THE POLITICAL ECONOMY OF NONPROFIT SOCIAL ENTERPRISES

by

Stefanie Haefele-Balch
A Dissertation
Submitted to the
Graduate Faculty
of
George Mason University
in Partial Fulfillment of
The Requirements for the Degree
of
Doctor of Philosophy
Economics

Committee:

Director

Department Chairperson

Program Director

Dean, College of Humanities
and Social Sciences

Date: October 22, 2015

Spring Semester 2016
George Mason University
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Bachelor of Arts
George Mason University, 2010

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THE POLITICAL ECONOMY OF NONPROFIT SOCIAL ENTERPRISES

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George Mason University, 2016

Dissertation Director: Dr. Peter J. Boettke

My dissertation focuses on the political economy of nonprofit social enterprises, or voluntary organizations with social missions, through an examination of the practices and performance of Habitat for Humanity. Habitat for Humanity is an international nonprofit organization that provides the opportunity of owning affordable, modest homes to low-income individuals living in inadequate housing. The organization has over 1,500 affiliates in cities and counties across the United States that focus on fostering sustainable homeownership (through a structured program of workshops, sweat equity, and reduced mortgages) rather than just providing housing to the poor.

Three chapters compose my dissertation. The opening chapter is on economic calculation, adaptation, and social learning applied to nonprofits, and will accompany two chapters that focus on Habitat for Humanity. The second chapter examines the mechanisms that Habitat for Humanity utilizes to attempt to provide adequate housing for the poor, and compares those mechanisms to those of government housing programs. I provide an in-depth analysis of the Habitat for Humanity affiliate in Birmingham,
Alabama and utilize interviews that I conducted of Habitat employees and homeowners (during the 2009-2010 academic year). The third chapter examines the effects that government interventions that occurred after the housing and financial crises in 2008 had on Habitat for Humanity. Specifically, it looks at how the organization has pursued grants to purchase and sell foreclosed homes, and how those grants and subsequent lobbying and government interaction have altered their mission, outcomes, and social capital investments.
I. Introduction

Nonprofit social enterprises, or voluntary organizations with social missions, have a long history of providing goods and services to their community. For example, churches and volunteer groups often provide meals, activities, educational programs, and social spaces for the youth and elderly in their congregations. Similarly, activist groups often advocate on behalf of the disadvantaged members of their community. Rather than pursuing profits by directly selling their goods and services to consumers in the market, these organizations pursue social goals by collecting donations and charging little to no fees to the end user. These social enterprises often appear to be successful on multiple margins including their ability to attract donations and volunteers, to attract nonpaying recipients and even paying customers for the goods and services they provide, and to expand their operations over time.¹

Moreover, in many ways, we witness the importance of social enterprises in providing goods, services, social spaces, and focal points for resilient and prosperous communities (Storr et al. 2015). These successes have, not surprisingly, have led scholars

¹ Of course, nonprofits appear to be unsuccessful as well. They often lose donors and volunteers when people do not approve of their practices and the goods and services they provide, they often end up not helping the people they hope to help, and they often face the pressure to change their ways, shrink their portfolios, or close up shop.
to argue for an increasing role of nonprofits in civil society. For instance, Tocqueville (1835) observed the robust civil associations that permeated the American landscape and connected their existence with the concept of self-governance. Cornuelle (1965) argues that nonprofits (or what he calls the independent sector) do and should play a necessary role as competition for government-provided goods and services in a wide variety of areas, including education, healthcare, and welfare programs. Weisbrod (1988) situates nonprofit organizations as a solution to both market failure and government failure (specifically focusing on the under-provision of public goods, such as education and nature conservation, to heterogeneous populations). And, Lohmann (1992) advances a notion of nonprofit enterprises (or what he calls the commons) as those that seek to provide goods and services that promote broader human progress (as compared to a more narrow definition of material wealth through profit maximization).

While scholars of this vein see nonprofits primarily as a complement to markets and competition to central government action, other scholars view nonprofits as a necessary complement to government or an extension of government action. For instance, Salamon (2003) argues that the voluntary sector can fail just like markets and governments, and that social goals succeed when nonprofits partner with government. Specifically, he examines the role of government funds as a way to promote and expand what he calls third-party government. Similarly, Acs (2013) sees philanthropy as a necessary complement to government action that helps remedy market failure.²

² While Acs (2013) views this as a robust capitalist system, he nonetheless promotes coexistence, rather than competition, with the state.
Such scholarship has stressed the importance of nonprofit enterprises in robust civil society. However, how nonprofit social enterprises, and the social entrepreneurs that drive them, go about identifying opportunities, allocating resources, and adapting to changing circumstances has been largely underexplored. Boettke and Prychitko (2004) identify this issue and argue that an Austrian approach, focused on economic calculation and comparative institutional analysis, would fill a gap in the literature (see also Boettke and Coyne 2009).

Since then, a debate has occurred among economists of the Austrian tradition regarding how nonprofits should be categorized, the limitations of calculation and coordination in the nonprofit sector, and the characteristics of successful and unsuccessful nonprofit enterprises. On one side of the debate, scholars have focused on the distinction between market and nonmarket settings, relying on the seminal work of the socialist calculation debate (Boettke and Prychitko 2004; Boettke and Coyne 2009). From this view, nonprofits are similar to governments in that they lack the knowledge transmission mechanism of market prices and the feedback mechanism of profit and loss and, thus, are unlikely to perform in ways that are consistently socially beneficial. The other side of the debate argues that nonprofits, while lacking many of the characteristics of markets, do have the ability to coordinate plans and bring about social progress in ways that government cannot (Chamlee-Wright 2004, 2010; Chamlee-Wright and Myers 2008; Storr et al. 2015). From this view, the mechanisms available to nonprofits—such as reputation and competition for donors, volunteers, and customers—can and do enable knowledge discovery and social learning, and therefore, produce fruitful social outcomes.
This paper attempts to 1) negotiate the sides of the debate on nonprofits within Austrian economics, 2) advance a way to study nonprofits based on the issues articulated in the debate, and 3) discuss the areas of further study that this new approach offers. While there is no doubt that entrepreneurs in an unhampered market have a privileged epistemic position compared to actors in nonmarket settings (Boettke and Prychitko 2004; Skarbek 2012), I argue that the theoretical distinction between the various feedback mechanisms and guides for action in the market and nonprofit sectors are often overstated when examining actual individual entrepreneurial actions (Chamlee-Wright 2004, 2010; Storr et al. 2015).

Rather than distinguishing between the market sector and the nonmarket sector, I argue that a distinction between the private (or voluntary) sector and the public (or involuntary) sector is needed to analyze nonprofits. This distinction results from the arguments advanced by Chamlee-Wright (2004, 2010) and Storr et al. (2015) in the Austrian debate on nonprofit enterprises; nonprofit activity—when pursued through decentralized enterprises and disciplined by the actions of donors, volunteers, customers and their rivals—while imperfect, is better suited than government to contribute to social progress. Furthermore, nonprofit activity that is decentralized and open to competition is better suited to be socially beneficial than nonprofit activity that is centralized and protected from competition. This distinction, I argue, opens the door for studying how nonprofits bring about socially beneficial outcomes and promote progress and how intervention into nonprofit activity distorts missions and outcomes.
The paper proceeds as follows. Section II delves into the nonprofit debate among scholars of the Austrian tradition, including the particular Austrian contributions that provide for the foundation of the debate as well as a summary of the two sides of the debate. Section III advances the private sector vs. the public sector approach to studying nonprofit enterprises and provides a brief example of how this approach can be utilized to study nonprofit enterprises, by examining Habitat for Humanity International, a nonprofit organization that aims to promote affordable homeownership among impoverished populations. And, Section IV concludes.

II. The Austrian debate on nonprofit enterprises
As mentioned above, the conventional literature on nonprofit social enterprises highlights both the importance of nonprofit social enterprises as complements to markets and competition to the state (for instance, see Tocqueville 1835; Cornuelle 1965; Weisbrod 1988; Lohmann 1992) as well as complements to and agents of government action (for instance, see Salamon 2003; Acs 2013). However, an analysis of how nonprofits actually go about identifying opportunities, allocating scarce resources, and adapting to changing circumstances has been largely underdeveloped. Boettke and Prychitko (2004) identify and carve out a research program for examining how nonprofits coordinate, learn, and adapt by (1) critiquing the standard study of nonprofits for using welfare theory as a flawed concept for studying comparative institutions, and (2) arguing that the Austrian theory of economic calculation is better suited to understanding and determining effectiveness of the nonprofit sector.
First, Boettke and Prychitko (2004) address two scholars who utilize welfare theory to examine the existence of nonprofit social enterprises: Weisbrod and Salamon. Weisbrod (1988) couples welfare theory, that certain goods (particularly those that are considered non-rivalrous and non-excludable) will be underprovided in the market due to the free rider problem, with an economic analysis of politics, that government planners will face difficulties understanding the subjective preferences of heterogeneous groups, to explain the existence of nonprofits. When circumstances are sufficiently complex, governments cannot find a one-size-fits-all solution for public goods and, instead, organizations seeking to solve social issues (rather than profit maximizers) will provide suitable options for citizens (ibid.). Salamon (2003), on the other hand, sees a disconnect between Weisbrod’s theory and his observations in reality: nonprofits have increasingly formed partnerships with government rather than acting as substitutes for government-provisions of public goods. Instead, Salamon (ibid.) proposes that nonprofits can also underprovide goods and services and only when these diverse organizations are coupled with funds from government can they solve societal ills.

However, Boettke and Prychitko (2004: 9) argue that both arguments are flawed due to their reliance on welfare theory, stating that, “Our problem with this approach, and that of welfare theory in general, is the misplaced concreteness that too readily allows the confusion of economic models with reality. Even if problems of calculation and taxation could be solved in instances of homogeneous demand for certain goods (and we treat this hypothesis with enormous skepticism), there is simply no way that citizens, economists, policymakers, or anyone else can possibly know people’s unexpressed ‘demands’ in real,
existing economies, regardless of whether we have *a priori* beliefs that those demands might be homogeneous for some goods and heterogeneous for others.” Furthermore, neither Weisbrod nor Salamon provide evidence that nonprofits meet the benchmark that is used to determine market failure (that of Pareto-Optimality) nor provide a new benchmark to determine relative success.

Second, Boettke and Prychitko (ibid.) argue that an Austrian approach is better suited to determining the relative success of nonprofits. They proceed by utilizing the Austrian contribution on economic calculation that highlights the difference between markets, which enable actors to utilize economic calculation when pursuing plans, and governments (and nonprofits), which cannot perform such calculation.

Rooted in a debate on the feasibility of socialism, the Austrian contribution to economic calculation was first articulated by Mises ([1920] 1963) in “Economic Calculation in the Socialist Commonwealth.” Mises argued that markets are able to coordinate plans and allocate resources efficiently through rational economic calculation because of the existence of private property rights (which enable exchange in the means of production), monetary prices over the means of production (which signal relative scarcity when determining between various alternatives), and the feedback mechanism of profit and loss (which signals success, encourages error correction, and promotes innovation). Socialism eliminates private property and, thus, undermines the system of economic calculation; economic calculation under socialism is impossible and it is, therefore, inappropriate to expect that socialism can match or outperform the material progress and social benefits achieved through markets.
As the socialist calculation debate continued, Mises and Hayek further refined their arguments to highlight the coordinating tendencies of markets—such as the role of entrepreneurs in correcting errors in the market through arbitrage and innovation (Mises [1949] 2007; Kirzner 1973) and the role of prices in disseminating dispersed and inarticulate knowledge (Hayek 1948; Lavoie 1985a, 1985b, 2001)—and the lack of such mechanisms in central planning—such as the rigid rules and inefficiencies of government bureaucracy (Mises [1944] 1972) and the inability to centrally collect, interpret, and respond to the ever-changing dispersed and inarticulate knowledge in society (Hayek 1948; Lavoie 1985a, 1985b). The emphasis on knowledge highlights the way in which prices and profit and loss coordinate the plans of individuals within the market; through the process of exchanging with others, information about the relative scarcity and usefulness of goods and services is conveyed through prices and their ability to fluctuate as circumstances change. As Lavoie (2001: 4) asserts, welfare theory (of which the models of market socialism, and government intervention more broadly, are based) “seek to pre-coordinate plans before launching any projects, whereas in the real world plans are post-coordinated by the calculation of profit and loss during and after the implementation of production projects.” These contributions lead to the distinction between market and nonmarket activity, as market activity has the characteristics necessary for economic calculation and nonmarket activity does not.

Additionally, Lavoie (ibid.: 11) identifies the process of utilizing dispersed and inarticulate knowledge as necessarily a social one: “Through the interaction of intelligent beings in a social context, the society as a whole attains a kind of ‘intelligence’ that is far
greater than the sum of its parts.” Lavoie (1985a: 37) also states, “Rather than one simple unchanging plan within an isolated community, we have millions of complicated plans, all struggling with and adapting to one another in an unending flux of changing productive relationships.”

Lavoie (2001) then uses the example of the scientific community as an analog to markets to show how knowledge is transmitted and improved upon over time. He posits that ideas are analogous to goods and services, personal academic freedom is akin to private property rights, existing theories are analogous to prices, rivalrous controversy and criticism is analogous to rivalrous competition, and reputation is analogous to economic wealth (ibid.). The market for ideas is coordinated, in the search for a progress toward truth, through contestation. Similarly, government intervention distorts the market for ideas just like it distorts the market for goods and services: “The independence of producers from political influence and their free rivalry among on another for profit would be as necessary for economic progress as the independence of an controversy among scientists is for intellectual progress” (ibid.: 18).

Viewed in this way, dispersed and inarticulate knowledge is best utilized in decentralized institutions (like the market but also like the scientific community, which is nonmarket in nature). This argument leads to the distinction between private and public sector activity, where private sector activity has the characteristics necessary for progress (such as private property rights, competition, and change) and public activity does not

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3 Polayni (1962) and Ostrom (1991) also examine the market for ideas and identify the importance of contestation and the unintended consequences of state-run scientific endeavors. Lavoie (1985a) also further examines the scientific community.
(but is characterized instead by authority, rigidity, and the preservation of the status quo).  

These contributions, grounded in the Austrian contributions on economic calculation, knowledge, bureaucracy, provide the background for the debate among Austrian economists on the role of nonprofit enterprises in civil society. One side takes the stance of the market sector vs. the nonmarket sector, and the other takes the stance of the private sector vs. the public sector. The following subsections summarize both sides of the debate.

**The market sector vs. the nonmarket sector**

By applying the lessons of the socialist calculation debate to nonprofits, Boettke and Prychitko (2004: 22) assert that, “The absence of such calculation implies that entrepreneurs who create and executives who manage nonprofit firms may indeed be handicapped in their ability to demonstrate the efficiency or inefficiency of their activities.” Rather than seeking to determine the success of nonprofits by efficiency standards (such as Pareto-Optimality), the “more broad accomplishment of plan fulfillment must suffice” (ibid.: 25). From this view, “issues of trust, reputation, satisfaction, and so on might serve as effective guides to action” (ibid.: 22) when calculation is absent; we cannot determine efficiency, only program effectiveness. These measures only determine if nonprofits are utilizing their resources effectively, not whether they are utilizing them to their most valued use. Stated another way, Boettke and

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4 Lavoie (1985a) discusses the evolutionary process of tradition and markets (or private, contestable processes) with the unachievable goal of central planning that allows for complete control (or public processes).
Prychitko (ibid.: 22) note that, “… although nonprofits can undertake *measurements*, and, if encouraged, a rational assessment of their outcomes (using both quantitative and qualitative means), they have no way of calculating the realized results against the expected results.”

Similarly, Boettke and Coyne (2009: 43) use the market vs. nonmarket distinction when analyzing social entrepreneurship: “The key difference between social entrepreneurship and market entrepreneurship is that the latter is driven by the desire for profit while the former is not.” And, by doing so, identify one imperfect mechanism that disciplines social endeavors: “…in the absence of this mechanism [of profit and loss], the nonmarket sector relies on the disciplinary devices most appropriate for that sort of interaction, namely reputation … The only way that the social entrepreneurs can decide between competing projects is to limit their activities to those initiatives that can be directly monitored and disciplined on the basis of reputation” (ibid.: 45).

Boettke and Coyne (ibid.) go on to emphasize the importance of reputation in ensuring that social entrepreneurs fulfil the intentions of their donors, and that the more closely a social entrepreneur follows donor-intent, the more effective they will be at accomplishing their goal. However, they conclude that,

It is important to note that reputation collateral is not a substitute for economic calculation. Absent monetary calculation we cannot be confident that the decision of donors to provide monetary support to social entrepreneurs is an efficient allocation of resources. Likewise, we cannot be confident that the mistakes of social entrepreneurs will tend to be self-correcting as in private markets. Acting in
the nonmarket setting, whether it is giving by donors or the undertakings of social entrepreneurs, means that people are acting outside the feedback mechanisms of prices and profit and loss. Given this, the best we can do is to find disciplinary devices that ensure that social entrepreneurs tend to meet the desires of donors. (Boettke and Coyne 2009: 47)

Analyzed from the market vs. nonmarket perspective, nonprofits are imperfect and severely limited enterprises. There is little reason to be confident that social entrepreneurs will use resources in socially beneficial ways and that social entrepreneurs will be able to identify and correct for errors when they occur. Indeed, viewed in this way, all nonprofit activity seems destined to disappoint. However, the other side of the debate analyzes nonprofit enterprises based on a different dichotomy and results in a more substantive role for social entrepreneurship in robust civil society.

*The private sector vs. the public sector*

Chamlee-Wright (2004), in response to Boettke and Prychitko (2004), provides further reasons for an Austrian approach to studying nonprofits, by highlighting how the notions of non-price discovery and local knowledge can be used to examine decision-making within nonprofit organizations, and argues that such an Austrian approach promotes a view of nonprofits as more effective than governments.\(^5\) Chamlee-Wright (ibid.: 48) states that, “Much of the decision-making that takes place in the context of a nonprofit involves the weighing of two (or perhaps many more) alternative courses of

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\(^5\) Whereas, the market vs. nonmarket approach would largely lump nonprofit action and government action together under the umbrella of the nonmarket sector.
action, each of which could be imagined to meet the goals of the organization but none presenting itself as clearly the best alternative a priori. Directors of nonprofits must test their expectations in a process of trial and error. Though discovery will not take the form of economic calculation, they will nonetheless discover.” How, then, do social entrepreneurs and nonprofit managers go about making such complex decisions? And, furthermore, when they err, how do they learn about their mistakes and make corrective actions?

To begin to answer this question, Chamlee-Wright (2004) appeals to the distinction between theory and reality. She notes that,

… the difference between economic calculation and other guides to action is one of degree, not of kind. Market prices and net monetary returns are not “marching orders.” Profits tell the entrepreneur that she or he is doing something right, but profits do not necessarily signal whether some alternative plan might have generated even more profits. Losses certainly signal the entrepreneur that something is wrong, but just what the entrepreneur is supposed to do in response to these losses is a complex interpretive challenge … As all the possible courses of action and their corresponding outcomes are never laid out before market participants, entrepreneurial decision-making is a process of discovery, not logical deduction … Though monetary calculation is central to market discovery, nonmonetary discovery also takes place as entrepreneurs execute and revise their plans. (ibid.: 48-49)
The guides that nonprofits can utilize, there is no doubt, will be less tight than that of economic calculation. However, Chamlee-Wright (ibid.: 50) argues that, “With regard to nonprofits, the question seems to be whether they are capable of cultivating enough relevant local knowledge to serve as an effective guide to action. There is no guarantee that any one particular organization will be able to do this, but there is no systematic reason why we would expect sector-wide failure in this regard, either.” Whereas central planning within government cannot access the relevant knowledge necessary to coordinate action, individual nonprofits (and the diverse, broader sector they collectively create) may, indeed, be able to discovery, learn, and provide goods and services that further societal progress (ibid.; Martin 2010).

Similarly, Storr et al. (2015) argue that the distinction between entrepreneurs across sectors (including commercial, social, and ideological) are not differences in kind, but rather, are differences of degree. First, the opportunities that entrepreneurs are alert to across sectors are not dramatically different. For instance, the entrepreneur who opens up a restaurant and the entrepreneur who opens a soup kitchen are both providing alternative options for nourishment. Likewise, innovative breakthroughs can occur in labs at state universities (a non-priced environment) as well as in the labs run by for-profit companies. Second, the feedback mechanisms afforded to entrepreneurs also vary in degree, not kind. While the feedback mechanisms of the market (those of monetary prices and profit and loss) are second to none in transmitting knowledge to entrepreneurs, non-priced guides can also convey dispersed and inarticulate knowledge (Lavoie 1985, 2001; Chamlee-Wright 2010; Martin 2010; Skarbek and Green 2011). While entrepreneurs in
unhampered market settings have a “privileged epistemic position” to entrepreneurs in other settings (Skarbek 2012: 100), it does not mean that real world social entrepreneurs have no guides to determine their actions (Storr et al. 2015). Indeed, social entrepreneurs can be guided by being held accountable for their actions by close monitoring by donors, leadership boards, and the public and by maintaining a good reputation (Chamlee-Wright 2004; Chamlee-Wright and Myers 2008; Boettke and Coyne 2009) as well as by their ability to attract volunteers, and satisfy customers (Storr et al. 2015).6

And, as briefly noted above, the guides of profit and loss can be less blunt in reality (O’Driscoll and Rizzo 1996; Chamlee-Wright 2004). While economic calculation in the unhampered market process is a tight feedback mechanism that is second to none, actual markets differ in many ways than their theoretical parallel. In the real world, entrepreneurs in the market face a wide array of epistemic challenges that their theoretical counterparts do not, including that prices are distorted by regulation, subsidies, and other government interventions. These imperfections, coupled with the need to interpret how to respond to signals of profit and loss (as outlined by Chamlee-Wright 2004 quoted above) and the notion that entrepreneurs (across sectors) are motivated by not only prices but also prestige, fame, the desire for social change, and the desire to promote ideological positions adds complications to real world economic calculation (Storr et al. 2015). Viewed this way, real world markets may very well be more imperfect and real world nonprofits more capable than theory would predict.

6 For instance, when a church group opens a soup kitchen, they can determine that they are providing a demanded service based on how many people show up, they can determine if they are providing adequate food if people return, and they can determine if donors are pleased with their actions if they continue to fund their efforts.
In addition to acknowledging the existence of potentially beneficial feedback mechanisms for nonprofits, this side of the debate also examines how social entrepreneurs may be able to learn from these signals in order to be able to correct for errors and discover new and better ways of providing value to society. Chamlee-Wright and Myers (2008: 152) define social learning as “the phenomenon in which society achieves a level of coordination and cooperation that far exceeds the coordinating capacity of any individual or group of individuals within society.” And, “A process of social learning would require that bad information be weeded out such that social coordination is more likely to emerge than not” (ibid.: 152). Furthermore, they posit that, “Given the appropriate institutional environment, individuals can make use of knowledge they do not possess directly, and in turn, render their local, specialized, and often tacit knowledge useful to countless unknown others” (ibid.: 156).

Utilizing social network theory, Chamlee-Wright and Myers (ibid.) examine how individuals, with combinations of strong and weak ties, can diffuse information (i.e. share information through nodes in their network) and engage in social learning (i.e. provide positive feedback that gets transferred back through the network and incorporated into future action). They suggest that “to be effective guides to action and generate a system of social learning…signals need to (1) consolidate diverse bits of information into a form that is readily accessible, (2) be adaptable in the face of changing information and allow for low-cost participation in the adjustment process, (3) make it possible to convey local (often tacit) knowledge beyond one’s own close circle of companions, and (4) generate positive feedback loops in which private innovation benefits the wider sphere, which in
turn conveys benefit back to the original innovators” (ibid.: 158). While prices and profit and loss are exemplars of all four criteria, the signals found in non-priced environments may vary in effectiveness.

The signals that nonprofits can utilize vary widely depending on the scope, scale, and concentration of each individual organization. A social entrepreneur will be alert to opportunities in civil society by interacting in the world and identifying areas for improvement; based on their experiences, location, and cultural context, the entrepreneur is a “man on the spot” who identifies opportunities by interacting with others in society. Once an entrepreneur is alert to an opportunity, determining how to organize, where to buy supplies, and who to employ is also based on their social networks and previous experiences. This process of trial and error builds reputation, status, and trust (or lack of all three) within the community. The ability for donors, volunteers, and customers to monitor the social enterprise, voice their praise and concern, and encourage adaptation largely depends on the larger institutional environment.

Chamlee-Wright and Myers (ibid.: 160) argue that reputation, status, and trust are useful signals when utilized “in more competitive environments in which information flows swiftly and at low cost, and norms of upright behavior can be enforced more effectively, then such systems will come closer to approximating the robust cognitive function that prices play and thus potentially serve as a significant source of social learning.” Furthermore, “If the conditions are right, informal systems of reputation and status can feed into community-level norms of trust, reciprocity, and rules of just conduct. Thus, a sound reputation rewards not only the person who possesses it, but also
spills benefit over to the community at large by reinforcing social rules that foster widespread cooperation, coordination, and mutual support in both market and non-market contexts” (ibid.: 161). By analyzing online philanthropic networks, Chamlee-Wright and Myers (ibid.) conclude that non-priced environments do have the potential to engage in social learning.

Moreover, Chamlee-Wright (2010) examines social learning in the post-disaster context. She argues that the “post-disaster environment is an ideal context” for exploring social learning in non-priced environments (ibid.: 15):

First, given the fact that it takes time for official forms of disaster assistance to arrive and normal routines of market life to return, the resources embedded within social networks can prove vital to individual and community-wide recovery. And because it stands in relief to the routines of ordinary life, the social learning that might unfold in this context is more easily identified and analyzed by the outside observer. Second, … some signals essential to community rebound, such as the number of residents within a particular neighborhood who have returned, or the resumption of services by a local church, or the cleanup effort taking place within a neighborhood school are by their very nature non-priced signals.

Similarly, Sobel and Leeson (2007) and Storr and Haeffele-Balch (2012) advance criteria for analyzing the effectiveness of disaster response and recovery efforts after Hurricane Katrina, based on the ability to identify opportunities, access necessary
knowledge, and adapt to changing conditions in the post-disaster context. In each analysis, the efforts of central planners fail to meet the criteria. For instance, the Federal Emergency Management Agency (FEMA) was late declaring Hurricane Katrina a disaster, failed to identify the areas that lacked necessary supplies (such as water) in a timely manner, often resulting in duplicating the efforts of for-profit businesses and nonprofit organizations, and, in return for these errors, was rewarded with a larger budget and more responsibility rather than less (Sobel and Leeson 2007). Alternatively, decentralized, bottom-up recovery efforts, such as the neighborhood association in the Broadmoor area of New Orleans, were able to identify the needs of their community, use their diverse experiences and connections to funnel resources to their cause, and adapt to changing circumstances (Storr and Haeffele-Balch 2012). In the case of Broadmoor, which the city planning committee had at first proposed should be turned into green space, residents were able to locate dispersed residents, determine who was willing to return, and prove the vitality of their neighborhood through collective return.

Time after time, community-based action was more adaptable and ultimately more successful than centrally-planned efforts (Chamlee-Wright and Storr 2009; Chamlee-Wright 2010; Storr et al. 2015). If entrepreneurs (social entrepreneurs included)

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7 First, Sobel and Leeson (2007: 520) posit that effective disaster relief efforts must succeed in three broad areas: “The first is the recognition stage: Has disaster occurred, how severe is it, and is relief needed? The second is the needs assessment and allocation stage: What relief supplies are needed, who has them readily available, and what areas and individuals need them the most? The third stage is the feedback and evaluation stage: Are our disaster-relief activities working, and what, if anything, needs modification?” And, second, Storr and Haeffele-Balch (2012: 320) build off of their approach in order to determine criteria for effective recovery efforts, which “must determine (a) which residents are most likely to return and which neighborhoods are most likely to rebound, (b) how best to allocate resources, and (c) when it has made mistakes and how to correct them.”
can go about discovery and social learning in the post-disaster context, where, 
admittedly, uncertainty and risk are incredibly high, it stands to reason that social 
entrepreneurs and their endeavors have the potential to effectively pursue their goals and 
bring about progress in mundane times as well.

In the words of Chamlee-Wright and Myers (2008: 160), “in more competitive 
environments in which information flows swiftly and at low cost, and norms of upright 
behavior can be enforced more effectively, then such systems will come closer to 
approximating the robust cognitive function that prices play and thus potentially serve as a 
significant source of social learning.” Enterprises that are more likely to be socially 
beneficial are, thus, established by voluntary means, face competition from existing and 
potential future rivals, and adapt to changing circumstances; they comprise the private 
sector rather than public sector.

Indeed, Mises appears to have held a similar view of nonprofit social enterprises. 
In a letter to Dick Cornuelle discussing his thoughts on Cornuelle’s book, Reclaiming the 
American Dream, Mises (1965) remarked,

In this country people distinguish nowadays between the public sector and the private sector. You are dealing in your book with what you call the independent sector. I fully agree with all you say in the appreciation of the activities to which you assign this term. But are these activities independent? Are they not rather possible only within the frame of the private sector? Does not the sector called the private have a fair claim to the appellation “independent”? You are pointing out that what is called the public sector through its aggressive expansion continually
restricts the field in which independent actions of the citizens can operate … But does not this prove that the actions of the independent sector are essentially a manifestation of the same spirit that animates also the actors in the private sector? What matters is that in the private as well as in the sector you call independent there is only voluntary spontaneous action of individuals and groups of individuals, while the characteristic feature of the public sector is coercion and compulsion.

Viewed in this way, an Austrian approach allows for a robust analysis of the relative success of nonprofit social enterprises in pursuing social goals and advancing societal progress. The following section establishes a research agenda of nonprofit social enterprises along these lines, and offers an example through the case study of the nonprofit Habitat for Humanity International.

III. Studying nonprofit social enterprises based on the private vs. public approach

The broad Austrian conception of the private sector vs. the public sector, as outlined above, has been used to study a variety of scenarios dealing with governance and societal progress in both times of crisis and of everyday life, and sheds light on what is socially beneficial (or harmful) about each sector. The institutional characteristics of the private sector (such as private property, competition, and change) allow for experimentation which can lead to social learning (through successful innovation as well as error identification and correction). Indeed, in the post-disaster context, decentralized organizations led by entrepreneurs—such as the neighborhood association in Broadmoor, churches, stores, and community-based health clinics—successfully provided needed
goods and services, reestablished social networks, and were focal points for recovery (Chamlee-Wright 2010; Storr et al. 2015). The institutional characteristics of the public sector, on the other hand, encourage rigidity and the preservation of the status quo (Storr et al. 2015). For instance, agencies like FEMA, who are maintained by bureaucrats, are often criticized for being too slow and too rigid (and too corrupt) following every major disaster (see Sobel and Leeson 2007; Leeson and Sobel 2008; NPR 2014).

Furthermore, the entrepreneurs and activities we observe and examine in the real world often contain elements of both private and public activity; these characteristics are not mutually exclusive but rather intermixed in a modern society. For instance, a large firm that takes government subsidies and supports regulation that restricts competition exhibits characteristics of a public organization although it rests within the market order. A particular publicly-funded university that fosters an environment of academic freedom where scholars debate ideas and critique each other’s research in the search for truth exhibits characteristics of a private organization although it rests within the government system.

Austrian economists have also noted the distortions that can occur when nonprofit social enterprises become involved with government. For instance, Boettke and Prychitko (2004: 25-26) argue that social entrepreneurs

… would have a greater incentive than government officials to assess effectiveness, because unlike Mises’s councilmen they cannot rely upon the power to tax. Instead, they must depend upon the voluntary contributions of their donors. This, of course, is problematic in our society, where many nonprofits
often bypass the responsibility of persuasion and voluntary exchange and instead seek support from the state (not unlike many private business enterprises). In this regard, to accept Salamon’s advocacy of third-party government, which in effect seeks to legitimate nonprofit firms as arms of state action, would further weaken the effectiveness of nonprofit organizations by encouraging them to engage more in political rent-seeking than in marketplace persuasion.

Chamlee-Wright (2004: 45) iterates Boettke and Prychitko’s message: “[T]heir analysis of the relationship between the state and the voluntary sector sends a chilling warning. State funding of nonprofit organizations may ultimately erode the voluntary sector’s ability to serve as a check on government power.” In a similar vein, Chamlee-Wright and Myers (2008: 160) caution that, “Reputation conveys far more meaning if it emerges in a competitive environment (say, in the market for private security services) than in a context where incumbents are protected against competitive challenge (such as a mafia protection ring). Status that is conveyed by virtue of group membership only conveys meaningful information if the group has the ability to police the behavior of its membership.” As Mises (1965) replied to Cornuelle, “the public sector through its aggressive expansion continually restricts the field in which independent actions of the citizens can operate.” Furthermore, the literature on disaster relief and recovery also highlights the adaptability of decentralized efforts compared to the inflexibility of centralized ones (see, for instance Sobel and Leeson 2007; Chamlee-Wright 2010; Storr and Haeffele-Balch 2012; Storr et al. 2015).
Therefore, we should expect that nonprofit social enterprises that are more private than public in nature will allow for entrepreneurs to innovate, for signals such as reputation and status to be meaningful (embedded in an environment of competition), and thus for errors to be identified (by existing entrepreneurs or entering ones) and corrected for. Nonprofits that are more public than private in nature, however, will be protected from competition and error correction.

This private vs. public approach, advanced by one side of the debate and already utilized in studying various types of activity, provides a way forward for researching nonprofit social enterprises. First, many nonprofit socials enterprises can be viewed as part of the private sector. Viewed in this way, research can examine the characteristics that enable social entrepreneurship to be successful based on the notions decentralization, competition, and adaptability. Second, government interventions into the activity of social enterprises will have distortionary effects and it is possible to study how these distortions impact different actions and alter outcomes. Viewed in this way, research can examine the characteristics that distort social entrepreneurship and allow for a way to identify which nonprofit enterprises are properly categorized as public, rather private, in nature. And third, this approach enables for a different way of categorizing other enterprises as well. For instance, a for-profit firm that is heavily subsidized may be better understood as being part of the public sector. And, a local government agency that provides a small set of social services and actively competes with local nonprofits and businesses may be better understood as being part of the private sector.
The next subsection provides an example of an analysis of nonprofit social enterprises developed from this approach. Specifically, the activities of Habitat for Humanity International, a nonprofit focused on providing affordable housing to the poor, is utilized to highlight both characteristics of the private sector as well as a movement toward becoming more public in nature.

**Habitat for Humanity International**

Habitat for Humanity International (Habitat) is an international nonprofit organization that provides the opportunity of owning affordable, modest homes to low-income individuals living in inadequate housing. Founded by Millard and Linda Fuller in 1976, the organization aimed to foster community-development and provide affordable housing through “partnership building” (Youngs 2007; Baggett 2000; Fuller 1994). Habitat now has over 1,500 affiliates in cities and counties across the United States, as well as operations in countries throughout the world.

Habitat facilitates homeownership for those who are willing to work and are able to pay for their home. Individuals applying for homes must meet a series of requirements before receiving a house from Habitat: they must (1) make between 25 to 50 percent of the area’s median income; (2) meet credit score requirements (also relative to the general area); (3) take classes on homeownership, home repair, and personal finances; (4) complete “sweat equity” hours by working on other homes or at Habitat offices; and (5) make monthly payments on their at-cost, no-interest mortgages (Husock 1995; Baggett 2000). The organization’s goal is to support, train, and enable homeowners to better their

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8 For more information, see [http://www.habitat.org/how/default.aspx](http://www.habitat.org/how/default.aspx).
lives. This process is a way to ensure that individuals and families that seek housing are ready for the responsibility, burdens, and rewards of homeownership; this process helps to protect the organization against a consistent misallocation of resources and also provides checkpoints to reassess investments and make corrections when necessary.

While the centralized headquarters track national and international progress, the houses are built and prospective residents are screened by local affiliates (ibid.). Additionally, local affiliates often cooperate (and compete) with other organizations in the area, giving them access to a wider network to share information and learn from each other.

Haeffele-Balch (2010) examines the effectiveness of the Habitat affiliate in Birmingham, Alabama. Using ethnographic research, I find that the following list of processes and practices enabled the organization to effectively alter the mix of affordable housing and foster homeownership as well as financial stability (ibid.):

1. An extensive application process, including home visits to determine the housing needs and financial review to determine ability to pay.
2. If an applicant does not meet the financial requirements, they are given 6 months to improve without having to restart the process.
3. Teaching responsible behavior through workshops and a supportive relationship.
4. Determining desire for homeownership through sweat equity hours.
5. The time it takes to complete the application and obtainment process is primarily determined by the homeowner and is often short in length, ranging from 3 months to a year.
6. An individualized building process.
7. Local partners and volunteers work side-by-side the homeowners, forging lasting relationships and altering the expectations and attitudes of all parties.
8. A continued relationship with homeowners through mortgage payments, annual events, and volunteering.
9. Flexibility of contracts and payments through a continued dialogue and understanding of the homeowner’s situation.

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9 This analysis is further explored in another chapter of my dissertation.
10. The creation of close-knit, safe, and socially active communities of homeowners.
Habitat has found ways to successfully provide affordable housing to the poor by relying on a decentralized structure. While each affiliate follows a general process to screen and monitor applicants, they are also enabled to adapt to the needs and challenges of their community. Seen this way, Habitat exhibits private sector characteristics, which allows it to identify opportunities (to provide affordable housing), access local knowledge (to select appropriate applicants, to identify where houses should be built, and to determine which suppliers and volunteers to use), and adapt to changing circumstances (to adjust monthly payments based on individual needs, monitor homeowners, and default on mortgages when necessary).

However, in the past ten years, Habitat has become more public in nature by actively lobbying for government intervention into the housing market and pursuing public sector grants. In 2005, the Fullers were terminated by the Habitat board of directors and a new chief executive officer, Jonathon Reckford, was brought on board shortly after Hurricane Katrina hit New Orleans. While the Fullers resisted pursuing government funding, Reckford immediately set into motion an effort to build partnerships with both the US government and other governments throughout the world. For instance, a vice president for governmental affairs was hired and an office was set up in Washington, DC in 2006; expenditures previously dubbed “education” began to be referred to as “advocacy;” and grant money and stories of partnerships with governments started becoming prominent features in Habitat’s annual reports (HFHI 2005, 2008,

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10 This analysis is further explored in another chapter of my dissertation.
2010). Furthermore, after the financial crisis of 2008, local affiliates (including the one in Birmingham, Alabama) began receiving federal grants to purchase, renovate, and sell foreclosed homes (HFHGB 2010b). The Birmingham affiliate initially saw this opportunity as one to increase its presence and impact in the community without siphoning money from traditional operations. However, their annual reports have since stopped distinguishing between their traditional program and the renovation program, potentially signaling that these grants have, indeed, retarded their ability to sustain their traditional programs (HFHGB 2012, 2013).

While the extent to which Habitat has become more public, and whether this has reduced its effectiveness, is still an open question, it is clear that the organization has begun to focus more on promoting the stories of government partnerships than providing detailed financial and annual reports. As Boettke and Prychitko (2004) and Chamlee-Wright and Myers (2008) warned, government funding reduces the need for accountability and protects nonprofits from competition. Such actions may also result in weaker feedback mechanisms, and promote the status quo rather than a process of social learning and progress.

**IV. Conclusion**

There is a large literature on the role of nonprofit enterprises in robust civil society (see, for instance, Tocqueville 1835; Cornuelle 1965; Weisbrod 1988; Lohmann 1992; Salamon 2003; Acs 2013). This literature advocates for nonprofits to be either competition for government-provided goods and services or complements, and even necessary extensions, of government action, but largely leaves the questions of how
nonprofit social enterprises go about identifying opportunities, allocating resources, and adapting to changing circumstances unaddressed. Boettke and Prychitko (2004) identify this gap in the literature and argue that such an analysis should follow an Austrian approach, as well as spark a debate among Austrian economists on whether nonprofits should be distinguished from markets (and thus, labeled as a component of the nonmarket sector) or should be distinguished from governments (and thus, labeled as a component of the private sector). This paper 1) negotiates the sides of the debate on nonprofits within Austrian economics, 2) advances a way to study nonprofits based on the issues articulated in the debate (using a private vs. public rather than market vs. nonmarket distinction), and 3) discusses the areas of further study that this new approach offers.

Since society exhibits both private and public characteristics, it is the movement toward private activity (rather than public activity) that enables nonprofit social enterprises to identify opportunities, access necessary knowledge, and engage in social learning (or not). This is highlighted by the example of Habitat for Humanity International, whose decentralized structure enabled local affiliates to adapt to the needs of their community (characterized as private in nature) and whose growing involvement with government has reduced accountability and transparency (a movement toward being more public in nature).

Furthermore, future research that utilizes this distinction can 1) examine the coordinating characteristics of nonprofits, 2) examine how government intervention distorts the missions, actions, and outcomes of nonprofits, and 3) identify enterprises that normally are categorized as market or nonmarket that are actually better suited as
categorized as private or public (for instance, how businesses that heavily rely subsidies may be more public than private in nature).
CHAPTER 2—INADEQUATE HOUSING AND ADEQUATE SOLUTIONS: AN ANALYSIS OF HABITAT FOR HUMANITY IN BIRMINGHAM, ALABAMA

I. Introduction

Many cities in the United States, and throughout the world, are faced with issues of inadequate housing for the poor. While the definition and quantification of inadequate housing is difficult to determine, a 2012 study by the National Association of Home Builders reveals that over 8.8 million households are living in inadequate housing in the United States (Emrath and Taylor 2012). The poor are the most affected: two-thirds of the people living in inadequate housing make less than 80 percent of the median income of their area (NLIHC 2004). 

The inadequate housing in which many impoverished people live is a major social issue in the United States and throughout the world. While the problem is widely recognized, many efforts to increase quality housing, homeownership, and the living standards of the impoverished have done little to improve the situation. This essay will examine the capabilities and limits of various methods available, which aim to improve housing conditions and provide opportunities for homeownership, in an effort to more thoroughly understand the situation and the possible solutions to the problem.

11 The definition of area median income, according to Freddie Mac, is the “Midpoint in the family-income range for a metropolitan statistical area or for the non-metro parts of a state. The figure often is used as a basis to stratify incomes into low, moderate and upper ranges.”
Defining and quantifying the problem of substandard housing is a difficult task.\textsuperscript{12} In America, inadequate housing generally includes high relative costs, poor physical quality, overcrowding, as well as the complete lack of shelter. First, the burden of excessive housing costs has been defined as housing expenditures of 30 percent or more of total income. According to the US Department of Housing and Urban Development, over 12 million households, comprised of both renters and homeowners, spend more than 50 percent of their annual incomes on housing.\textsuperscript{13} Second, poor housing quality includes the lack of certain utilities, incomplete or nonexistent bathrooms or kitchens, and unsafe building structures. Third, the Census Bureau determined that overcrowding, when there is more than one individual per room, occurred in over 6 million housing units in 2000.\textsuperscript{14}

An array of academic literature captures the burdens of unstable and inadequate housing on one’s health, education, and prosperity. People, particularly children, living in inadequate housing are more likely to have disabilities, mental illnesses, or behavioral issues (Marsh et al. 2000). Additionally, children in improper housing conditions experience more viral and bacterial infections, respiratory illnesses, anemia, and stunted growth (Sandel et al. 1999; Harker 2006). Children lacking proper shelter also attain less education and are more likely to be impoverished as adults than their peers with better housing conditions (Harker 2006).

\textsuperscript{12} A house may be considered inadequate by some individuals and not by others; the standards for housing in the United States are not equivalent to those throughout the world.
\textsuperscript{13} For these and other statistics on affordable housing, see http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/.
\textsuperscript{14} U.S. Census Bureau, \textit{Historical Census of Housing Tables: Crowding}, http://www.census.gov/hhes/www/housing/census/historic/crowing.html.
In contrast, the benefits associated with maintaining and owning a house are substantial, including better living conditions through increased building quality and decreased neighborhood crime rates (Saegert and Winkel 1998). The children of such households are more likely to stay in school, get better grades, and be of better health, and are also less likely to have behavioral problems and teen pregnancies (Green and White 1997; Haurin et al. 2002). Additionally, homeowners are more likely to be actively involved in politics and community organizations (Rohe et al. 2000).

Whether these benefits of homeownership are associated with the home itself or with the homeowner’s more secure financial position is unclear. Therefore, it is uncertain whether the poor currently residing in inadequate housing can simply achieve these benefits by owning a home. In fact, low-income homeowners often purchase older homes of lesser quality that are in more volatile neighborhoods (McCarthy et al. 2001). The long-term benefits of homeownership are achievable through consistent job placement, income, and home maintenance. In the absence of these attributes, homeowners may not be able to pay their mortgage or work to improve their neighborhood. Thus, homeownership may exacerbate their financial burden rather than get them on the path to financial security (Rohe et al. 2000). Therefore, the self-perpetuating path dependency of poverty must be overcome in order to achieve the benefits and prosperity of adequate housing and homeownership. It is by this goal that one must judge the current efforts to improve the housing conditions of the poor.

There is a large literature within urban studies on affordable housing. There is a recognition of the failures of federal programs (for instance, see Dreier and Atlass 1996;
Oakley and Burchfield 2009; Chaskin and Joseph 2011; Drew 2011) and caution over new government schemes (for instance, see Varady et al. 2005; Oakley and Burchfield 2009; Sinha and Kasdan 2013; Talen and Koschinsky 2014). However, much of the research still emphasizes a strong role for city planning and government initiatives, such as the work examining the effects of inclusionary zoning policies (for instance, see Chaskin 2013; Wiener and Barton 2013; Hughen and Read 2014). Additional research examines broad financing schemes that aim to promote affordable housing, such as community land trusts (see Moore and McKee 2012; Miller 2013; Moore and Mullins 2013; Mukhija and Scott-Railton 2013; Skobba and Carswell 2014) and shared equity homeownership (see Temkin et al. 2013; Thaden et al. 2013).

When nonprofit social enterprises are considered, studies will acknowledge ability for such organizations to provide alternative housing options to the poor but then stress their inability to scale up as a major constraint to solving housing issues for the poor (see Schwartz et al. 1996 for a thorough overview of the literature on the challenges of nonprofits to provide housing) and, thus, often appeal for partnerships between nonprofits and government are advanced (see Schwartz et al. 1996; McDermott 2004; Koschinsky 1998; Bratt 2009). While these studies have examined the current affordable housing initiatives and made strides at determining the scope and scale of the housing issues facing the poor, they leave how government, nonprofits, or partnerships between the two will go about providing sustainable housing options that not only improve the quality of shelter but promote financial security largely unaddressed. In an attempt to fill this gap in the literature, this paper utilizes the insights of the Austrian and Virginia schools of
political economy to 1) determine which sector is best suited to address the housing problem and 2) identify the capabilities and characteristics of successful efforts.

This paper proceeds as follows. Section II reviews the available avenues of change with regard to inadequate housing, and utilizes economic theory of the Austrian and Virginia schools of political economy to show how nonprofit social enterprises may be better suited to address social problems than the public sector. Section III discusses the research methodology employed for this analysis. Section IV describes the housing needs and state of government housing programs in Birmingham, Alabama, and Section V reviews the structure and effectiveness of Habitat and its Birmingham affiliate. Then, Section VI provides an empirical analysis, through the use of qualitative interviews, of the capabilities of Habitat to improve housing conditions in the Birmingham, Alabama area. Section VII concludes.

II. The possible avenues for improving housing for the poor

When seeking to affect and improve living conditions for the poor, like all social issues, there are three avenues available to bring about change: the market, the government, and the nonprofit sectors.

The private sector

Hayek (1945) noted the problem of dispersed knowledge in the coordination of economic and social activities. Specifically, organizations and individuals must find a way to overcome “a problem of the utilization of knowledge not given to anyone in its totality” (1945: 520). Yet, coordination and interaction exists within society.
The market, through prices, contains the information needed to effectively allocate resources through production and consumption (Mises [1949] 2007). By using prices as a medium of exchange, individuals can access the knowledge which is dispersed among all members of society (Hayek 1945). Additionally, the ability to make profits, and losses, is what drives entrepreneurial discovery and innovation, by rewarding successful entrepreneurs and redirects the efforts of those who have failed repeatedly (Kirzner 1973).

Society as a whole will improve over time but a scale of earnings and living conditions will emerge among individuals within society. The difference in earnings is essential in a competitive market to promote strong performance and create the incentives for individuals to be accountable and responsible (Mises [1949] 2007). The earnings of individuals who lack education, skills, and mobility (either by choice or by social, mental, or physical barriers and constraints) will fall on the lower end of the spectrum.

Furthermore, since market resources are allocated to their most efficient and valuable uses, there is a correlation between price and quality. Lower income housing will tend to be of lesser relative quality, whether in the form of materials, maintenance, location, or aesthetic. While there is an obvious trade-off between lower housing costs and higher quality, the difficulty of improving one’s situation can lead to a lower quality of life for a sustained period of time. Those seeking to improve their situation must be able to work hard and be willing to seek help from other individuals within society.

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15 These changes occur over time, and may take a few years or a hundred. Any attempt to drastically and immediately alter the existence of poverty and inadequate housing will incorporate a social movement that works both within and outside of traditional market actions.
Fortunately, in a free society, individuals seeking to help the impoverished can do so through charity and other forms of social entrepreneurship (ibid.).

In order to improve the living conditions of the poor, individuals need to be willing to work outside of the profit-motive and traditional market and instead become social entrepreneurs (Boettke and Coyne 2009). That leaves two remaining avenues of change: the government or the nonprofit sector. Both the government and nonprofit sectors lack the price system of the market sector, so they must use proxies for economic calculation in order to determine the value of their services, signal investors, and prove credibility and success (Boettke and Prychitko 2004). How each sector deals with these problems of economic calculation will affect their ability to achieve their goals.

**The public sector**

The capability of the government to genuinely improve living conditions for the poor can be estimated by the success of past and present housing initiatives. Since the 1930s, the federal government has been central to combating the ongoing affordable housing crisis (Turner and Kingsley 2008). The efforts began with mass government apartment complexes, then mixed-income housing, and now include subsidies, vouchers, and tax deductions for private housing. Unfortunately, these attempts by the government to improve housing conditions for the poor have resulted neither in the expected outcomes nor reforms needed to achieve genuine and long lasting improvements.

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16 This is evident through the work of numerous charitable organizations and innovations in peer-to-peer lending programs and other movements toward smaller, more personal institutions which can access and help the poor.
The construction of mass government housing brought disastrous results. The concentration of poverty within government projects, which quickly became dilapidated, created an ample breeding ground for crime, drugs, and violence (Crane 1991; Coulton and Pandey 1992; Erickson 2009). In response, it was proposed that economically diverse neighborhoods would positively influence the conditions of public housing (Turner and Rawlings 2009). The Clinton administration initiated the HOPE VI program in 1993, which tore down the most horrendous projects and built mixed-income housing units in their place.\(^{17}\) While aiming to improve the conditions of these neighborhoods, the program actually decreased the amount of affordable housing available to the poor (Turner and Kingsley 2008). Additionally, observations of mixed-income housing reveal little to no improvement of the living conditions of the impoverished (Smith 2002). The reform toward mixed-income housing perpetuated the emphasis on mass housing programs by focusing on building instead of addressing the underlying problems which hindered individual tenants from living in better housing.

Jacobs ([1961] 1993) noticed the downfall of public housing and proposed a hybrid solution called the guaranteed-rent method. Under this system, the government would encourage private builders to construct housing units by subsidizing loans as well as subsidizing the difference between rent levels and the amount residents are able to pay for housing. In other words, the emphasis on building is shifted from government management to the private sector through building grants, loan subsidies, and rental vouchers. While some local policy remains focused on mixed-income housing, national

policy is shifting towards tenant-based assistance, similar to Jacobs’ system (Quigley 2000). By subsidizing the consumers instead of the producers of housing, the government can make housing more affordable without restricting the concentration of building efforts. This is done through the distribution of vouchers, which can be used to make rent and mortgage payments. Vouchers enable people to decide where, and in what type of housing, they want to live, giving them the opportunity and freedom to change their living situation (Schaeffer 2007). After the failure of project-based housing, the implementation of vouchers appeared to be a more promising program that encouraged individual decision making and decentralized building.

Yet, the restrictions and procedures which accompany many of the vouchers efforts have created additional unintended consequences. While vouchers were intended to provide transitional opportunities for individuals who seek to get out of inadequate housing and into stable, quality housing, they actually reinforce dependence on public aid and sustained poverty (Husock 2004, 2000). It is therefore not surprising that neighborhoods with voucher-aided residents have experienced decreased building quality, increased crime, and an overall reduction in the standard of living (Husock 2000).

Many other initiatives were established over the past few decades to increase homeownership among the poor (Erickson 2009). The Community Reinvestment Act, which was first established in 1977, aims at encouraging banks and other savings institutions to provide and expand credit for lower income borrowers. Interest rate reductions by the Federal Reserve along with various government instituted incentives
made home equity a cheap and accessible form of credit. Additionally, government
sponsored enterprises, such as Freddie Mac and Fannie Mae, were established to expand
the credit available for low-income earners seeking mortgages by supplying federal
money to banks (Alford 2003).

While recent government programs have helped make housing more affordable
for some of the poor, many of the programs leave out the severely poor and hard-to-house
families—including multi-family households as well as the uneducated, the unemployed,
and the elderly (Popkin 2009). Additionally, the effort to make housing easy to obtain
and less expensive tend to encourage some people, who are not ready for the
responsibility, to become homeowners.

After years of government initiatives to improve the housing conditions for the
poor, Husock (1997) concludes that,

Maybe our housing programs haven’t failed because of some minor management
problem but because they are flawed at the core. The truth is, devoting
government resources to subsidized housing for the poor—whether in the form of
public housing or even housing vouchers—is not just unnecessary but also
counterproductive. It not only derails what the private market can do on its own,
but more significantly, it has profoundly destructive unintended consequences.
For housing subsidies undermine the efforts of those poor families who work and
sacrifice to advance their lot in life—and who have the right and the need to
distinguish themselves, both physically and psychologically, from those who do
not share their solid virtues.
The past efforts to increase homeownership and to alleviate inadequate housing for the poor by the government have generally failed to improve housing and resulted in unintended consequences. Such findings show that while the government sector has the ability to affect the quantity of available housing, its efforts are fraught with efficiency problems. When regulation and welfare programs offer disappointing, if not disastrous, results, policymakers often attempt to fix the problem with more reform and regulation rather than less (Mises [1929] 1977; Ikeda 1997;). For example, some policymakers and advocates see an opportunity to rethink, redesign, and reinvest in finding a new solution to ensure quality housing for those in need (UN 2008). Yet, this reality highlights the need for a different approach to combat inadequate housing rather than more government intervention.

The nonprofit sector

One such solution may be through the nonprofit sector. While nonprofits face some of the same limitations as the government, they have the ability to adapt different learning, feedback, and implementation mechanisms as well as differing incentives and potential for success in reducing inadequate housing.

As previously noted, the negative impacts associated with inadequate housing are substantial, resulting in diminished health, mental functioning, educational attainment, and economic status. Yet efforts to improve living conditions that do not foster individual responsibility and independence have been found to be unsustainable in the long-run. Therefore, the success of housing efforts is determined by an ability to improve multiple
aspects of life, including: housing conditions, the financial burden of housing, job stability, and individual accountability.

Neither the public nor the nonprofit sectors can utilize the effective feedback mechanisms of the market—the price system and profit and loss. Yet, as Boettke and Coyne (2009) point out, there are proxy mechanisms available to guide actions and signal social approval (see also Boettke and Prychitko 2004; Chamlee-Wright 2004; Chamlee-Wright and Myers 2008). The difference between both sectors is the level of coordination of dispersed knowledge and resource allocation proxy mechanisms achieve. Thus, the mechanisms that most closely resemble those of the market will have the most potential to meet the guidelines for effective long-term improvements in the housing conditions of the poor.

While nonprofit organizations face the same knowledge problems the government does, they face additional limitations to funding and growth since they cannot tax the public. However, these limitations, in addition to open competition, can provide an incentive toward more accountable behavior. For instance, funding obtained through donations is determined and sustained by the reputation as well as the expected and actual performance of the organization (Boettke and Prychitko 2004; Chamlee-Wright 2004). Additionally, the decentralized structure of nonprofit organizations provides valuable ways to access and use the dispersed and inarticulate knowledge necessary for providing socially beneficial goods and services (Lavoie 2001; Chamlee-Wright 2004, 2010; Chamlee-Wright and Myers 2008; Storr et al. 2015).
These mechanisms reveal that the nonprofit sector performance falls in between the coordination of the market and the lack of coordination of the government (Martin 2010). Many nonprofits, while lacking the economic calculation necessary to be equivalent to the market, have characteristics of the private sector (such as private property, competition, and adaptability) rather than characteristics of the public sector (such as rigidity and preservation of the status quo) (Storr et al. 2015).\textsuperscript{18} This suggests that flexible and decentralized nonprofit organizations have a better chance of overcoming the knowledge problem than city planners and government agencies.

Furthermore, there is evidence of the success of nonprofits and other decentralized efforts. Chamlee-Wright (2010) describes the flexibility and strength of decentralized efforts in community recovery and redevelopment in New Orleans after Hurricane Katrina. Chamlee-Wright and Storr (2009) and Storr et al. (2015) further argue that social entrepreneurs, while working in collaboration with commercial entrepreneurs are essential to the returning and rebuilding efforts after a disaster. Moreover, Storr and Haefele-Balch (2012) propose that successful post-disaster recovery is necessarily a decentralized process, by exploring the achievements of neighborhood associations to relocate and revive their communities in New Orleans post Hurricane Katrina. Time after time, such decentralized efforts, led by nonprofit organizations working with individuals and businesses, responded, organized, and acted faster than their government counterparts. If nonprofits can access the necessary knowledge and coordinate plans in

\textsuperscript{18} See Chapter 1 of this dissertation.
socially beneficial ways in the post-disaster environment, there is reason to believe that they can achieve social change in more mundane situations as well.

The following sections utilize this approach to examining nonprofit social enterprises through a case study of Habitat for Humanity International in Birmingham, Alabama.

III. Research methodology

By examining the actual practices, limitations, and relationships of the Habitat for Humanity Greater Birmingham (Birmingham Habitat) to improve housing conditions, this analysis aims to determine the capability of nonprofit organizations to effectively engage in social change when their government counterparts have struggled to achieve. Specifically, to determine the capacity of Birmingham Habitat to provide adequate and durable housing to the poor. Therefore, it is not just important to observe what the Birmingham Habitat is doing but how it is affecting individuals and communities. In order to gain insights about the inner workings of the organization and its effect on the individuals involved, interviews were conducted with both employees and homeowners within the Habitat program. By speaking directly to the individuals involved, an understanding of the state of inadequate housing, the available options for assistance, and the details of unique situations can be discerned.

Over the course of two separate trips to Birmingham, Alabama in December 2009 and February 2010, four employees and fifteen Habitat homeowners were interviewed. The survey instruments (see Appendix A) used for employees and for homeowners consisted of open-ended questions which encouraged interviewers to talk at length about
their experiences and opinions of their lives, housing, and Birmingham Habitat. Additionally, homeowners were asked direct questions about their and their children’s health and level of motivation since moving into their own home. In response, the yes or no answers were used to formulate an overall view of homeowners and the impact Birmingham Habitat had on their lives.

The information gleaned from interviews was augmented with newspaper articles and published academic works. The use of both qualitative and quantitative methods will enable a dynamic comparison of both the observable and more personal aspects of Birmingham Habitat’s capacity to provide adequate housing to the poor. In the following section, interviews will be quoted and referenced in order to highlight the capabilities and limitations of Birmingham Habitat. In order to protect the integrity of interviewees, they have been given aliases whenever possible. Exceptions include employees of Birmingham Habitat and any homeowners who have been interviewed by local media, which has supplemented the qualitative analysis.

IV. Birmingham, Alabama

The location of Birmingham, Alabama provides a rich environment for conducting an analysis of this sort. According to the U.S. Census Bureau, the surrounding metropolitan area has a percentage of people below the poverty level roughly equivalent to the nation (13.5 percent in 2005-2007). Additionally, Birmingham has a wide variety of government housing projects and homeownership programs which reflects the existence of inadequate housing and the need for appropriate and sustainable housing.

19 Aliases will be designated by the symbol, *. A list of interviewees can be found in Appendix B.
solutions.\textsuperscript{20} As of 2010, there were over 6000 public housing units and over 3000 Section 8 vouchers. In fact, there are fourteen different housing communities, ranging from 100 to 550 units, within the greater Birmingham area (HABD 2008). Through the efforts of the Birmingham Housing Authority and the support of the Department of Housing and Urban Affairs, many individuals have found shelter in the public housing system through conventional public housing as well as Section 8 voucher and homeownership programs.

The city’s housing authority holds open enrollment for the Section 8 Housing Choice Vouchers Program roughly once a year and then works on fulfilling housing needs for those who make the waiting list (Gray 2009; MacDonald 2009). By requiring that individuals apply and comply with restrictions up to a year before receiving assistance, public housing is hindered from being the temporary transitional housing option it is set out to be.

The plight of government housing in Birmingham has paralleled the rest of America, mass housing projects have been constructed, deteriorated, and torn down in order to build newer and nicer apartments and housing communities for both mixed-income and low-income populations. Additionally, vouchers for both rental and mortgage payments have become a major activity, complete with a substantial backlog of applications, for the Birmingham Housing Authority.

The tumultuous economic evolution of Birmingham, from a booming industrial city to a banking hub, has left some areas in complete disrepair while others flourish. For example, the area of Ensley often resembles a ghost town complete with run-down

\textsuperscript{20} For more information, see http://www.habd.org/.
houses, unlit streets, and high crime rates. Yet, policymakers are trying to revive these areas and their public housing by constructing new buildings where the failing ones once stood. Tuxedo Terrace is one such place, complete with well-lit streets and sidewalks, this collection of townhouses is supposed to ignite growth and help bring businesses, such as a new car dealership and industrial park to the area. While the outcome of Ensley and Tuxedo Terrace is still unknown, the public housing community has yet to bring restoration and revival to the surrounding location (Gray 2010).

Despite effort after effort to aid those in inadequate housing, government assistance seems to do little to improve the conditions of housing. Without supporting the development of a stable, responsible lifestyle complete with a desire to maintain and improve one’s home and life, such efforts by government have little chance to succeed.

V. The functions and scope Habitat for Humanity Greater Birmingham

Habitat for Humanity International (Habitat) is an international nonprofit organization with over 1500 affiliates in cities and counties across the United States, which provides the opportunity of owning affordable, modest homes to low-income individuals living in inadequate shelters. The organization was founded by Millard and Linda Fuller in 1976. Through “partnership building,” the Fullers’ aimed to spread Christian principles, in particular the beliefs that every individual deserves a decent home, that love and action are the best form of ministry, and that discussion and common ground is possible through working side-by-side with people of different faiths and ideologies (Fuller 1994; Baggett 2000; Youngs 2007).

21 For more information, see http://www.habitat.org/how/default.aspx.
Habitat facilitates homeownership for those who are willing to work and are able to pay. In order to effectively reduce the number of impoverished people living in adequate housing, there is a structured program that requires potential homeowners to prove their ability and desire for homeownership. These standards include that potential homeowners must (1) make between 25 to 50 percent of the area’s median income; (2) meet credit score requirements (also relative to the general area); (3) take classes on homeownership, home repair, and personal finances; (4) complete “sweat equity” hours by working on other homes or at Habitat offices; and (5) make monthly payments on their at-cost, no-interest mortgages (Husock 1995; Baggett 2000). Habitat also uses a decentralized organizational structure. Although the centralized headquarters track national and international progress and organize advocacy programs, broad fundraising, and media outreach, the houses are built and prospective residents are screened by independent city and county affiliates and their local partners (Husock 1995; Baggett 2000). Through its programs and structure, the organization aims to foster independence and prosperity by supporting, teaching, and encouraging homeowners to literally build their own futures.\textsuperscript{22}

Habitat determines the desire of potential homeowners and reduces the risk of resource misallocation through a thorough application, training, prerequisite work, and building process. By requiring that potential homeowners (who can enlist the help and support of their friends and family) volunteer a significant number of hours with Habitat

\textsuperscript{22} Once homeowners pay off their mortgage, they fully own their house and are free to sell it on the open market. Prior to complete ownership, on the other hand, Habitat tends to buy back the house for continued use in the program.
to provide “sweat equity” and that they attend homeownership classes, Habitat actively works to ensure that only those individuals who are committed to homeownership qualify for its houses (Gelinas 2008). This is evident by the low levels of foreclosure and repossession of property within the program. Habitat reports consistent nationwide foreclosure rate of roughly two percent (Morgan 2009). Additionally, because Habitat works through local affiliates and partners with local organizations—such as other nonprofits, churches, and businesses—it is able to tap into local knowledge as they screen potential homeowners.

The local Habitat affiliate, Habitat for Humanity Greater Birmingham (Birmingham Habitat), was established in 1987 and serves the population of metropolitan Birmingham as well as the surrounding area of Jefferson, Shelby, and Walker counties. As of June 2013, it had sold over 675 homes at a rate of at least 45 homes per year, and was ranked fourth out of all 1500 Habitat affiliates in the U.S. for its performance and size (HFHGB 2013). Birmingham Habitat is successful, not only because it utilizes the structure set forth by Habitat, but because it also takes advantage of its employees’ skills and knowledge as well as unique expansion opportunities. Such activities include: family development (which includes applicant selection, development workshops, sweat-equity tracking, and payment collection); home building; special building events (such as Blitz Builds); home repair (the Brush with Kindness Home Repair program); a discount home

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23 For more information, see http://www.habitatbirmingham.org/.
24 The 2013 annual report is the latest report available.
improvement center (the ReStore); and the acquisition and repair of foreclosed houses (the Neighborhood Stabilization Program).

Home building is the major activity of the Birmingham Habitat. Houses are built on individual lots as well as in small concentrated neighborhoods and communities. The land is either purchased by the affiliate, donated by individuals and corporations, or appropriated by the local government. The communities developed by Birmingham Habitat range in size, from clusters of ten or more simultaneously constructed homes to large neighborhoods which are developed over time. For example, Wylam Oaks, a community northwest of Birmingham, is comprised of land purchased from US Steel and will be the site of 38-64 homes, 20 of which were completed and occupied as of early 2010 (Balch 2009). Edgewater Oaks, another community which is located west of Birmingham, was once the site of Edgewater Junior High School and was donated to Birmingham Habitat after a tornado devastated the area in April 1998. Now the area is home to 66 Habitat families (Balch 2009).

Despite its ranking, size, and vast array of programs, Birmingham Habitat still lacks the funds and capability to meet the demands of those seeking homes through their organization, as well as those living in inadequate housing and unaware or uncertain of the organization. By building long-term partnerships with corporate and religious sponsors, cultivating open relationships and discussions with local government officials, and maximizing fundraising and retail opportunities, Birmingham Habitat has established itself as a powerful force in the fight against inadequate housing. While the ability for Habitat to dramatically reduce the number of people living in inadequate housing is
limited in scope and scale, other nonprofit organizations do provide similar programs. The competition and coordination among organizations may be able to make a substantial impact on the housing conditions of individuals of all ranges of poverty and needs.

VI. Habitat for Humanity Greater Birmingham affectively alters the available housing choices

While the problems facing public housing initiatives are substantial, decentralized nonprofit organizations, appear to have the flexibility, accountability mechanisms, and access to local knowledge to improve the condition of housing for poor. Such outcomes can be easily observed through conducting qualitative research of the Birmingham Habitat. Homeowners expressed that owning a home through Birmingham Habitat had increased their quality of life. In fact, nine out of 15 homeowners saw an improvement in their health or wellness and 14 of 15 felt their quality of life had improved. Of the 13 homeowners with children, eight saw an improvement in their children’s health and wellness, seven said their kids play more at home, and 11 felt their children were in a safer environment. Further, while only four parents saw an improvement in grades, 11 felt their children’s future had been altered by their becoming a homeowner.

The capacity of Birmingham Habitat to provide adequate and long lasting housing to the poor of Birmingham, Alabama is grounded in its achievements and characteristics, which include:

1. An extensive application process, including home visits to determine the housing needs and financial review to determine ability to pay.

For a list of other nonprofit organizations dealing with housing issues, see [http://www.cnhed.org/](http://www.cnhed.org/).

Homeowners who did not see an improvement in their health and wellbeing, or that of their children, saw their lives to be roughly the same as before—not better, but not worse either.

More empirical data from the interviews can be found in Appendix C.
2. If an applicant does not meet the financial requirements, they are given 6 months to improve without having to restart the process.
3. Teaching responsible behavior through workshops and a supportive relationship.
4. Determining desire for homeownership through sweat equity hours.
5. The time it takes to complete the application and obtainment process is primarily determined by the homeowner and is often short in length, ranging from 3 months to a year.
6. An individualized building process.
7. Local partners and volunteers work side-by-side the homeowners, forging lasting relationships and altering the expectations and attitudes of all parties.
8. A continued relationship with homeowners through mortgage payments, annual events, and volunteering.
9. Flexibility of contracts and payments through a continued dialogue and understanding of the homeowner’s situation.
10. The creation of close-knit, safe, and socially active communities of homeowners.

Following the structure of Habitat for Humanity International, Birmingham Habitat has set up an extensive application process. Applicants must provide information on their ability to pay, need for housing, and willingness to work with the organization. Birmingham Habitat employees visit the applicants’ current residence to determine the need for better housing, which is based on high relative cost, poor quality, or overcrowding. For many Birmingham Habitat employees, participating in home visits solidifies the substantial changes individuals seek by going through the program and obtaining homeownership. Patricia Burch, the Director of Operations at Birmingham Habitat, finds that, “it’s good to go on home visits because it makes you realize why you’re doing what you do.”

Jerwanda Smith, the Family Development and Financial Coordinator, finds that the biggest challenge, after actually applying, is the requirement of a credit score of 550 or higher. If applicants do not meet all the financial requirements for homeownership, they are given six months to improve their position without having to restart the entire
application process. While this is often a setback, many applicants have improved their financial position and have gone on to obtain a home through the program. For example, four out of the fifteen homeowners interviewed indicated that they did not initially qualify and had to improve their credit score before continuing on with the program and obtain a house. Homeowner Vicky Poole*, who did not initially have the required credit score, found motivation through a workshop at her church: “we had a finance seminar and that is what really, really got me on the track.” Similarly, Derrick Cole was determined to get his own house, which motivated him to turn his credit around quickly. “My credit was jacked, I didn’t qualify,” Cole recalls, “So I got it straightened out within a certain amount of time.”

Once Birmingham Habitat applicants are approved, they are required to attend fifteen hours of development workshops, which cover a variety of topics from budgeting and home repair to managing utilities. Many of the homeowners interviewed found these workshops useful and transformative. For instance, Vicky Poole* discussed how useful tips helped prepare her for maintaining and home, and now she “get[s] excited when I have to change the air conditioner filter.” Similarly, in an interview for the Birmingham Habitat Newsletter (HFHGB 2010a), Kenthia McCleod realized the importance of keeping her car insurance and other bills up to date, “Habitat has changed my life, and has taught me how to be more responsible. I was already a responsible mother, grandmother and teacher, but now I am more responsible about things that affect me financially.”
Birmingham Habitat encourages further self-sufficiency and determines a desire for homeownership through the requirement of sweat-equity hours. Applicants must complete 300 hours of volunteer work, either working at construction sites, the ReStore, or at the office before getting their own home. They can also enlist friends and family for help and set their own pace. Jerwanda Smith described the process as a way to determine which applicants wanted a better life and to learn how to be self-sufficient; those who did not really need or want a home were systematically eliminated during the extensive process. Yet, for those willing and able, the process is well worth it. For instance, homeowner Angela Terry+ remarked on how easy the process was given what she received in return: “I mean, just think about it, you just have to do like 300 hours, sweat, and you’re owning a home. This is a lifetime thing. You know, you get to own this home for the rest of your life. The 300 hours were nothing to me. And then you know, you get your family and friends get to come in and help you with your hours, it’s real easy.”

Not only do sweat-equity hours determine desire for homeownership, they also taught homeowners additional skills and built confidence in their ability to maintain a home. For Donna Hunter+, who had just been released from the hospital and was on oxygen, the ability to complete the required sweat-equity hours was a further sign that she was ready to own a home. Her religious faith also helped her through, “[God] gave me strength to walk up those stairs and work, do my community hours. […] God fixed it where I was able to do almost my hours by myself.”

Furthermore, the experience of helping to build their own home solidified their ties with family and friends. Alysha Brown+ drew on her family for support: “It was real
smooth. Team work from the family, pulling together for the cause.” After she had finished her requirements, she was encouraged to do more, “After I finished my hours I said I would continue to volunteer, you know, because it’s worth the cause. I’ve had a chance to do that a couple times but not like I’d want to.”

Unlike the application process for public housing, which can include extensive paperwork and a long waiting period, the Birmingham Habitat application process is primarily determined by the pace of the applicant and not the bureaucratic system. Almost every homeowner interviewed commented on the speed of the process to obtain their house once they were approved. The swift process is possible because workshops are offered regularly and sweat equity hours can be fulfilled in the evenings and on the weekends, allowing applicants to work on their requirements whenever it is most convenient for them. Donna Hunter+ completed the process within three months, despite serious health problems. Natalie Thompson+ applied in June, qualified in December, and was in her house the following April. A considerable feat given that she is a single, working mom who still finds time to lead her daughter’s Girl Scout troop, hold the treasurer position at the school’s Parent Teacher Association, and is an active member at her church. Additionally, Derrick Cole was living in his house only eleven months after starting the process, which included the time he needed to improve his credit before his application was approved. Cole describes the process simply: “All you got to do is qualify. Qualify, be willing to work, believe in God, handle your business, and you got a house.”
In similar fashion to the individualized application and attainment process, Birmingham Habitat offers an individualized building process which allows homeowners to choose unique aspects of their home. Homeowners have the opportunity to pick their desired lot out of a set of available locations, choose from a handful of floor plans, and provide input on their flooring and countertops options. Further, homeowners that obtain houses built during special event builds may receive unique touches and details from their building sponsor. For example, Carissa Johnson’s+ builder installed wooden blinds and ceiling fans, while Katiana Jones+ was surprised by her builder’s inclusion of high ceilings, an archway, tile floor, and a garbage disposal.

By building new homes for applicants, Birmingham Habitat provides a unique environment for building skills, confidence, and relationship with other members of the community. Vicky Poole+ reminisced over the lasting relationship she formed with her sponsor, US Steel: “I had one of the best sponsors, I couldn’t ask for nobody better than who I had. And right now, we still talk once a week.” Rachelle Adams+ witnessed her son bond with a particularly supportive and encouraging construction manager at Birmingham Habitat. Additionally, since obtaining their home, Rachelle Adams+ son is more mature, is attending church, and is continuing to volunteer with Birmingham Habitat. Arthur Mayfield also continues to work with Birmingham Habitat by mowing the grass at the office and by clearing lots for construction.

The relationships and interactions which affect homeowners are not one-sided—volunteers and sponsors are impacted as well. Birmingham Habitat’s Director of Development, Beth Jerome, described the broad impact of watching someone become a
homeowner, “There’s nothing like seeing a homeowner the day they’re getting their keys to their home or seeing some of the conditions they’ve been living in prior to this opportunity. And you know that you’re your making not only an impact on this person, your making it on their children and their children’s children. You are changing a whole line […] there’s longevity to providing a home.”

Furthermore, the employees themselves are motivated by their interactions with homeowners. Patricia Burch finds that home dedications remind her of why she chose to work for Birmingham Habitat: “I think I’ve yet to be at a dedication where I haven’t teared up and I think that’s a big part of it. I think that seeing people and working on site with people that you know are working for what they get. […] It’s kind of an aim of the program that the light bulb go off and say ‘if I work hard, look what I can do.’ So that sense of accomplishment is what you see a lot of the time.”

The relationships and communication fostered by the structure of Birmingham Habitat, offers opportunity to tailor contracts and mortgage payments based on individual situations. Patricia Burch noted that the organization can offer increased flexibility during difficult times as long as homeowners are upfront: “One of the big things about Habitat is that even after you are in your mortgage, because we realize that you are taking risk and you are trying to help people that are on the cusp […] communication is a huge thing and so we have had phone calls where people say, ‘Look, I lost my job. This is my plan to get back on track.’ And if they communicate with us, we are willing to work them.” This flexibility has led to few foreclosures and delinquent debts during the past few years (Balch 2009).
Another beneficial aspect, and consequence, of Birmingham Habitat’s structure is the rapid development of strong communities which share the experience of obtaining homeownership through the program. In other words, the concentration of streets and neighborhoods of Birmingham Habitat homeowners forges a community that shares a common identity—they have all worked to improve their financial and personal situations and have obtained a home through Birmingham Habitat. Neighborhoods built around traditional homeownership appear to grow into connected communities over time as neighbors meet and interact. On the other hand, neighborhoods built by Birmingham Habitat witness immediate connections and relationships from the start.

As a resident of the Wylam Oaks community, Alysha Brown has met most of her neighbors by volunteering on the construction of their houses or attending their home dedications. She describes the subdivision as, “[…] it’s like a neighborhood family.” Fellow resident, Vicky Poole, noted how their shared experience created a more personal community: “I love my neighbors; I love the people in my cul-de-sac. […] It has brought us together. […] We all did the same thing.” She also wants to further solidify their place in the surrounding community, “We got to get ourselves together so we can go on up to the neighborhood association and let them know we are here. We got to get up, we got to get involved because this is our home now.”

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28 For an analysis of the rise of Habitat subdivisions, and the potential issues that may arise with increased populations of low-income homeowners, see Smith 2013.
29 This observation correlates with the strengthened ties of neighborhoods in New Orleans after Hurricane Katrina. Neighborhoods that rebound quickly had organizations and institutions that drew upon the shared experience of disaster to facilitate to recovery. As a result, residents of the Broadmoor neighborhood now observe that their community is more connected than ever before. (Storr and Haeffele-Balch 2012)
Additionally, being a part of a special event build known as a Blitz Build, where ten or more houses are built simultaneously on the same street, spurs quick relationships with neighbors. Katiana Jones+, whose home is part of the North Brownlee Street Blitz Build, describes that, “We’re the only ones on this street, you know. We all know each other, we get along and we talk about block parties next year. All of us have had some kind of party down here so we all invite each other. But this is more of a family instead of neighbors, you know, it feels like family.”

As a part of a different Blitz Build, in Avondale, Arthur Mayfield described the unity of the ten Birmingham Habitat homeowners on his street: “We all got to know each other from basically the workshops and, you know, got meet each other when we doing our paperwork. So we was pretty much, all ten homeowners, we pretty much went to everything together so everybody knows each other.” Mayfield also remarked on the attitude of the surrounding community toward the Blitz Build, “Everybody was so pleased and happy that the homes were getting built over here. […] They gave us a real big welcome when we, you know, moved in.” Derrick Cole, of the same neighborhood, said, “I would feel much easier going to knocking on one of my neighbor’s doors, saying, ‘Hey, how you doing? Can I borrow a cup of sugar?’ or whatever. You know what I’m saying? Then I would if I had moved into another neighborhood because they went through the same thing.” Further, an article from The Birmingham News about their community described the neighborhood as follows:

In all, the homes house two single dads, nine single moms and 21 children. All are first-time homeowners living in affordable, well-built homes near a small pocket
of older, mostly well-preserved homes. […] [The neighbors] invite the new residents to the monthly neighborhood meetings and cookouts held at nearby New Bethel Baptist Church, just down the block. If Mayfield has a night shift at his factory job, a neighbor escorts his three teenage daughters to the meeting (Hansen 2008).

The above characteristics highlight the flexibility and individualized nature of Birmingham Habitat’s structure, which enables homeowners to improve their housing situation by creating a place of their own. The homeowners interviewed expressed that they live in a better quality house and in a safer environment, make long term plans for their home, feel a sense of gratefulness for Habitat for Humanity, and want to share their experience with others.

In contrast to their Birmingham Habitat home, many of the homeowners interviewed described the high crime rates and unfriendly atmosphere of their previous residence. Specifically, they remembered keeping to themselves and staying indoors because of the threat of gun shots, break-ins, and other criminal activity. Natalie Thompson+ noted the crime of her old neighborhood, where her house was broken into three separate times. In addition, Steven Connor+ and his wife witnessed the slow deterioration of their previous neighborhood and wanted “something where we can have some peace in our old age.”

In contrast, almost all the homeowners interviewed were proud of their homes and satisfied with their neighborhood. As Cynthia Smith+ explained, “I like the neighbors, I like the neighborhood, and I love the house. It’s small but it’s just enough for me.” The
satisfaction from obtaining a place of one’s own, for themselves and their family, was present in every interview, and a majority of the homeowners interviewed expressed a desire to live in their house for the long term and to make further improvements and additions. Janet Anderson sought homeownership in order to gain “some sense of stability, attachment to a community, and just a home for my grand baby.” Arthur Mayfield wanted a home for his daughters, saying, “I really needed somewhere for these kids.” Similarly, Derrick Cole stated, “I have two kids now, you know, they need a place, they need a place to play, they need a place that they can feel safe, a place that they can call home. When I’m dead and gone, this will still be their house. You know what I’m saying? And I just want to take care of my kids and make sure that they have somewhere they can always call home.”

Birmingham Habitat homeowners also expressed a deep gratitude for Habitat for Humanity, seeing the program as the “only” or “best” option for obtaining a house. For instance, Janet Anderson does not think “there’s a better program out there than this one.”

Furthermore, many of the homeowners interviewed commented on differences between the process of Birmingham Habitat and that of public housing. Prior to participating in the program at Birmingham Habitat, Derrick Cole had tried to purchase a home through a government program but found the process tedious and the locations unsavory in terms of crime rates, convenience, and aesthetic appeal. Specifically, Cole found that “the city’s process was very, very confusing, took a lot of time, and Habitat wasn’t like that at all” and that, “everywhere that I went with the city, the neighborhoods
were just, like, super crappy.” Further, Marquetta Whitman++ thinks, “this program is
good for people who is on, like, something like Section 8 or something like that. It helps
them get a start and want more out of life.”

The structure of Birmingham Habitat makes homeownership more affordable
while still maintaining, and even further developing, individual responsibility, and
accountability. However, Birmingham Habitat still faces shortcoming and limitations that
it or other organizations must attempt to overcome. The employees at Birmingham
Habitat also readily admit that the organization currently helps a small portion of people
in need of adequate housing and seeking homeownership. As Beth Jerome remarked, “the
need is huge; we’re a drop in the bucket.” Yet, by referring individuals that do not qualify
to partners in the United Way and other local organizations, Birmingham Habitat taps
into the local knowledge and networks to increase the scope of nonprofit efforts for the
poor.

VII. Conclusion
Overall, government housing programs have created more distortions and welfare
losses within society than improvements (Crane 1991; Coulton and Pandey 1992; Dreier
and Atlass 1996; Husock 2000; Smith 2002; Erickson 2009; Oakley and Burchfield 2009;
Chaskin and Joseph 2011). For example, Birmingham Habitat homeowner Derrick Cole
found that the homeownership options through the government were located in
inconvenient neighborhoods with high crime rates and so he waited until finding the
Habitat program before buying a home for his family. By lessening the cost and
accountability of homeownership, the government housing programs have reduced the
incentives for individuals to maintain their housing, improve their living situation, and gain independence. Marquetta Whitman believed that living in government housing, such as Section 8, was not optimal but rather a stagnate, or temporary, situation.

Habitat for Humanity International and their Birmingham affiliate, on the other hand, add components to their structure that increase accountability and foster independence while still helping to improve living conditions and reduce the cost of housing. Habitat is effective because it utilizes the dispersed local knowledge of homeowners and volunteers, it determines desire and ability of individuals to obtain homeownership, and it understands and works with the individual situations and needs of homeowners. In other words, Habitat works because it is a decentralized organization that affects change from the bottom up.

Habitat is limited by available funding, constraining the scope and scale of action as compared to government programs. Still, supporting decentralized solutions will provide better outcomes than public initiatives and will support and encourage other nonprofits that focus on various levels and needs of inadequate housing. This analysis reveals that nonprofit social enterprises do a better job at adapting to unforeseen circumstances, are more diverse than centralized reform, and are better suited for working within, instead of distorting, the market system. In other words, nonprofit social change efforts are more effective than government programs at identifying how to address problems, where funding is needed most, and at adapting to changing circumstances.

A successful solution to inadequate housing must foster a lifestyle change in addition to improved housing conditions. Nonprofit initiatives encourage personal
accountability and financial independence while government programs breed continued
dependence. The efforts of Habitat for Humanity Greater Birmingham effectively change
the path of individuals and families living in substandard housing from poverty to
prosperity.
CHAPTER 3—AFFORDABLE HOUSING AND UNAFFORDABLE GRANTS: AN ANALYSIS OF HABITAT FOR HUMANITY

I. Introduction

Many cities in the United States, and throughout the world, face an issue of providing affordable and adequate housing for the poor. According to the US Department of Housing and Urban Development, over 12 million households, comprised of both renters and homeowners, pay more than 50 percent of their annual incomes for housing (where paying 30 percent or more of annual income on housing is considered cost-burdened). While the definition and quantification of inadequate housing is difficult to determine, a 2012 study by the National Association of Home Builders reveals that over 8.8 million households are living in inadequate housing in the United States (Emrath and Taylor 2012).

Furthermore, the literature on the burdens of unstable and inadequate housing is substantial. Children living in inadequate housing are more likely to have disabilities and mental illnesses, as well as respiratory illnesses and other health issues, and are likely to be less educated and more impoverished than their peers once they hit adulthood (Harker 2006; Sandel et al. 1999; Marsh et al. 2000). The literature on the benefits of homeownership is equally substantial, including better living standards and lower

30 For these and other statistics on affordable housing, see: http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/.
neighborhood crime rates than rental property (Saegert and Winkel 1998). Children from households that own their home are more likely to stay in school longer, get better grades, and have better health (both physically and mentally) than their peers from households that rent their homes (Green and White 1997; Haurin et al. 2002). In order to attain the benefits of homeownership, households must be able to handle the costs, including the financial and physical maintenance of owning a home (Rohe et al. 2000; McCarthy et al. 2001). Therefore, the poor not only need the opportunity for homeownership but the ability to become financially stable and independent.\textsuperscript{31}

Over the past few decades, many efforts by communities, through nonprofit as well as government initiatives, have been made to attempt to increase quality housing, homeownership, and the living standards of the impoverished. Government programs that have sought to provide housing and increase homeownership—including the building of mass housing projects, mixed-income housing units, housing vouchers, and reduced requirements for homeownership loans—generally fail to improve housing conditions and have resulted in a continued dependence on public assistance (Jacobs 1961; Crane 1991; Coulton and Pandey 1992; Quigley 2000; Smith 2002; Husock 2000, 2004; Schaeffer 2007; Erickson 2009). However, local voluntary efforts, such as Habitat for Humanity, have been able to address the particular needs of individuals and help transition individuals and families from inadequate housing to homeownership and financial dependence (Husock 1995; Gelinas 2008).\textsuperscript{32} Yet, there are limits to what local

\textsuperscript{31} It should be noted that it is most likely the change in financial security, not the act of owning a home, that drives the positive benefits of homeownership.

\textsuperscript{32} Also see Chapter 2 of this dissertation.
voluntary efforts like Habitat for Humanity can accomplish, related to the ability to access funding and the restraints and conditions that are often related to large donations and grants.

This paper analyzes the impact of lobbying for and accepting of government grants has on nonprofit activity by utilizing the literature on triadic exchange (Jacobs 1992; Podemska-Mikluch and Wagner 2013) as well as the literature on how social capital and entrepreneurship can shift from productive activity to lobbying and rent seeking (Baumol 1990; Coyne et al. 2010; Chamlee-Wright and Storr 2011). This paper contributes to both strands of literature by extending the analysis to nonprofit social enterprises through the case study of Habitat for Humanity as well as to the social capital and rent seeking literatures more broadly.

The paper proceeds as follows. Section II will outline the conceptual framework. Sections III and IV analyze how an influx of government grants has altered the reporting and actions of Habitat for Humanity International and the local affiliate in Birmingham, Alabama, respectively. Section V concludes.

II. Conceptual Framework
Recent literature has explored the nature of triadic exchange and the resulting mixed economy. Podemska-Mikluch and Wagner (2013) examine dyadic exchange via the Edgeworth (1881) box, where two actors engage in mutual exchange, and then introduce a third actor, by building off of Simmel (1950) and Ellsberg (1956), that can alter the terms of the agreement and scope of appropriate action (and thus breaking out of the traditional model of the Edgeworth box).
This triadic relationship can manifest in two ways, by assertion or by invitation from the two original actors. *Triadic-by-assertion* means that in order to influence action, a third party can insert itself into exchange through coercion (i.e.: regulations and prohibition). While Podemska-Mikluch and Wagner (2013) mostly focus on *triadic-by-assertion*, I will focus on *triadic-by-invitation*, which occurs when the original actors knowingly invite the third party to influence the exchange. As they note, “This form appears wholly voluntary, though in some cases duress might lurk beneath the surface” (Podemska-Mikluch and Wagner 2013: 173).

In order to examine how *triadic-by-invitation* relationships can lead to duress, I will utilize Jacobs (1992) distinction between commercial and guardian activity. In Jacobs’ (1992) framework, each system results in a different set of moral precepts that guide action. The first system, associated with trade, is what Jacobs calls the commercial syndrome. This system includes commerce, as well as organizations that stem from commercial activity, such as local voluntary organizations that use innovative ways to cooperate with neighbors and share local knowledge. Commercial actors achieve excellence in this system by building a reputation of honesty, friendly customer relations, adherence to contracts, and adapting to new technology and new customer demands.

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33 The moral precepts for the commercial syndrome are to “shun force, come to voluntary agreements, be honest, collaborate easily with strangers and aliens, compete, respect contracts, use initiative and enterprise, be open to inventiveness and novelty, be efficient, promote comfort and convenience, dissent for the sake of the task, invest for productive purposes, be industrious, be thrifty, and be optimistic” (Jacobs 1992: 215). While Jacobs highlights competition as a precept of the Commercial Moral Syndrome, competition is more accurately described as a universal characteristic. Competition occurs everywhere; how it manifests is determined by the institutional structures.
The second system, associated with taking, is known as the guardian syndrome, and is what characterizes much of human behavior, such as hunting and gathering and warfare, as well as the enforcement of the rule of law. This system includes politics, government bureaucracy, military, nobility, religion, and other hierarchical organizations outside of commerce. Through taking, resources are transferred from one group to another. Guardian actors, such as politicians and military leaders, achieve excellence in this system by cultivating a reputation of honor, fortitude, power, and tradition.

It should be noted that each system encourages universal moral precepts, such as cooperation, competition, courage, competence, and excellence. Veblen (1898) highlighted these universal precepts in his emphasis on the human “instinct of workmanship,” where he posits that striving for excellence is a necessary component in wanting to succeed in one’s occupation. Further, Wagner and Yazigi (2013) build on this notion of excellence and workmanship, by distinguishing how it may manifest in varying institutional settings (or in the words of Jacobs, the different systems of trade and takings).

By combining this framework with the contribution from scholars in the tradition of Austrian economics to categorize activity by using a private vs. public sector distinction (see Chapter 1 of this dissertation). Viewed in this way, activity characterized by the commercial syndrome (private sector) includes providing goods and services via

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34 This system’s moral precepts are to “shun trading, exert prowess, be obedient and disciplined, adhere to tradition, respect hierarchy, be loyal, take vengeance, deceive for the sake of the task, make rich use of leisure, be ostentatious, dispense largesse, be exclusive, show fortitude, be fatalistic, and treasure honor” (Jacobs 1992: 215).
the market as well as by community-based nonprofit social enterprises.\textsuperscript{35} While real world nonprofits lack the tight feedback mechanism of prices and profit and loss that is found in the unhampered market (Boettke and Prychitko 2004; Boettke and Coyne 2009), they do have access to other feedback mechanisms—such as reputation, donor satisfaction, and open competition—that they can utilize in order to achieve their ends (Chamlee-Wright 2004, 2010; Storr et al. 2015). Additionally, the decentralized structure of nonprofits allows for social entrepreneurs to access and use the dispersed and inarticulate knowledge that can enable them to better achieve their goals better (Storr and Haeffele-Balch 2012; Chamlee-Wright and Storr 2010; Haeffele-Balch 2010). The decentralized structure enables these organizations to innovate and establish standards and processes which support hard work, responsibility, and social and economic advancement that centralized welfare programs cannot replicate. This suggests that flexible and decentralized nonprofit organizations may be best understood as activity characterized by the commercial syndrome or private sector.\textsuperscript{36}

Additionally, individuals and organizations have the ability to utilize both systems. For example, a man may act in the realm of the commercial syndrome while at work as a salesman, and may act in the realm of the guardian syndrome while at home tending to his children. Alternatively, a business or nonprofit may provide goods and services as well as have an accounting and auditing department that enforces rigid rules for accountability and transparency. While each system has its proper role in society and

\textsuperscript{35} Jacobs’ (1992) categories are generally similar to this Austrian approach.

\textsuperscript{36} On the other hand, large non-governmental organizations (NGOs) may be seen as an outgrowth of the guardian syndrome due to their use of guardian precepts such as being obedient, adhering to discipline, respecting hierarchy (bureaucracy), and dispensing largesse.
a proper role for each person and organization, utilizing the moral precepts of one system to improve the other system can lead to unintended consequences and possible failure. The intermingling of the two systems often leads to a self-disorganizing “monstrous moral hybrid.” Jacobs (1992: 132) notes that, “Any significant breach of a syndrome’s integrity—usually by adopting an inappropriate function—causes some normal virtues to convert automatically to vices, and still others to bend and break for necessary expediency.”

Such a hybrid can occur when guardians interfere in commercial activity, even if it is through a triadic-by-invitation relationship, such as through the distribution of grants. Jacobs (1992) touches on three major issues for when activities characterized by commercial syndrome receive funding through government grants: (1) the power and prestige awarded to actors that receive large grants (and thus do not need to rely on other funds, such as convincing people to donate to your cause or to buy your product), (2) the pressure to seek activities and topics that will result in receiving grants, and (3) the pressure to produce results that the government bureaus and politicians prefer. When all three issues are present, the monstrous moral hybrid can crowd out innovation and progress. In other words, organizations that would have been categorized a part of the private sector will become more public in the nature.

In this scenario, the drive for excellence noted by Veblen (1898) and Wagner and Yazigi (2013) is blurred, where employees once aimed to excel through innovation, are now pressured to excel through more bureaucratic means. Furthermore, Chamlee-Wright and Storr (2011) argue that when it is profitable to invest social capital into lobbying and
rent seeking activities, actors will engage in more of the activity. Consequently, they will become more adept at lobbying and rent seeking and thus engage in even more of that activity, getting stuck in a “vicious cycle.” This shift in investing in social capital and engaging in activities that are productive and mutual beneficial (part of the commercial syndrome or private sector) to lobbying and rent seeking (part of the guardian syndrome or public sector) result in unintended consequences (Baumol 1990; Martin and Storr 2008; Coyne et al. 2010; Chamlee-Wright and Storr 2011).

For instance, Habitat for Humanity International (Habitat) is a nonprofit organization that aims at improving the lives of poor through homeownership and financial security. In order to effectively reduce the number of impoverished people living in inadequate housing, Habitat has structured a program that requires potential homeowners to prove their ability and desire for homeownership. These standards include that potential homeowners: (1) make between 25 to 50 percent of the area’s median income; (2) meet credit score requirements; (3) take classes on homeownership, home repair, and personal finances; (4) complete “sweat equity” hours by working on other homes or at Habitat offices; and (5) make monthly payments on their at-cost, no-interest mortgages (Husock 1995; Baggett 2000). Habitat also uses a decentralized organizational structure. Although the centralized headquarters track national and international progress and organize advocacy programs, broad fundraising, and media outreach, the houses are built and prospective residents are screened by independent city

For more details, see Chapter 2 of this dissertation, which was first developed in Haefele-Balch 2010.
and county affiliates and their local partners (ibid.). Through its specialized programs and decentralized structure, the organization aims to foster independence and prosperity by supporting, teaching, and encouraging homeowners to literally build their own futures.

However, nonprofits (even those that are largely successful as part of the private sector) may risk entering a vicious cycle by engaging in lobbying and rent seeking activities. By engaging in efforts to receive largess (whether from government or large non-governmental organizations), such nonprofits end up having to adjust their activities in order to comply with the restrictions and requirements that come with such grants and to maintain relationships with their guardians. The next two sections examine how Habitat, both at the international and affiliate level, have begun to invest in social capital in order to lobbying for and complying with the restriction from largess. While it is too early to tell if the organization has entered a vicious cycle into becoming a monstrous moral hybrid, Habitat engaged in activity characterized by the guardian syndrome (or public sector).

III. Habitat for Humanity International

Habitat for Humanity International (Habitat) was founded in 1976 by Millard and Linda Fuller. The Fullers established their model of “partnership building”—where volunteers and homeowners build together—as a way of spreading Christian principles, in particular the beliefs that every individual deserves a decent home, that love and action are the best form of ministry and that discussion and common ground is possible through working side-by-side with people of different faiths and ideologies (Baggett 2000; Fuller

38 It should be noted that Habitat also has affiliate organizations in countries throughout the world.
Their model has been recognized as a success by providing homeownership opportunities for the poor, as well as encouraging homeowners to become financially stable and independent. For instance, Habitat was ranked as the number one private home builder, and 11th overall, in Builder magazine’s 2008 Builder 100 listing, and Habitat reports consistent nationwide foreclosure rate of roughly two percent (Morgan 2009; Rice 2009).

While Habitat has grown and received recognition for its success, it has also gone through some internal management disputes over the organization’s visions and strategy. From 2004 to 2005, the Fullers and the executive board of Habitat had a series of disputes—which began with an alleged harassment claim but quickly escalated to focus on tensions over the direction and management of the organization—culminating in their termination on January 31, 2005 (Youngs 2007). At the time, the Fullers suspected that major issues surrounding their termination included the board’s desire to move Habitat’s headquarters to Atlanta, GA, to dramatically increase the salaries of Habitat executives, and to focus on protecting and promoting the Habitat brand—which included increasing the influence of the headquarters over the local affiliates and shifting the organization’s focus away from the Christian mission (Youngs 2007).

The new chief executive officer of Habitat, Jonathan Reckford, started immediately following Hurricane Katrina in August 2005. While he brought many characteristics that would align with the Fullers’ vision of the organization—including

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39 While it is difficult to tease out all of the tensions between the Fullers and the board, some of these issues were dealt with after their termination. While the operational headquarters remain in Americus, GA, the administrative headquarters are now in Atlanta, GA. Also, Youngs (2007) claims that the new CEO receives a salary roughly three time what Millard Fuller deemed acceptable.
his Christian faith, experience as a pastor and businessman, and passion for helping
others (Reckford 2007; HFHI 2005)—he also helped usher in changes that would set
Habitat on a path toward lobbying and accepting larger amounts of largesse.\textsuperscript{40}

In the 2005 Annual Report, Reckford announced a new strategic five-year plan
that would exponentially increase the housing program while also building and
expanding partnerships to improve community development more broadly. This report
also started highlighting that building partnerships with governments was as important as
relationships with other nonprofits, businesses, and religious organizations (HFHI 2005).
For instance, the report recognizes that, “Government assistance also is welcomed
provided it does not limit Habitat’s ability to demonstrate the love and teachings of
Jesus” (ibid.: 14). In the following years, this emphasis continued and annual reports
began featuring stories about government partnerships, as well as Habitat’s participation
in government grant programs after various disasters and after the 2008 financial crisis,
and successful lobbying efforts.\textsuperscript{41}

Additionally, in January 2006, Habitat hired a new vice president of government
affairs, Elizabeth Blake (HFHI 2005). This new position, coupled with the new desire to
build relationships with governments, was a clear shift into investing in lobbying social
capital. Furthermore, starting in the 2008 Annual Report, the expense line for “public
awareness and education” was changed to “public awareness and advocacy,” which

\textsuperscript{40} It is worth noting that the Fuller’s have a different view on government involvement. After leaving
Habitat in 2005, they established the Fuller Center for Housing. In the foundational principles, they note
that, “Government has a role in our work in helping set the stage, but that we shouldn’t look to it as a means
to fund the building of home.” See \url{http://www.fullercenter.org/mission-statement}.

appears to reflect lobbying efforts (HFHI 2008). This expense line grew from 5-6 percent of total expenses from 2007 to 2009, to 12 percent in 2010 and 8-9 percent since then (see Table 1). For comparison, management and general expenses remain roughly 4-5 percent each year.

Table 1: Habitat for Humanity International, Expenses for Public Awareness and Education/Advocacy from 1999-2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Expenses</th>
<th>Public Awareness &amp; Education/Advocacy</th>
<th>Percentage</th>
<th>Management &amp; General</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>$178,354,656</td>
<td>$11,384,403</td>
<td>6.38%</td>
<td>$7,823,303</td>
<td>4.39%</td>
</tr>
<tr>
<td>2006</td>
<td>$224,674,854</td>
<td>$12,457,104</td>
<td>5.54%</td>
<td>$9,977,753</td>
<td>4.44%</td>
</tr>
<tr>
<td>2007</td>
<td>$301,133,402</td>
<td>$15,941,750</td>
<td>5.29%</td>
<td>$12,163,966</td>
<td>4.04%</td>
</tr>
<tr>
<td>2008*</td>
<td>$304,909,148</td>
<td>$17,773,405</td>
<td>5.63%</td>
<td>$13,468,231</td>
<td>4.42%</td>
</tr>
<tr>
<td>2009</td>
<td>$267,121,426</td>
<td>$15,543,764</td>
<td>5.82%</td>
<td>$12,809,294</td>
<td>4.80%</td>
</tr>
<tr>
<td>2010</td>
<td>$292,230,200</td>
<td>$34,083,447</td>
<td>11.66%</td>
<td>$12,212,717</td>
<td>4.18%</td>
</tr>
<tr>
<td>2011</td>
<td>$319,514,017</td>
<td>$26,197,990</td>
<td>8.20%</td>
<td>$13,717,040</td>
<td>4.29%</td>
</tr>
<tr>
<td>2012</td>
<td>$329,602,405</td>
<td>$27,168,400</td>
<td>8.24%</td>
<td>$14,045,584</td>
<td>4.26%</td>
</tr>
<tr>
<td>2013</td>
<td>$335,153,102</td>
<td>$29,348,293</td>
<td>8.76%</td>
<td>$13,465,761</td>
<td>4.02%</td>
</tr>
</tbody>
</table>

Source: Compiled by author using Habitat Annual Reports from 1999-2013.
Note: The line item for “Public Awareness and Education” changed to “Public Awareness and Advocacy” in 2008.

This investment has produced results; revenue through government grants grew from roughly 10 percent of total revenue to 25 percent of total revenue in 2012 and 2013 (shown in Table 2). This increase in revenue from government grants was primarily through the Neighborhood Stabilization Program (NSP), which was established under the

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43 Ibid.
Department Housing and Urban Development under the Housing and Economic Recovery Act of 2008 in order to incentivize nonprofits to purchase, rehabilitate, and sell foreclosed homes after the 2008 financial crisis.\textsuperscript{45} The NSP has been extended twice, through the American Recovery and Reinvestment Act of 2009 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.\textsuperscript{46}

\begin{table}[h]
\centering
\begin{tabular}{|c|c|c|c|c|}
\hline
Year & Total Revenue & Government Grants & Government % of Total Revenue & Major Programs/Events \\
\hline
1999 & $121,109,194 & $15,858,241 & 13.09\% & \\
2000 & $165,549,349 & $16,671,030 & 10.07\% & \\
2001 & $171,512,234 & $22,642,985 & 13.20\% & \\
2002 & $162,080,768 & $21,925,561 & 13.53\% & \\
2003 & $158,425,425 & $16,520,849 & 10.43\% & \\
2004 & $170,737,212 & $15,727,356 & 9.21\% & \\
2005 & $197,634,645 & $18,835,782 & 9.53\% & New CEO \\
2006 & $357,208,861 & $22,165,339 & 6.21\% & \\
2007 & $363,463,308 & $20,930,987 & 5.76\% & \\
2008 & $249,401,167 & $20,074,439 & 8.05\% & Financial Crisis \\
2009 & $245,741,931 & $17,364,922 & 7.07\% & NSP \\
2010 & $285,350,080 & $20,903,370 & 7.33\% & \\
2011 & $287,337,900 & $63,318,338 & 22.04\% & NSP2 \\
2012 & $299,546,764 & $77,313,165 & 25.81\% & \\
2013 & $312,765,010 & $74,230,735 & 23.73\% & \\
\hline
\end{tabular}
\caption{Habitat for Humanity International Revenue, Total and Government Grants from 1999-2013}
\end{table}

Source: Compiled by author using HFHI Annual Reports from 1999-2013.

\textsuperscript{45} For more information, see \url{http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/neighborhoodspg}.

\textsuperscript{46} Ibid.
As shown above, an increased investment in lobbying social capital led to an increase in revenue from government grants. Starting in the Habitat 2010 Annual Report, the US Federal Government was recognized as a $1 million plus donor, where it has remained since, only to be joined by other national governments, the World Bank, and other international organizations (HFHI 2010, 2011, 2012, 2013).

Furthermore, these new partnerships have been coupled with changes to Habitat’s financial reporting. Not only has expense descriptions changed to include lobbying efforts (advocacy), Habitat also stopped divulging the details of government grants in 2008 (HFHI 2008). While before 2008 each financial report included a table with the major government programs and the amount of money received, starting in 2008, that table disappeared from the report. Thus, details on government funds have become less transparent in their annual reports.

In summary, when the leadership of Habitat changed in 2005, the organization began seeking government assistance as an avenue for growth. While the organization can secure more funds through government grants and assistance, they must also expend resources that were previously directed toward the productive aspect of their mission to lobbying efforts and compliance costs of government involvement. Next, I will examine how such activities may effect a local Habitat affiliate by focusing on the Habitat for Humanity of Greater Birmingham, Alabama.
IV. Habitat for Humanity of Greater Birmingham, Alabama

Habitat for Humanity of Greater Birmingham (Birmingham Habitat), a local affiliate in Birmingham, Alabama, was established in 1987 and serves the population of the metropolitan of Birmingham as well as the surrounding area of Jefferson, Shelby, and Walker counties. As of June 2013, they had sold over 675 homes, at a rate of at least 45 homes per year (HFHGB 2013). Birmingham Habitat accomplishes this by not only following the structure and functions set forth by Habitat for Humanity International but by taking advantage of its employees’ marketing skills as well as unique expansion opportunities (see Chapter 2 of this dissertation). The programs that Birmingham Habitat provides include: family development; home building; special building events; home repair; and a discount home improvement center.

Additionally, Birmingham Habitat has benefited from their partnerships with local and federal government. Through block grants, which provide general funds for their core activities, the organization has been able to increase the number homes built each year and therefore the number of families benefited. For instances, general grants attributed to roughly a third of funding in 2009 (Balch 2009; HFHGB 2009). Birmingham Habitat has also participated in AmeriCorps VISTA, a one year domestic volunteer service program which places individuals at nonprofits and local governments with the mission of fighting
poverty. In 2009, Birmingham Habitat received five AmeriCorps volunteers; four construction managers and one office employee (Balch 2009). The government-sponsored volunteer program, which covers salary and housing costs as well as the opportunity for student loan repayment, has allowed the Birmingham Habitat to expand its employee base without substantially increasing its labor expenses. While general grants and government-sponsored volunteers have allowed the organization to expand its building capacity and reach more potential homeowners, their ability to increase traditional programs is contingent on government grants including such activities in their charter and incentivizing productive activities over compliance, further lobbying, and other unproductive activities.

After the 2008 financial crisis, Birmingham Habitat began working with a government program, called the Neighborhood Stabilization Program (NSP), to purchase, renovate, and find owners for foreclosed houses. As mentioned above, the NSP is a program implemented through the Department Housing and Urban Development and supported by the Housing and Economic Recovery Act of 2008, as well as the American Recovery and Reinvestment Act of 2009 and the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. In 2010 and 2011, Birmingham Habitat received an influx of government funding from the Alabama Department of Economic and

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49 For more information on AmeriCorps, see http://www.americorps.gov/for_individuals/choose/vista.asp.
50 This was unique. While Habitat reported receiving a large share of funds through NSP, only a handful of affiliates worked to implement the program. For more information, see http://www.habitat.org/govgrants/nsp2.
51 For more information, see http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/communitydevelopment/programs/neighborhoodspg.
Community Affairs and the Alabama Association of Habitat Affiliates in order to implement NSP in Birmingham, Alabama (see Tables 3 and 4). The goal of the program was to purchase at least 70 foreclosed houses (as of 2010, 60 homes had been purchased), and to rehabilitate and resell them within five years (HFHGB 2010b). The NSP application requirements are less strenuous than the traditional Habitat program. For example, the traditional program focuses on participants with incomes of 25 to 50 percent of the area’s median income whereas NSP allows participants with incomes of up 80 percent of the median income (Balch 2014). NSP increases the range of the population which can qualify for Habitat assistance, which may push Birmingham Habitat beyond its current capabilities (due to increased demand for housing) and beyond its mission by providing to middle-income families rather than focusing on the poor.

Table 3: Birmingham Habitat Total Revenue from Government Contributions as Reported on 990 Tax Forms, 2001-2013

<table>
<thead>
<tr>
<th>Annual Report Year (Tax Form Year)</th>
<th>Total Revenue</th>
<th>Revenue from Government Contributions</th>
<th>Govt % of Total Revenue</th>
<th>Major Programs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002 (FY2001)</td>
<td>$2,210,813</td>
<td>$175,895</td>
<td>7.96%</td>
<td></td>
</tr>
<tr>
<td>2003 (FY2002)</td>
<td>$2,444,611</td>
<td>$276,053</td>
<td>11.29%</td>
<td></td>
</tr>
<tr>
<td>2004 (FY2003)</td>
<td>$2,739,988</td>
<td>$428,771</td>
<td>15.65%</td>
<td></td>
</tr>
<tr>
<td>2005 (FY2004)</td>
<td>$3,010,946</td>
<td>$526,085</td>
<td>17.47%</td>
<td></td>
</tr>
<tr>
<td>2006 (FY2005)</td>
<td>$3,644,003</td>
<td>$970,349</td>
<td>26.63%</td>
<td></td>
</tr>
<tr>
<td>2007 (FY2006)</td>
<td>$4,809,653</td>
<td>$1,116,048</td>
<td>23.20%</td>
<td></td>
</tr>
<tr>
<td>2008 (FY2007)</td>
<td>$7,486,846</td>
<td>$3,006,800</td>
<td>40.16%</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Total Revenue</td>
<td>Grant Funding</td>
<td>Grant % of Total Revenue</td>
<td>Major Programs</td>
</tr>
<tr>
<td>----------</td>
<td>---------------</td>
<td>---------------</td>
<td>--------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>2008</td>
<td>$6,684,950</td>
<td>$3,006,800</td>
<td>44.98%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>$6,973,348</td>
<td>$2,582,936</td>
<td>37.04%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>$12,188,817</td>
<td>$5,625,185</td>
<td>46.15%</td>
<td>NSP</td>
</tr>
<tr>
<td>2011</td>
<td>$13,402,333</td>
<td>$7,022,374</td>
<td>52.40%</td>
<td>NSP</td>
</tr>
<tr>
<td>2012</td>
<td>$12,847,872</td>
<td>$2,231,170</td>
<td>17.37%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>$10,223,710</td>
<td>$1,790,618</td>
<td>17.51%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Compiled by author using Birmingham Habitat Annual Reports from 2008-2013.

Notes: Grant Funding is defined in the annual reports as including monies received from state and federal government, major organizations like the United Way, and micro-loans (of $1-10k) from foundations and churches (Balch 2014). For the most part, Grant Funding from the annual reports match Government Contributions from the 990 tax forms; however, there are discrepancies in Total Revenue between the annual reports and 990 tax forms).

Birmingham Habitat hoped to participate in NSP while maintaining, if not expanding, their traditional home building and family development activities. In 2009, Patricia Burch, Director of Operations, felt like Birmingham Habitat had
taken precautions to make sure NSP would be successful, while noting the possible constraints of government involvement:

NSP is a little bit of a learning curve, ‘cause we’ve, it’s different for us because we are using subcontractors instead of doing the work ourselves with volunteers … because of the pace of the program … that was what we need to do to be successful and not take away from our regular program. *We have seen that some organizations have kinda dropped what they were doing and are now just doing this.* And you know, the vision here is to look at it and say this is in addition to what we do … 70 more families than we would have been able to help before. So that when the program’s over, because there is a sunset on the program, it ends in five years, *you are not sitting there and have ruined all the relationships you’ve had before because you are just doing this … You don’t want it to cannibalize your regular program* (emphasis added by author).

Moreover, Beth Jerome, Director of Development, was positive about the role of government funding to help more individuals in need: “We’ve been able to develop partnerships with the cities and counties that we serve so we’re able to tap into some of the federal funding, through HUD, so that’s allowed us to become as successful as we are.” Jerome also emphasized that Birmingham Habitat aimed at, “being good stewards of the funds that are used, you know, be it from the county, from HUD, from federal funds, from individuals, from companies.”

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52 In this quote, Jerome is referencing both the US Department of Housing and Urban Development and the local Birmingham agency when she uses the acronym HUD.
However, there is evidence that Birmingham Habitat has had to shift resources from its main activities to NSP in order to stay on schedule. For instance, since 2009, Birmingham Habitat was focused on building at least 45 homes per year through their traditional programing, and in 2010, had reported that NPS would provide additional housing outside of their traditional programing (HFHGB 2009, 2010). Yet in 2012, Birmingham Habitat started reporting that they aimed to sell a combined total of at least 45 new and foreclosed homes per year (HFHGB 2012). This change in language allows marks a reduction in transparency that could allow them to reduce traditional home building, as long as foreclosed homes make up the difference of their goals.

Additionally, where Birmingham Habitat used to report total homes built, they now report total homes sold. They also used to report performance metrics on the number of individuals and families each programs helps, separated by traditional home building, repairs, and NSP homes; they have since started reporting aggregate metrics instead (HFHGB 2012, 2013). These relatively small alterations in reporting language have reduced transparency and accountability, and provide evidence that Birmingham Habitat has shifted resources from traditional programs to implementing and maintaining government programs.

By taking government grants that allow for expansion, but also come with their own set of requirements and contingencies, Birmingham Habitat has altered the structure of their organization. While they may still be largely successful, this shift has led them down a path of investing in social capital that allows them to receive and comply with largess at the expense of their traditional programs. Furthermore, they have adopted
reporting strategies that obscure programmatic details and reduce the transparency needed to analyze their success. It is currently unclear if these practices will remedy themselves as the NSP finishes, or if they represent a broader shift in the activities and success of Birmingham Habitat. What is clear is that such shifts in behavior and resource investment are taking place at both the international and affiliate level, which push Habitat into a vicious cycle toward becoming a monstrous moral hybrid.

V. Conclusion

By utilizing the literature on triadic exchange (Podemska-Mikluch and Wagner 2013; Jacobs 1992) as well as the literature on how social capital and entrepreneurship can shift from productive activity to lobbying and rent seeking (Chamlee-Wright and Storr 2011; Coyne et al. 2010; Baumol 1990), this paper analyzes the impact of lobbying for and accepting of government grants has on nonprofit activity, specifically that of Habitat for Humanity International.

Habitat for Humanity International, at both the international and affiliate level, has successfully provided adequate housing as well as financial training to those that seek to better their position in life, proving it has many characteristics that would place it in the private sector. However, government intervention, such as grants or regulations, can hinder the beneficial and successful activities of nonprofits (leading them to become more like the public sector). Habitat has shifted investment toward lobbying social capital, by hiring a vice president of government relations, increasing expenditures on advocacy, and partnering with governments through various programs. Furthermore, Birmingham Habitat has changed its behavior in response to receiving government funding, by changing its goals to include both traditional house building and the NSP
program and by changing their reporting language in order to reduce transparency. By replacing commercial precepts with guardian precepts, through investing in lobbying social capital and altering programs to comply with government grants and restrictions, nonprofit social enterprises become more public in nature and risk getting stuck in a vicious cycle of government reliance.
APPENDIX A—SURVEY INSTRUMENTS

Survey questions for Habitat for Humanity homeowners

1. I want to get a sense of how your Habitat home compares to the other places you’ve lived. Did you grow up in this community?
   - If they say yes: Would you tell me what it was like when you were growing up?
   - If no: Would you tell me what it was like growing up there?
   - Make sure to get information on: the size of their family; the size of their home; how close they were to their neighbors; the safety of the neighborhood; etc.

2. Would you tell me about the community that you lived in before you moved into this home? Would you tell me about the house that you lived in before you moved into this home?
   - What did you enjoy most about your old home and neighborhood? What did you dislike?
   - Make sure to get information on: the size of their family; the size of their home; how close they were to their neighbors; the safety of the neighborhood; etc.

3. How did you hear about Habitat for Humanity? What made you decide to apply? What were the main factors you had to take into account before starting the application and candidate process?

4. Would you please tell me about the process of applying and qualifying for a Habitat home? What did they make you do? Any stories about your experience?

5. How would you describe your opinion of Habitat for Humanity during and after the process of obtaining your house? Any stories?

6. Would you tell me about this home? How would you describe the neighborhood and your relationship with your neighbors?
   - What do you enjoy most about your home and neighborhood? What do you dislike?
• Make sure to get information on: how close they are to their neighbors; the safety of the neighborhood; etc.

7. In what ways, if any, has your life changed since becoming a Habitat for Humanity homeowner? Your children’s lives? What is the biggest difference between living here and where you lived before?
• Make sure to get information on: changes in jobs, education, friends; feeling of safety; life goals and ambitions; etc.
• Additional questions on impacts:
  1. Do you have children living in the home? Yes or No (If no, please skip to Q. 2)
     a. Have your child(ren)’s overall wellness/health improved since moving into your home? Y or N
     b. Have you seen a reduction in absences from school/daycare since moving into your home? Y or N
     c. Have you seen a change to their grades since moving into the neighborhood? Y or N
        i. If yes, have their grades improved? Y or N
     d. Have you seen any changes in your child(ren)’s friends since moving into your new home? Y or N
     e. Do the kids play at your home more than they did before you moved into your new home? Y or N
     f. Have any of your children graduated high school since moving into your new home? Y or N
        i. Prior to moving into your new home, did you expect that they would graduate? Y or N
        ii. Have any of your children continued on to college after graduating high school? Y or N
     g. Do you feel that you are raising your children in a safer environment that before moving into your home? Y or N
     h. Do you believe that your child(ren)’s future has been changed by your becoming a homeowner through the Habitat program? Y or N
  2. Have you had any changes at work since moving in to your new home (new job, responsibilities, etc.)? Y or N
     a. If yes, do you feel that becoming a partner with Habitat played any roles in your success? Y or N
  3. Have you seen any improvement to your health/wellness since moving into your new home? Y or N

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4. Do you feel that your quality of life has improved since moving into your home? Y or N

8. Are you involved with any other nonprofit organizations; what do they do?

9. Thank you for your time, is there anything that I should have asked that I didn't? Is there anything else that you want to tell me?
Survey questions for Habitat for Humanity employees

1. Tell me about Habitat for Humanity. What does the Birmingham Habitat do?

2. When did you first hear about Habitat? How about when you first become involved with the organization? Why did you become involved?

3. Tell me about your job at Habitat?
   - What do you enjoy the most about your job? What are the challenges?

4. What's the biggest difference between the homes that Habitat provides and the homes your residents are moving from?

5. If you had to pick one story that exemplifies what Habitat is all about what would it be?

6. Please tell me about the process of applying for and qualifying for a Habitat home.
   - What's the biggest challenge that potential homeowners face? What's the biggest complaint about the process?

7. In your opinion, how is Habitat doing at alleviating inadequate housing? Habitat is constantly growing, what do you think are the limits to its growth? What competition and partners does Habitat face?

8. What are, in your opinion, the biggest challenges facing people seeking to escape inadequate housing?

9. Thank you for your time, is there anything that I should have asked that I didn't? Is there anything else that you want to tell me?
## APPENDIX B—LIST OF INTERVIEWEES

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Title</th>
<th>Interview Trip</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Patricia Burch</td>
<td>December 2009</td>
</tr>
<tr>
<td>2</td>
<td>Beth Jerome</td>
<td>December 2009</td>
</tr>
<tr>
<td>3</td>
<td>Jerwanda Smith</td>
<td>December 2009</td>
</tr>
<tr>
<td>4</td>
<td>Earnestine Smiley</td>
<td>December 2009</td>
</tr>
<tr>
<td>5</td>
<td>Vicky Poole*</td>
<td>December 2009</td>
</tr>
<tr>
<td>6</td>
<td>Steven Connor*</td>
<td>December 2009</td>
</tr>
<tr>
<td>7</td>
<td>Donna Hunter*</td>
<td>December 2009</td>
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<tr>
<td>8</td>
<td>Natalie Thompson*</td>
<td>December 2009</td>
</tr>
<tr>
<td>9</td>
<td>Alysha Brown*</td>
<td>December 2009</td>
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<tr>
<td>10</td>
<td>Cynthia Smith*</td>
<td>December 2009</td>
</tr>
<tr>
<td>11</td>
<td>Janet Anderson*</td>
<td>December 2009</td>
</tr>
<tr>
<td>12</td>
<td>Carissa Johnson*</td>
<td>December 2009</td>
</tr>
<tr>
<td>13</td>
<td>Katiana Jones*</td>
<td>December 2009</td>
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<tr>
<td>14</td>
<td>Derrick Cole</td>
<td>December 2009</td>
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<tr>
<td>15</td>
<td>Angela Terry*</td>
<td>February 2010</td>
</tr>
<tr>
<td>16</td>
<td>Arthur Mayfield</td>
<td>February 2010</td>
</tr>
<tr>
<td>17</td>
<td>Marquetta Whitman*</td>
<td>February 2010</td>
</tr>
<tr>
<td>18</td>
<td>Latisha Long*</td>
<td>February 2010</td>
</tr>
<tr>
<td>19</td>
<td>Rachelle Adams*</td>
<td>February 2010</td>
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* Alias
# APPENDIX C—IMPACT QUESTIONS AND DATA

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<tr>
<th>Impact Questions for Birmingham Habitat for Humanity</th>
<th>Aggregated Data on Questions</th>
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<tr>
<td><strong>Questions</strong></td>
<td><strong>Total</strong></td>
</tr>
<tr>
<td>1. Do you have children living in the home?</td>
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<tr>
<td>a. Have your children’s overall wellness/health improved since moving into your home?</td>
<td>15</td>
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<tr>
<td>b. Have you seen a reduction in absences from school/daycare since moving into your home?</td>
<td>13</td>
</tr>
<tr>
<td>c. Have you seen a change to their grades since moving into the neighborhood?</td>
<td>13</td>
</tr>
<tr>
<td>i. If yes, have their grades improved?</td>
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</tr>
<tr>
<td>d. Have you seen any changes in your children’s friends since moving into your new home?</td>
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<tr>
<td>e. Do the kids play at your home more than they did before you moved into your new home?</td>
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<tr>
<td>f. Have any of your children graduated high school since moving into your new home?</td>
<td>13</td>
</tr>
<tr>
<td>ii. Prior to moving into your new home, did you expect that they would graduate?</td>
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<tr>
<td>g. Have any of your children continued on to college after graduating high school?</td>
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</tr>
<tr>
<td>h. Do you feel that you are raising your children in a safer environment than before moving into your home?</td>
<td>13</td>
</tr>
<tr>
<td>i. Do you believe that your children’s future has been changed by your becoming a homeowner through the Habitat program?</td>
<td>13</td>
</tr>
<tr>
<td>2. Have you had any changes at work since moving into your new home (new job, responsibilities, etc.?)</td>
<td>15</td>
</tr>
<tr>
<td>a. If yes, do you feel that becoming a partner with Habitat played any roles in your success?</td>
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</tr>
<tr>
<td>3. Have you seen any improvement to your health/wellness since moving into your new home?</td>
<td>15</td>
</tr>
<tr>
<td>4. Do you feel that your quality of life has improved since moving into your home?</td>
<td>15</td>
</tr>
</tbody>
</table>
REFERENCES


National Low Income Housing Coalition. 2004. *America’s Neighbors: The Affordable Housing Crisis and the People it Affects*. Washington, DC.


BIOGRAPHY

Stefanie Haefele-Balch earned a BBA in economics and in finance from the University of North Alabama in 2007. She earned her MA in economics at George Mason University in 2010, where she was also an MA Fellow with the Mercatus Center at George Mason University. After receiving an MA in economics at George Mason University in 2010, she completed a Presidential Management Fellowship where she worked in emergency and disaster operations at both the Federal Emergency Management Agency and the US Forest Service. Stefanie is currently the Deputy Director of Academic & Student Programs at the Mercatus Center, where she works on a team aimed to recruit, train, and support graduate students pursuing careers in academia, government, and policy.

Her research interests include Austrian economics, political economy, entrepreneurship, and development. Her work has examined post-disaster community recovery as well as the political economy of nonprofit organizations, specifically focusing on organizations that attempt to provide affordable housing to the poor.