards experience the local membership less as collectives than as disinterested and sporadically engaged customers, it becomes easier to recast markets and stock conversions as logical steps that will render the association more concordant with the reality in which it operates.

Elite disconnection, civic reorganization, and closure. A second approach to community structure stresses vertical fragmentation, economic segregation, and elite detachment from associations and neighborhoods in the late twentieth century. In this view, SLAs' abandonment of mutualism would be rooted less in a general social disorganization than in a reorganization and bifurcation of civic life, that is, in a reconfiguration of communities as elites withdrew from participatory civic institutions and cross-class membership associations, turned toward professionally managed organizations, and increasingly mobilized their own associations and gated residential communities to pursue independent agendas (Marquis et al. 2013; Pacewicz 2016; Skocpol 2003; Skocpol, Cobb, and Klostad 2005; Walker, McCarthy, and Baumgartner 2011).

Detachment and closure can increase managers' propensities to embrace conversions

via similar mechanisms as social disorganization. They can sever cross-class ties and affiliations that provide managers with personal connections and stakes in local communities, that foster identification between managers and non-elite locals, or that allow depositors to exert informal social control over SLA officers. Detachment and closure would also leave SLA managers with fewer experiences of working or living side-by-side with locals, again reducing the resonance of appeals to community writ large.

Yet marketization is not simply a product of atomization or the atrophy of social relations. To the contrary, elite reorganization accounts highlight how changes in late-twentieth-century civic life also produced *new social infrastructures for managerial action* (Pacewicz 2016), an insight that aligns with economic sociologists' claims that making markets rests on the reconstruction, not the absence, of social relations. From these perspectives, marketization and reform rest on elite coordination and accompanying social-structural supports. Moreover, while detachment and reorganization fracture cross-class ties within communities, they may also *increase* intra-class social organization and association among elites, creating organizational platforms for managers and elite allies to pursue professionally-based modernization or pro-market projects—including conversions (for related analyses, see, e.g., Davis and Greve 1997; Yue 2015).

These upwardly configured elite associations can serve as infrastructures for conversions through a variety of mechanisms. Greater connection and affiliation *within* managerial circles could enhance SLA managers' capacity to coordinate conversions, both by supporting commitment processes, communication, and coordination among managers and insiders, and by linking them to elites and professionals in broader settings, including in national finance and banking. SLA managers could re-embed in financial, urban planning, and other professional communities where arguments for stock forms and pro-market community development projects resonate

(McQuarrie 2010; Pacewicz 2016), crystalizing new reference groups. Greater connections could also create pathways for the diffusion of pro-market rhetoric or an influx of "cow-boy capitalist" approaches seeking to leverage SLAs and conversions for risky real estate investments. Such ties might even encourage boundary-drawing, increasing managers' confidence in professionally run projects, and making it easier for them to dismiss appeals to mutualism and locals' capacity for self-governance as ill-informed or parochial.

Ethno-racial segregation and succession. Fractures of communities along ethno-racial lines could support similar dynamics. As sociologists and urban scholars extensively document, twentieth-century U.S. communities have experienced "White flight" and residential and institutional segregation along racial lines, as well as processes of immigration and ethnic succession that sometimes produce vibrant and solidaristic ethnic economies (Logan, Zhang, and Alba 2002; Massey and Denton 1993; Portes and Manning 1986; Squires 1994; Waldinger 1996). Both processes have profoundly shaped communities, market structure, and the behavior of firms and banks. Both might foster conversions.

Such effects seem most likely where SLAs with largely White managers and boards operate in non-White communities. Segregation and succession engender few associational affiliations, personal ties, and interactions between managers, boards, and SLA or local community members, and few shared day-to-day experiences of common community. They also entail bifurcated networks and association, supporting social closure among White managers, and boundary-making, social distance, and mistrust between SLA leadership and non-White communities. Sharpening boundaries could fuel skepticism among White managers about investing in local communities, inclining them to convert as a way of repositioning the S&L to exploit markets elsewhere. Conversion here could be a form of organizational White flight, as White managers alienated by struggles over race, discrimination,

and social movement demands flee urban communities for the more congenial circuits of rapidly nationalizing financial markets. Or immigration and succession might foster depersonalized orientations among managers toward local communities, prompting them to view those places as market opportunities best exploited via conversion and an influx of new capital. In either case, ethno-racial fracture enhances the plausibility of arguments for conversion relative to appeals for mutualism based on solidarity between largely White professional managers who ran most mutuals, and non-White or foreign-born local community members.

Expectations for community characteristics. Together, arguments about disorganization, elite detachment, segregation, and succession provide a mix of complementary expectations about how variations in late-twentieth-century U.S. community structures might affect SLA propensities to convert. Theories of disorganization and declining social capital would predict greater rates of conversions in areas with higher rates of residential turnover, crime, divorce, and single-headed households, and decreasing numbers of civic associations. Analyses of ethno-racial fracture, immigration, and succession overlap partly with disorganization theory and would predict positive associations of conversions with ethno-racial diversity and turnover. Elite detachment and reorganization theories would expect more conversions in areas with greater residential class segregation, higher inequality, and lower density of traditional, cross-class membership associations as elites withdraw from communities.

Yet, arguments about elite civic reorganization and ethno-racial fracture also point to a more nuanced expectation: certain kinds of elite-oriented civic, business, and professional associations might serve as infrastructures for conversions by providing managers with platforms to coordinate organizational restructuring and reform local economies in an increasingly marketized manner. Some associations might be associated with

increased conversions. And where the relational, community, and institutional factors we discussed already create incentives, motivations, or opportunities for demutualization, greater densities of elite associations will help managers and their allies bring conversions to fruition. Greater densities of those associations would thus amplify the effects of the other attributes hypothesized above.

METHODS AND DATA

Data

To assess the effects of embeddedness and community on conversions, we assembled a multilevel panel dataset that covers the full population of 3,764 mutual SLAs in the United States from 1976 to 1988, along with information on their surrounding communities and associations' business activities in those communities. We begin our analysis in 1977, the year after Congress lifted its moratorium on conversions. We end in 1988, as this year marked the end of the 1980s conversion wave and a transformative crisis that saw a federal bailout of troubled thrifts, massive consolidation, and a completely overhauled regulatory regime with the abolishment of the Federal Home Loan Bank Board.⁵

Firm-level data on SLA finances and conversions come from the Thrift Financial Reports (TFR) submitted to the FHLBB and later the Office of Thrift Supervision (OTS). The dataset includes all mutuals in operation in 1976, and a small number of mutuals that formed later.⁶ We coded our dichotomous dependent variable equal to 1 for the year a conversion was completed, and then dropped those SLAs from the dataset as they were no longer at risk of converting. We use a discrete-time approach because our variables are measured annually, and because conversions involved filings and approvals that can take a year to complete. Unless noted, firm-level variables are all time-varying and observed annually from the fourth-quarter TFR report.

To relate conversions to their context, we combined our firm-level OTS dataset with

(1) county-level census data on market conditions and community characteristics in SLAs' headquarter counties from 1970 to 1990; (2) firm-level Home Mortgage Disclosure Act data on the profile of SLA lending across counties; and (3) data on the prevalence of mutuals and prior conversions in the industry from 1975 to 1990. Using county-level data to capture mutuals' home communities was a considered compromise. SLA markets are bounded at state lines by law, suggesting state-level data would be appropriate for addressing contextual effects on SLA form (Masulis 1987). Yet, states are far too broad to capture variations in the local communities in which SLAs operated and SLA managers worked on a day-to-day basis. As a sensitivity check, we replicated our analysis using 1990 commuting zones (CZs) as the contextual unit, which yielded very similar results (see the online supplement).

County-level variables come from the bidecadal *County and City Data Books* (1972 to 1992), *County Business Patterns* (1975 to 1988), and the decadal U.S. Censuses of 1970, 1980, and 1990. We used linear interpolation for variables created from Census data to obtain annual values and lagged all independent variables one year.

Independent Variables

Our hypotheses highlight four key features of community structure and SLAs' relationship to them: local (dis)embeddedness; community social disorganization; inequality and differentiation; and local associational infrastructure. Because these are latent characteristics, we adopted a theoretically-informed index measurement approach for our analysis. For each construct, we drew on indicators used in prior research and conducted a confirmatory factor analysis to ensure the indicators loaded on a common factor. We then used inverse covariance weighting to construct the indices as a weighted function of the indicators. To ensure robustness on this front, the online supplement also reports substantively similar results using principal factor score

indices, and non-indexed measures using the constituent indicators.

Community embeddedness. Local embeddedness denotes the concentration or grounding of economic action and actors in the socio-relational context of a given place. Embeddedness can flow from local social or political affiliations outside of work that people bring to economic action. But it also flows from organizational contexts, from how organizations concentrate attention, activities, and day-to-day interactions undertaken in the course of economic action in particular places, and how the scope of that attention and interaction can foster relationships and commitments to those places (Small 2009). Our account is concerned with this generative organizational dimension—with how much SLAs and their managers' core activities were focused on home communities or traditional mortgage lending, and how those daily work interactions shaped managers' connections and commitments to communities and the mutual form.

Accordingly, we constructed an index of local embeddedness using the percent of a mutual SLA's assets held in conventional residential mortgages, and measures of the geographic concentration of SLA lending. How much SLAs focus on residential mortgage lending versus alternative investments will closely proxy relational dimensions of economic activity (Clark and Soulsby 1998). Managers of mutuals focused on residential lending will necessarily maintain more ongoing interactions with local households and community members in their day-to-day operations than will managers of mutuals focused on market-based investments involving transactions mainly with other, more distant financial institutions (Hardie and Howarth 2013; Moore and Kraatz 2009). We capture this using *percent assets in residential mortgages*. The index also includes two measures of the geographic concentration of mortgage lending from HMDA data. The first is the *number of counties* in which each mutual made conventional and FHA

mortgage loans. Managers of mutuals that concentrate their lending in one or a few counties are more likely to interact and form ties and commitments in SLAs' home communities through their daily work than are managers of mutuals that lend broadly. The second is a Blau index of heterogeneity that captures the *degree of dispersion* across the counties in which the SLA lent funds. This index increases as a mutual distributes its lending and managers' activities more widely across counties, becoming less moored in any single community.⁷

Community (dis)organization. Our index of social (dis)organization uses measures drawn from research on communities, crime, and social capital to tap the solidarity, or collective efficacy, of the communities in which mutuals operate, that is, the extent to which communities contain networks of affiliation that can reinforce collective purpose, oblige citizens to community goals, and exert informal social control over managers (e.g., Putnam 2000; Rupasingha et al. 2006; Sampson et al. 1997). The index comprises measures of *crime rate* (number of reported crimes per 100,000 persons), *building vacancy rate* (perpetually vacant residential units as a proportion of total residential units in a county), and *residential instability* (percentage of the population over 5 years old that was not living in the same house five years prior). Increasing crime and vacancy rates are standard measures of community disintegration. Both signal a decline in informal controls within communities. Residential stability facilitates dense and enduring social relations among community members, and the development of trust, obligation, and informal social controls. Conversely, rapid change in population can erode those relations, while impeding the formation of new community networks and commitments on which mutuals may depend. Increasing disorganization will increase the odds of mutual to stock conversion.

Differentiation and fracture. We measure social fractures using an index based

on *racial heterogeneity*, *income inequality*, and *residential income segregation*. The racial heterogeneity measure is based on the proportions of individuals across White, Black, and other racial and ethnic groups, and correlates very highly with the percent non-White in the population. Increasing racial heterogeneity can divide communities, creating perceptions of racial threat and new axes of conflict and social organization. *Income inequality* is measured using the Gini coefficient within the county (Nielsen and Alderson 1997). For *residential income segregation*, we calculated a multigroup entropy/Theil index (Reardon and Firebaugh 2002). This measures the (un)evenness of the distribution of income buckets across census tracts within counties. By hypothesis, mutuals in counties more riven by fractures of racial heterogeneity, income inequality, and class segregation will be more likely to convert to stock form.

Community associationalism. We use *County Business Patterns* data to construct two indices of associational infrastructure based on the per capita densities of different types of community organizations. Associational densities tap the organizational infrastructure of local communities, reflecting or reinforcing social capital and capacities for collective action (Gamm and Putnam 1999; Kaufman 2003; Putnam 2000; Rupasingha et al. 2006). As discussed, however, different forms of associations may exert divergent effects on conversion depending on whether they tend to operate as vehicles for local elite coordination (business, professional, and civic associations), or working-/cross-class community-building (labor, recreation/sports clubs, and bowling associations).

Controls. We include firm- and community-level controls derived from alternative accounts in financial economics, organizational analysis, and industry observers' own accounts. These accounts highlight financial distress due to high deposit interest rates and lock-in to low-yielding assets; competitive ecological pressures in local banking markets

that might have encouraged SLAs to exit the community-based niche; capital constraints due to expanding housing markets; security markets' attraction to large, high-performing SLAs; and opportunities for managerial discretion in large firms. To capture variations in conversions due to deposit rate competition, profitability crises, or lock-in to low-yield assets, we include measures for *cost of funds* (interest paid on deposits), *return on assets*, *percent of assets in fixed-rate investments*, and *regulatory capitalization* (the difference between a mutual's net worth to asset ratio and the FHLBB's regulatory minimum during that year). We also include year-dummies to capture national regulatory changes that opened SLAs to heightened competition with banks and money market funds, as well as other firm-invariant shocks.

We control for organizational *size* (log total assets) to capture potential effects of inertia, managerialism, and equity market attractiveness. Ecologists suggest organizations become more inert as they become larger. But, large SLAs more readily entered new markets after deregulation (Haveman 1993), may have been better placed to exploit opportunities afforded by conversion, and were attractive as targets for conversion specialists and equity investors. Larger mutuals may also be more subject to agency problems and managerial discretion than smaller ones, potentially easing the way for managers seeking to convert the association.

We control for community-level economic conditions to account for the possibilities that conversions were more likely in economically distressed regions where SLAs have incentives to exit their niche, or in booming real estate markets associated with rapid growth. SLA managers in growing regions often justified conversion as a means for capital infusion to fund new loans. We include (log) *residential population* and *growth in building permits* to capture housing market size and expansion.

We capture local competitive pressures and community ecologies using county-level *organizational densities of mutual SLAs*, and

three county-level densities of proximate competing organizations: *savings banks*, *credit unions*, and *commercial banks*. On the one hand, being surrounded by a dense community of other alternative ownership financial enterprises could help insulate MSLAs from market logics and conversion pressures. On the other hand, greater density of other consumer banking firms—especially those occupying the same alternative identity niche—could heighten competitive pressures and render MSLAs more prone to abandon the niche through conversion (Baum and Singh 1996). We further control for recent (lagged) failures of mutual SLAs in the county to capture local variation in the strength of survival pressures, regardless of their source, that might have spurred SLAs to adapt through conversion.

Finally, we control for institutional factors that might affect conversions. We control for differing regulatory regime using a dummy variable for whether a mutual has a *federal or state charter* and for the diffusion of market logics and legitimacy of conversions using the *cumulative proportion of all mutuals that have converted* (at the state level). Prior adoptions is a standard measure for analyzing institutional effects (Schneiberg and Clemens 2006). State-level prior conversions also controls for between-state differences in regulatory regimes or other omitted state-level factors that affect conversion. Descriptive statistics for our independent variables are reported in Table 1, and a correlation matrix is reported in Table S1 in the online supplement.

Models and Estimation

We applied a discrete-time event-history analysis to our multilevel dataset using a proportional odds hazard model with a non-parametric baseline hazard rate. This is implemented as a three-level mixed logistic model, with nested random intercepts at the firm and county levels to account for the clustered structure of the data. The models also include year fixed effects to account for firm-invariant shocks and other secular changes during the study period.

Table 1. Descriptive Statistics of Variables Used in Analysis of Mutual-to-Stock Conversions ($N = 27,777$)

	Mean/Prop.	SD
Convert to Stock Ownership	.01	.12
Log Assets	11.09	1.25
Federal Charter	.58	.49
Capitalization Ratio	.06	.03
Return on Assets	.00	.01
% Fixed-Rate Mortgages	.87	.19
Cost of Funds	.04	.01
Res. Pop.	12.07	1.56
Pop. Density	1494.72	3588.10
Building Permit Growth	.02	.75
Cum. % Converted in State	.02	.03
Lagged Mutual Failures in County	.36	1.41
Mutual SLA Density in County	.00	.00
MSB Density in County	6.25	17.20
Credit Union Density in County	10.85	26.88
Commercial Bank Dens. in County	78.66	132.52
Local Disembeddedness	.21	.67
Social Disorganization	-.10	.62
Social Differentiation/Inequality	-.18	.78
Working Class Associational Dens.	.07	.66
Elite Associational Dens.	-.05	.72

The inclusion of random intercepts means the coefficient estimates for the betas represent the partial effect on the log-odds, conditional on the latent firm and county effects. We also experimented with a four-level mixed model with an additional CZ-level intercept to capture potential spatial error correlation among proximate counties. This yielded substantively identical results for the relationships of interest (see the online supplement).

RESULTS

Table 2 shows the main results of the event-history analysis of conversions. It begins with a baseline control model and then adds the core theoretical variables. All covariates are standardized, with standard deviations of one. Coefficients are expressed in terms of odds-ratios.

As shown in Model 1, conversions were more likely to occur in larger mutuals, those with federal (rather than state) charters, those

with fewer fixed-rate mortgages, and those operating in heavily populated places with lower failure rates. These effects are substantial, with standard deviation changes in covariates boosting the odds of a mutual converting by 22 to 65 percent. Consistent with standard institutional accounts, mutual SLAs were also more likely to convert as demutualization diffused and became more widely institutionalized. Standard deviation increases in the proportion of mutual SLAs in a state that had already converted increases the odds of a mutual converting by nearly 60 percent. As we will discuss further, conversions in this period do not seem to have been driven predominantly by economic distress, financial strain, or industry decline.

Embeddedness, Community Organization, and Associations

Models 2 to 7 of Table 2 show coefficient estimates for disembeddedness, community

Table 2. Estimates from Three-Level Random-Intercept Logistic Models of Mutual-to-Stock Conversions, 1977 to 1987 (Odds-Ratios)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Log Assets	1.362*** (.0948)	1.361*** (.100)	1.371*** (.102)	1.423*** (.103)	1.467*** (.110)	1.412*** (.103)	1.332*** (.102)
Federal Charter	1.222*** (.0765)	1.138* (.0676)	1.122 (.0700)	1.123 (.0674)	1.135* (.0702)	1.143* (.0678)	1.094 (.0678)
Capitalization Ratio	1.021 (.0981)	1.102 (.112)	1.109 (.116)	1.140 (.115)	1.133 (.118)	1.108 (.112)	1.130 (.118)
Return on Assets	1.331 (.547)	.963 (.406)	1.067 (.457)	.983 (.415)	.902 (.375)	1.058 (.449)	.875 (.362)
% Fixed-Rate Mortgages	.646*** (.0774)	.657** (.0842)	.683** (.0902)	.662** (.0857)	.652** (.0852)	.667** (.0855)	.663** (.0882)
Cost of Funds	1.585 (.378)	1.908** (.471)	1.831* (.455)	1.838* (.443)	1.862* (.456)	2.012** (.477)	1.520 (.395)
Res. Pop.	1.450** (.204)	1.420* (.202)	1.272 (.182)	1.258 (.185)	1.530** (.234)	1.431* (.203)	1.323 (.202)
Pop. Density	.814 (.0882)	.814 (.0905)	.836 (.0903)	.766* (.0888)	.794* (.0883)	.827 (.0905)	.731** (.0851)
Building Permit Growth	1.057 (.120)	1.056 (.122)	1.040 (.121)	1.038 (.118)	1.033 (.119)	1.064 (.122)	.996 (.116)
Cum. % Converted in State	1.590*** (.136)	1.557*** (.130)	1.444*** (.129)	1.463*** (.127)	1.390*** (.125)	1.571*** (.130)	1.265* (.118)
Lag Failures in County	.569*** (.0808)	.546*** (.0818)	.550*** (.0830)	.548*** (.0821)	.558*** (.0835)	.549*** (.0820)	.555*** (.0834)
Mutual SLA Dens. in County	1.017 (.0970)	1.010 (.0974)	1.071 (.103)	1.006 (.0991)	1.104 (.111)	1.013 (.0971)	1.108 (.111)
MSB Density in County	.720 (.301)	.829 (.349)	1.226 (.527)	.912 (.393)	.922 (.402)	.815 (.341)	1.414 (.611)
Credit Union Dens. in County	1.069 (.205)	1.096 (.214)	.955 (.185)	.957 (.192)	.959 (.193)	1.026 (.198)	.884 (.176)
Com. Bank Dens. in County	1.092 (.192)	1.032 (.185)	1.190 (.215)	1.095 (.202)	1.061 (.195)	1.092 (.194)	1.114 (.202)
Local Disembeddedness		1.348** (.129)					1.327** (.128)

(continued)

Table 2. *(continued)*

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
Social Disorganization			1.599*** (.195)				1.351* (.168)
Social Inequality/ Differentiation				1.517*** (.153)			1.263* (.134)
Working-Class Assoc. Dens.					.550*** (.0647)		.521*** (.0674)
Elite Associational Dens.						1.083 (.0884)	1.250* (.116)
Constant	.0190*** (.00818)	.0213*** (.00852)	.0221*** (.00969)	.0248*** (.00969)	.0209*** (.00918)	.0265*** (.0102)	.0148*** (.00670)
County RE Variance	1.522* (.279)	1.514* (.270)	1.498* (.286)	1.614** (.297)	1.553* (.300)	1.507* (.267)	1.496* (.281)
Firm RE Variance	1.165 (.440)	1.090 (.394)	1.387 (.564)	1.208 (.458)	1.303 (.503)	1.164 (.443)	1.345 (.521)
Year Fixed Effects	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Firm-Year Observations	27,448	27,448	27,448	27,448	27,448	27,448	27,448

Note: Standard errors are in parentheses. All variables are standardized, such that partial coefficient estimates are expressed in terms of a one-standard-deviation unit change in the covariate on the odds-ratio.

* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed test).

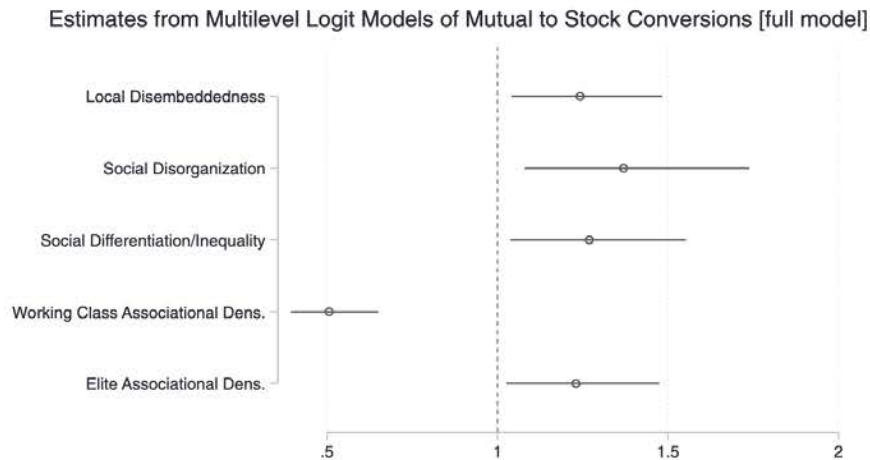


Figure 3. Estimates of Effects of Community Factors on Conversion Odds (Three-Level Random-Intercept Logit, Single Specification, Controls Included)

Note: The figure shows focal coefficient estimates from a three-level mixed logistic model of stock conversions (corresponding to Model 7 in Table 2). Each specification includes all control variables plus year fixed effects. All variables are standardized, such that partial coefficient estimates are expressed in terms of standard deviations of the covariate on the odds ratio.

disorganization, inequality/segmentation, and associationalism. These specifications add each of the indices one by one, and then simultaneously.⁸ Figure 3 plots the odds-ratio estimates from Model 7.

The results generally support our arguments about the community foundations of demutualization. Consistent with hypotheses about disconnection between mutuals and their home communities, SLAs were more prone to convert to stock form as they veered away from the traditional mission of local mortgage intermediation, and their mortgage lending became less moored in their home communities. Standard deviation increases in the disembeddedness index (from Model 7) are associated with a 33 percent increase in the odds of converting, net of firm characteristics, local business conditions, institutional conditions, and year fixed effects.

The results also support our hypotheses about community structures. Positive and significant coefficients for the social disorganization index indicate that the odds of conversions increased not just as MSLAs became less embedded in local communities, but also as those communities experienced greater levels of residential turnover, housing vacancies, and crime, leaving them less

interconnected by long-standing local ties and attachments, and less capable of exerting informal social control over managerial agents. Positive and significant coefficients for the social fracture index likewise indicate SLA managers and boards were more likely to abandon mutualism for conversion where communities were characterized by greater income inequality, residential segregation, and ethno-racial differentiation. Coefficients for both indices attenuate in the full model but remain substantial and significant. Standard deviation increases in disorganization and fracture raise the odds of conversions by 35 and 26 percent, respectively. Conversions increase with greater social distance between local banking elites and communities, diminished solidarity and social control, and segmentation along class and race lines.

Finally, consistent with arguments about civic reorganization and segmentation, we find divergent effects across different types of local associations. The coefficient for the working-class associations (labor and recreation/bowling) index is strongly and consistently negative. The odds of conversions decrease where communities are richer in these kinds of local associations, supporting claims that broad-based forms of

organizational involvement help maintain shared local commitments among residents and elites alike. In contrast, there is *no* evidence that more elite-dominated associations (civic, business, and professional) insulate mutuals from conversion. In fact, the results in Model 7 show that greater densities of these associations *increase* the odds of converting to stock form. This is consistent with arguments that elite-oriented civic, business, and professional associations can help foster neo-liberal economic reorganizations at the local level, in this case by furnishing platforms for pro-conversion managers and allies to coordinate demutualization efforts. Although the significance for the civic association coefficient is sensitive to model specification, all models return consistently divergent patterns for the two association types. In the final full Model 7, standard deviation increases in working- and cross-class association density *decreases*, and elite association density *increases*, the odds of conversion by 52 and 25 percent, respectively.

Associations as Moderators

To explore further whether different association types may serve as platforms for enabling or constraining demutualization, we consider how associational densities moderate the effect of other factors on conversions. Here we estimate models with interaction terms between each of the two association indices and SLA disembeddedness, community disorganization, and segmentation/inequality. We also interact the density indices with our measure of institutional diffusion, given the strong relationship between prior conversions and conversions.

To the extent that at least some types of local associations were mobilized as organizational platforms for managers and their collaborators to connect and coordinate projects of economic transformation, we expect that factors encouraging conversions will be more likely to produce actual conversions in communities richer in these associations. Greater local densities of these associations would

amplify the positive effects on conversions of other explanatory factors, yielding *positive* interaction effects. Conversely, to the extent that richer associational contexts help align managerial agendas with traditional community missions, temper subgroup pursuits, or insulate managers from field-level market discourses, we expect *negative* interactions between associational densities and fracture, disembeddedness, and prior conversions.

Figure 4 presents the results of these analyses, plotting the estimated marginal effects of social disorganization, inequality, disembeddedness, and diffusion on conversions as the density indices for our two associational types increase. (Models are reported in Tables S2 and S3 of the online supplement.) The top row shows the moderating effects of civic/business/professional associations, the bottom row shows moderating effects of recreational/labor associations.

The pattern of results in Figure 4 shows divergent moderating effects by association type. Greater densities of civic/business/professional associations tend to amplify the positive effects of other explanatory factors on the odds of conversions, returning positive interaction term coefficients (positive slopes) in three of four cases, with two reaching statistical significance. SLA managers were *more* prone to convert in response to increases in isomorphic pressures, disembeddedness, and inequality in places with greater densities of elite associations. For instance, a one-standard-deviation increase in elite associational density increases the positive effect of prior conversions on conversion by roughly 50 percent. This suggests these associations operated as organizational platforms for local elites to disconnect from other groups in communities and reorganize for pro-market projects of economic transformation.

In contrast, the results for working-class associations show the opposite pattern. Greater densities of these associations are associated with diminished effects of other key explanatory factors. The interaction estimates between recreational/labor organizations and three of the four predictors are

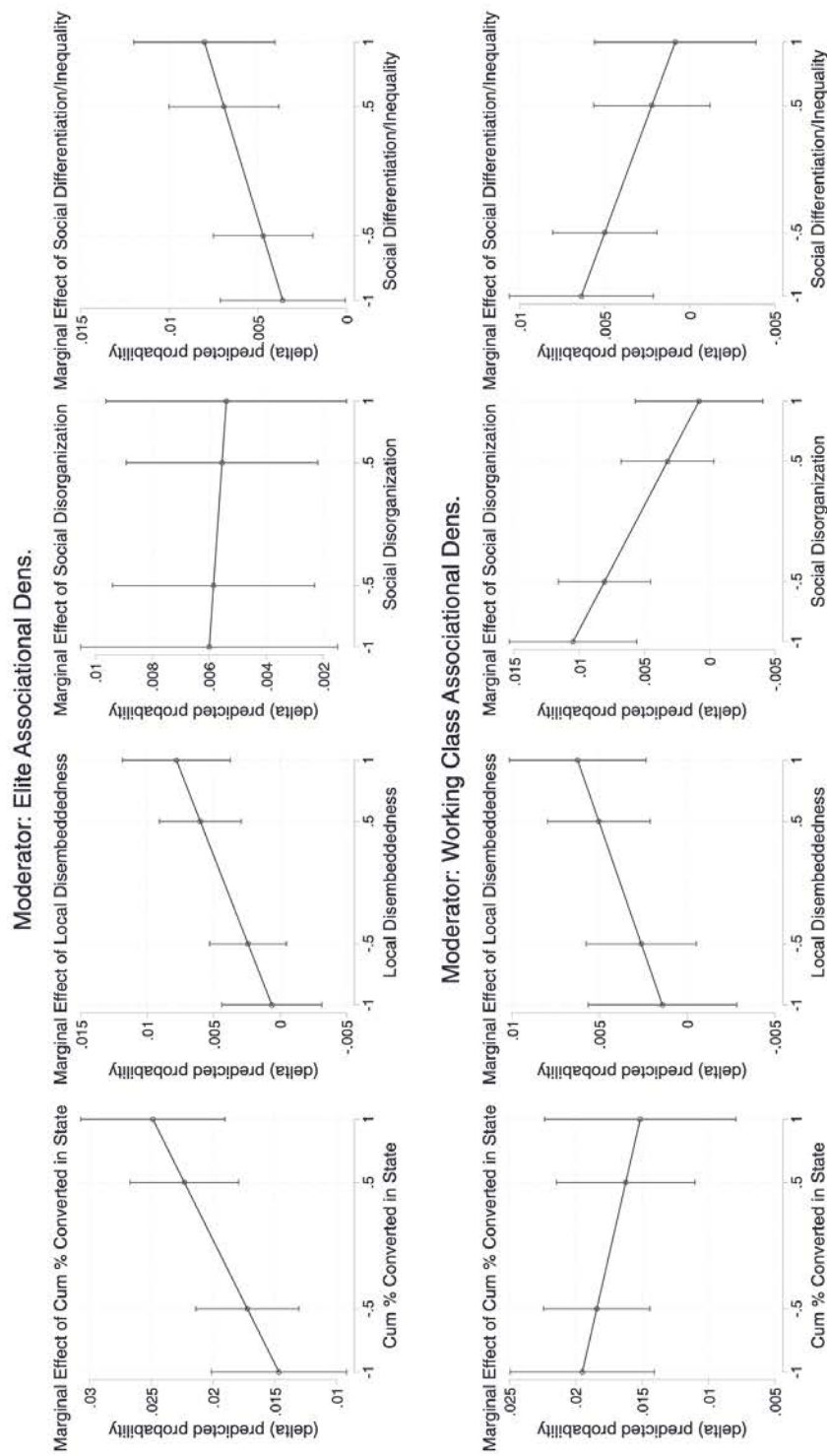


Figure 4. Estimates of Moderating Effects of Associational Density on Institutional and Community Predictors of Conversion Odds (Random-Intercept Logit, Separate Specifications, Controls Included)

Note: The panels show interaction plot estimates of the moderating effect of associational density on other explanatory factors. Each plot is drawn from a separate three-level linear probability model specification. Each specification includes all control variables, year fixed effects, and the main effects for the interacted covariates. Full tabular results are presented in Tables S2 and S3 in the online supplement.

negative in sign (negative slopes on the bottom row), with two reaching significance. Greater density of working-class organizations weakened the generally positive effects of social disorganization and class or race fracture on conversions.

Summary and Alternative Explanations

The pattern of results is generally consistent with our core arguments. Declining embeddedness and social-structural changes in local communities eroded SLA managers' commitment to mutualism and Main Street, leaving them more receptive to Wall Street, market alternatives, and the corporate form. SLA managers were more prone to convert where their day-to-day work interactions were less focused within a home community; where the structure of those communities rendered them less capable of informal social control and less resonant with the stable, homogenous, and solidaristic collectivities that had undergirded mutual enterprise; and where communities were segmented vertically along race and class lines. Managers were also more prone to demutualize in places populated by fewer working- and cross-class community associations and more civic, professional, and business associations, with the latter serving as vehicles for local bankers to connect with professionals in wider managerial and financial circles and coordinate their own pro-market agendas.

There are several alternative interpretations.⁹ One possibility is that conversions and their correlations with community were rooted less in the local relational and institutional mechanisms we describe than in historical and organizational dynamics of managerialism operating across enterprise types. From this perspective, stock conversions in the SLA field can be seen as either a reflection of general tendencies toward bureaucratization and the separation of ownership from control associated with large-firm or corporate capitalism, or as an effort by SLA managers to exploit the already substantial separation of ownership in most MSLAs in order to further wrest control

(and ownership) of SLAs from depositor-owners. Large firms and corporate capitalism, in turn, might be associated with more economically developed communities, potentially linking conversions and community via pathways unrelated to those we propose.

The results in the control models in Table 2 partly confirm this account. Firm size, which proxies organizational-level pressures for managerialism and the costs owners face in monitoring managerial agents, is positively associated with conversions. Conversions also increased as a function of prior conversions within states, which reflect sectoral and regional-level tendencies toward separating ownership from control in the savings and loan field. However, conversions do not increase with greater densities of commercial banks, which would index the prominence of managerial capitalism in SLAs' home banking markets. Furthermore, the effects on conversions of embeddedness and all four community structure variables persisted in the face of these controls and year fixed effects. SLA demutualizations in the 1970s and 1980s might reflect broader tendencies of separating ownership and control. Yet, SLA managers' propensities to pursue or seize on this transformation via conversions were also clearly products of managers' immediate contexts and how embeddedness and community social structures fostered local opportunities for managerialism via relational and institutional pathways.

A second competing explanation is that conversions were efforts to manage economic distress, and that communities associated with conversions were simply less viable commercial environments for mutual SLAs or community-based banking more broadly. SLAs faced increasingly dire economic straits in this era of deregulation and financial integration (Krippner 2011; Mason 2004). Rising interest rates, competition from money market mutual funds for deposits, and heavy investments in low-yield, 30-year fixed-rate mortgages severely eroded SLA profit margins beginning in the 1970s, putting pressure on managers to raise funds in order to remain solvent or finance higher-yielding

investments. SLAs likewise faced intensified cross-form competition resulting from the deregulation of interstate banking, consolidation and innovation among commercial banks, the expansion of credit union charter powers, and the cultivation of “consumer-investors” indifferent to traditional community-based banking (Goldstein 2018; Krippner 2011). These dynamics might have covaried with community social structures, potentially confounding our hypothesized relationships.

The results in Table 2 show that the linkages of conversions with embeddedness and community structures were not the result of deteriorating market conditions, cross-form dynamics of competition and crowding, declining profitability, or contracting niches for mutuals. The control models include eight measures of economic pressure or distress, plus year fixed effects that capture unmeasured industry-level changes like outward flows into money market funds. One indicator of financial pressure, the cost of funds, was associated with greater conversions. In contrast, organizational measures of financial distress were either not significant (capitalization, return on assets) or negatively correlated with conversion (percent fixed assets). None of the density measures for detecting ecological or cross-form competitive pressures from other banking forms seemed to push mutual SLAs to exit the depositor-ownership niche by converting. Prior mutual SLA failures in counties—a direct measure of adverse economic conditions and contracting local niches—showed that managers were less, not more, likely to embrace conversions in places where SLAs faced dire economic straits. And the associations between conversions, community, and embeddedness persisted net of these controls. These results suggest that neither financial strain, local growth constraints, between-form competition, nor the contraction of local ecological carrying capacity for community-based banking drove demutualizations or their associations with community social structures.

As a final assessment of this possibility, we conducted a competing risk analysis that

jointly estimates the hazards of stock conversions versus mutual SLA failures. Ecologists have shown that adaptation and failure represent competing risks and can be precipitated by common environmental pressures (e.g., Baum and Singh 1996). Moreover, SLA conversions during our study period coincided with a wave of failures: 27 percent of mutual SLAs failed from 1978 to 1982 (authors’ calculation). A competing hazards approach is thus particularly apt here. It helps account for potential attrition biases in analyzing conversions due to SLA failures. Substantively, it lets us determine whether the local processes prompting managers to convert were the same or different from those that undermined mutuals’ economic viability.

The results in Table 3 highlight the *divergent* conditions that led mutuals to fail or convert. Failures are largely driven by economic distress and ecological pressures—by higher deposit rates, undercapitalization, declining profitability, lower growth in building, and increasing densities of commercial banks. With the sole exception of disembeddedness, none of the indices for community characteristics were related to SLA failures. In contrast, conversions are associated with managerial disconnection from communities, community disorganization, and elite forms of civic, professional, and business associationism, but not economic strain. If anything, it was the less economically distressed SLAs that converted. In short, disembeddedness and the social structures of local communities mattered for conversion, not by undermining or reflecting the economic viability of mutual SLAs per se, but rather by eroding local banking elites’ commitment to mutualism, and facilitating their projects of economic reorientation from Main Street to Wall Street. Mutual-to-stock conversion was not simply an outgrowth of a broader contraction of community-oriented banking in an era of financial market integration, but was also a distinct process of organizational responses to neoliberalism that was critically intertwined with the changing social structures of local communities and firms’ local embeddedness.

Table 3. Estimates from Multinomial Competing Hazards Model of Mutual-to-Stock Conversions and Failures, 1977 to 1987 (Odds-Ratios)

	(Outcome: Failure)	(Outcome: Conversion)
Log Assets	.633*** (9.15)	1.481*** (3.99)
Federal Charter	.961 (1.05)	1.214* (2.41)
Capitalization Ratio	.331*** (12.82)	1.391* (2.55)
Return on Assets	.0494*** (7.32)	.535 (1.30)
% Fixed-Rate Mortgages	.531*** (4.71)	.640** (2.96)
Cost of Funds	2.298*** (4.61)	1.602 (1.60)
Res. Pop.	.972 (.40)	1.222 (1.01)
Pop. Density	.953 (.87)	.702* (2.33)
Building Permit Growth	.399*** (7.76)	.951 (.39)
Cum. % Converted in State	.993 (.06)	1.274* (2.15)
Mutual SLA Dens. in County	.953 (.98)	1.049 (.37)
MSB Density in County	1.003 (1.21)	1.002 (.32)
Credit Union Dens. in County	1.000 (.04)	.990 (1.34)
Com. Bank Dens. in County	1.001* (2.28)	1.002 (1.29)
Local Disembeddedness	1.637*** (6.78)	1.298* (2.36)
Social Disorganization	.988 (.17)	1.553** (2.83)
Social Differentiation/Inequality	1.063 (1.05)	1.286 (1.82)
Working-Class Assoc. Dens.	1.104 (1.54)	.440*** (5.18)
Elite Associational Dens.	1.020 (.35)	1.335* (2.42)
Year Fixed Effects	Yes	Yes
Firm-Year Observations	27,448	27,448

Note: Standard errors are in parentheses. All variables are standardized, such that partial coefficient estimates are expressed in terms of a one-standard-deviation unit change in the covariate on the odds-ratio.

* $p < .05$; ** $p < .01$; *** $p < .001$ (two-tailed test).

DISCUSSION AND CONCLUSIONS

Integrating literatures from economic, organizational, and community sociology, we used

the case of mutual SLAs to analyze the role of community structures in mediating organizational responses to market liberalization among alternative, community-based, and not-for-profit enterprises in the United States.

MSLAs all faced the incursion of market logics and the erosion of boundaries within the U.S. financial sector, yet they varied significantly in their responses. In some locations, SLAs eagerly embraced the market, pivoted from Main Street to Wall Street, and converted to corporate enterprise; in others, they remained wedded to traditional community-based mutual ownership forms.

These varying responses rested on firms' embeddedness in local communities, and on the consonance between forms, logics, and local social-structural realities. Consistent with classic accounts of embeddedness, social disorganization, and declining social capital, we find that SLA managers were more likely to abandon mutual ownership for corporate enterprise as SLAs became less focused on local residential mortgage lending, and where their communities experienced social disorganization and diminished density of working- or cross-class membership organizations. Diminished associational densities also amplified the effects of community fracture and spread of demutualization on conversions. Solidaristic, stable, and homogenous local communities and working- and cross-class associations were social infrastructures that tied managers to traditional communities, insulating them from peers' turn to Wall Street, and sustaining mutual organization in the face of marketization.

Our results caution us, however, against overly simple disorganization or declining social capital arguments that construe the social and the economic as hostile spheres (Zelizer 2006), or cast impersonal markets as an outgrowth of social atomization. Rather, they also point toward dynamics of elite detachment, community *re*-organization, and segregated social structures highlighted by civic reconstruction and ethno-racial accounts of U.S. communities. Managers were more likely to embrace conversions when SLAs focused less on local communities, when communities were segmented across class and ethno-racial lines, and when managers could access upwardly oriented local civic associations for independent and coordinated action. Increased densities of these associations also

amplified the effects of community and institutional factors on conversions. Civic, business, and professional associations were *not* infrastructures for pro-community mutualism. Rather, they served as organizational platforms for pro-market reforms at the local level, increasing local managerial elites' capacities to pursue conversion as they disconnected from local communities and were exposed to new exemplars.

This study advances research in economic and organizational sociology on several related fronts. First, it integrates insights from urban and community sociology to develop new theory and findings about how local social relations—what Marwell (2007) and McQuarrie and Marwell (2009) term social and systemic integration—affect firms, markets, and organizational forms. In linking conversions to communities, we look beyond networks, institutions, or categories to bring new explanatory frames to bear on economic sociology's core agenda: to understand how social structures sustain various kinds of economic activity and organization. We likewise extend its core insight: markets and their construction do not occur spontaneously in the absence of social structure, but rather presuppose well-developed social infrastructures capable of connecting and supporting collective action among elites (see also Davis and Greve 1997; Safford 2009; Yue 2015). In late-twentieth-century U.S. mortgage finance, conversions and marketization were importantly local managerial projects that rested on class and racial segmentation within communities, on local elites' detachment from those communities, and on associational infrastructures for coordinating conversions, linking outward to banking and financial professionals, and re-embedding managers within broader planning and managerial communities (McQuarrie 2010; Pacewicz 2016).

Second, our study opens new lines of inquiry for research on financialization by linking two key threads in the historical sociology of post-Fordist transformation in the late-twentieth-century United States. One is the expansion of market logics amid macro-level regulatory shifts and the financial

reordering of socioeconomic institutions (see Davis 2009; Lounsbury and Hirsch 2010). The other is the reorganization of local civic life amid declining cross-class associationism, rising inequality and ethno-racial heterogeneity, and the disengagement of local elites from community life (see Pacewicz 2016; Skocpol 2003). These two currents—typically treated separately as distinct processes at differing levels of analysis—are in fact intertwined. The processes by which mortgage finance and its Main Street institutions were extricated from their community foundations, reorganized, and reintegrated into Wall Street were not simply products of state actions to remove the boundaries of the post-New Deal regulatory system and unleash the market in finance (Campbell 2010; Krippner 2011; Quinn 2017), or the rise of new business models among leading institutions in national banking circles (Goldstein and Fligstein 2017; Ho 2009). They were also shaped by community-level dynamics—by local banking elites’ partial withdrawal from their communities and cross-class affiliations, and their redeploying local associations to coordinate pro-market reform and connect to wider professional circles. Financialization, at least in its key early stages, coupled macro-level political-institutional dynamics of deregulation and marketization with dynamics of elite detachment, civic reorganization, and ethno-racial fracture within local communities.

Third, our analysis extends organizational scholarship on how community affects organizations. That work has produced key theoretical statements (Marquis and Battilana 2009; Marquis et al. 2011) and found that communities and community logics shape organizational outcomes from downsizing and level of risk-taking to corporate support for social welfare nonprofits. Our study adds a new outcome to this line of work, a richer, more sociologically grounded understanding of community and its evolution, and a clearer analytic distinction between embeddedness and community effects.

This study also adds new leverage for deeper analyses of community and the fates of contemporary cooperativism and kindred

alternatives in the face of crises and the turn to the market in the late twentieth and early twenty-first centuries (Chen and Chen 2021; Cheney 1999; Mosley 2020; Soskis 2020; Spicer, Kay, and Ganz 2019). As one of the very few quantitative studies to date that links conversions among alternative organizations to their community and institutional contexts (D’Aunno et al. 2000; Haveman et al. 2007), our analysis suggests two new lines for future research on responses to neoliberalism by alternative organizations in other sectors, including insurance mutuals or credit unions, agricultural cooperatives, and nonprofit hospitals and nursing homes (Fulton and Hueth 2009; Goddeeris and Weisbrod 1998; Viswanathan and Cummins 2003; Wilcox 2006). One possibility would be to extend our approach directly to other cases, modifying the design to take account of forms’ distinct histories, communities, and repertoires of responses. Credit unions, for example, rarely embraced stock conversions. But they did embrace market-based banking practices of investing in mortgage securities and derivatives, making it possible to analyze those responses to marketization in terms of the type of membership communities credit unions served or whether they remained focused on a single affinity group versus expanding to multiple common bond communities or converting to a community charter (Amburgey and Dacin 1993).

A second possibility is to adopt a community ecology approach (Barron, West, and Hannon 1998; Freeman and Audia 2006; Ruef 2000), shifting the focus to multiple interacting systems of alternative (and corporate) organizations to analyze inward, outward, and reciprocal cross-form effects within communities. Such studies might ask how responses to market liberalism among some populations of alternatives affect outcomes and responses in others within localities. For example, did SLA demutualizations set the stage for insurance demutualization and nonprofit community hospital conversions to corporations? Was the decline of SLAs through conversions and failures a harbinger for the permanent disappearance

of alternative banking organizations in those places, or an opportunity for credit unions to fill the void left behind? Might embeddedness and community buffer or expose alternative enterprises to such cross-population effects?

Finally, we contribute to organizational scholarship on institutional change and how organizations manage contexts characterized by multiple, competing logics or institutional complexity (Greenwood et al. 2011; Thornton, Ocasio, and Lounsbury 2012). Knowledge of how contextual factors lead organizations to negotiate heterogeneous environments and selectively embrace or resist different organizing options is vital for understanding when and how new logics find traction or “take-up.” We advance this agenda by drawing on sociological conceptions of community and an older institutionalist take on organizations’ social context (Selznick 1949) to trace how local, community-level conditions mediate organizational responses to institutional multiplicity. In the end, understanding how organizations negotiate their environments means situating them not just in institutional fields (Oliver 1991), but also in their concrete, often local communities.

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Notes

1. Only California and three other states permitted stock forms through the post-World War II era. Federal stock charters were not authorized until 1974. Conversions were banned in most states before 1945 and extremely rare before 1975, with only 59 conversions occurring from 1945 to 1974 (U.S. Senate 1976:48, 63–5).
2. By contrast, credit unions began as consumer credit cooperatives and were traditionally heavily organized around employer or occupational affinity groups. Mutual insurers often arose in occupational or trade communities, and were heavily populated by national insurers with weak ties to place-based communities.
3. Managerial insiders typically acquired 20 percent of shares in the initial subscription, on average; only 2 to 5 percent of depositors participated in share subscriptions (Jordan, Verbrugge, and Burns 1988; Masulis 1987).
4. This was especially true for credit unions, which mustered just 33 conversions in the decade after their general authorization. Insurance demutualizations numbered roughly 80 in the 1980s and 1990s (Chaddad and Cook 2004; Viswanathan and Cummins 2003; Wilcox 2006).
5. In the online supplement, we report additional analyses that extend to 1994 to capture a smaller second conversion wave. This ancillary analysis draws on additional post-1988 data from the Federal Reserve RIS historical research files. However, changes in data-reporting requirements following the 1989 FIRREA Act mean that available firm-level data measures for the post-1988 period cannot be fully harmonized with the pre-1988 period.
6. Mutuals founded after 1976 represent only 2.94 percent of the sample. Results are robust to the exclusion of late entrants.
7. Our localism and portfolio measures of embeddedness are very similar to those regulators use under the Community Reinvestment Act to rate banks and SLAs on the extent to which their business activities contribute to local community development. These are designed to capture and characterize the underlying relationship between the SLA (or bank) and its community—that is, the extent to which the SLA and managers concentrate on traditional lending to their home communities and sustain the relationships involved in that form of banking—something that is deeply consequential for lenders and their communities. HMDA lending data are unavailable for the smallest MSLAs and those in rural areas, both of which were exempt from filing. Models using the embeddedness index are estimated on a smaller analytic sample.
8. We conducted several sensitivity checks to ensure our results are not simply artifacts of the level of analysis, time period, or modeling strategy. We replicated our analyses with covariates measured at the

commuter zone rather than county level (reported in Figures S1, S2, and S3 in the online supplement), and re-ran our county-level analyses as a four-level model including commuter-zone random intercepts to help capture spillover or correlated outcomes within clustered counties (see Figure S4). We also extended our analyses over a longer period, from 1977 through 1994 (Table S4), and we re-estimated our county-level models using embeddedness and community structure indices based on principle component factor scores, rather than inverse covariance weighting (Figure S5).

9. We thank the anonymous reviewers for raising the possibilities we consider here.

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