Organized Business in the American City*

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Abstract

Local chambers of commerce, interest groups in which locally-operating firms band together to lobby for pro-business local policy, are ubiquitous in modern local politics. Why has the private sector been so successful at organizing locally? I point to structural economic change. First, rising *industrial diversification* at the local level means that firms are increasingly co-located with complementary industries, magnifying the business-to-business networking benefits of chamber formation. Second, decreasing *market concentration* at the local level means that the average firm is more likely to receive relative gains from locally-implemented policy concessions, increasing its willingness to lobby collectively. I provide evidence in support of this explanation using new data on thousands of local chambers incorporated between 1970 and 2018, an identification strategy based on novel shift-share instruments, and member-level data for 100 individual chambers. The results demonstrate how broader patterns of structural economic change have affected interest representation at the local level.

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1 Introduction

Over the last several decades, an abundance of evidence suggests that local politics in the United States is increasingly shaped by national and even *inter*national forces. Declining social capital at the local level has led to decreased participation in local civic and political life (Putnam, 2001). National trends of partisan polarization have extended down to the local level, increasing pressure on local elected officials to toe the party line rather than pursue the policies that would best serve their constituents (Hopkins, 2018). Local newspapers and TV news stations, longtime facilitators of local political participation, are increasingly shutting their doors or shifting their coverage towards national issues (Martin and McCrain, 2019; Peterson, 2021). International trade policy, set at the national level, has meaningfully shaped economic outcomes and political preferences at the local level (Autor, Dorn, Hanson, and Majlesi, 2020; Choi et al., 2024). Upon reviewing these trends, one might reasonably conclude that local influence over local politics is in decline.

A powerful counterexample can be found in the nation's local chambers of commerce.[1] Local chambers are interest groups whose members are firms that operate within a given municipality or county, and their primary objectives are to facilitate networking and to advocate for pro-business policies at the local level; examples include tax reform, workforce development programs, and expansions and improvements of local infrastructure. They are increasingly ubiquitous fixtures of local politics: as of 2018 there were approximately 6,800 municipalities across nearly 2,300 counties that had at least one chamber, figures that have tripled and doubled (respectively) since 1947.[2] According to a recent survey of municipal government officials, local chambers are cited as the most active interest groups in both large *and* small cities, as well as one of the interest groups most involved in local elections (Anzia, 2022). In spite of globalization and political nationalization, local business has never been more politically organized.

[1] I will refer to local chambers of commerce as local chambers, or simply chambers, throughout.

[2] Source: author's data and calculations.

What explains the proliferation of local chambers? The expansion and influence of local organized business is surprising not only due to broader trends of political nationalization, but also due to the standard collective action and distributive dilemmas inherent in organizing lobbying collectives (Olson, 1965). Even if all firms in an area would receive equal benefits from a collective's lobbying efforts, each firm's optimal strategy is to reap these benefits without paying the costs of collective membership. Moreover, the benefits from a policy change are rarely distributed evenly across all members of a lobbying collective; firms may hesitate to expend resources lobbying in favor of a policy that would generate relative gains for their competitors (Stigler, 1971).

I argue that two structural economic changes paved the way for local chamber formation by creating conditions that allowed local firms to overcome both collective action and distributive issues. First, due to various factors, U.S. municipalities became hosts to an increasingly diverse range of local industries over the course of the 20th century (Kim, 1995, 1998). The increasing diversity of industry at the local level increased the demand for local business-to-business networking services, as firms sought to market their goods and services to other local enterprises. Because local chambers offer networking services as well as policy advocacy, they can provide their members increasingly valuable *private* benefits that incentivize membership over free-riding. I therefore predict that, as industrial diversification increases at the local level, firms operating in the area are more likely to form a local chamber.

Second, while market concentration has been increasing at the national level, it has been declining at the local level over the last few decades (Rossi-Hansberg, Sarte, and Trachter, 2021). Local economies are *less* dominated by a small number of large employers than they were in the mid-20th century. Under the reasonable assumption that larger and more productive firms benefit disproportionately from local policy benefits, decreasing concentration at the local level mitigates the distributive dilemma by leveling the playing field: in a more competitive local economy, the benefits of local policy advocacy are more likely to be shared broadly rather than captured by a few large players. When market concentration decreases, local enterprises should thus be more willing to organize a chamber to petition for favorable local policy changes.

In order to test this theory, I leverage the complete contents of all 50 state corporate registries to create a novel dataset of every local chamber of commerce that is or was active in the United States throughout its recorded history, as well as the years in which they were incorporated (and dissolved, if applicable).[3] Under the most restrictive definition, over 11,000 chambers have been created throughout the nation's history. I validate this data through comparison to both contemporary and historical lists of local chambers compiled by the U.S. Chamber of Commerce and the New York Chamber of Commerce, demonstrating that state corporate registries align closely with contemporaneous estimates as far back as 1925.

To measure industrial diversification and market concentration at the local level, I rely on the U.S. Census's County Business Patterns (CBP) data (Eckert et al., 2020, 2022). The CBP contains annual employment counts at the county-sector level for virtually all U.S. counties, as well as the number of enterprises in each county-sector by employment. I measure diversification by inverting the Herfindahl-Hirschman Index (HHI) of employment across *sectors*; to measure market concentration, I calculate the HHI of employment across *enterprises*. There are a number of reasons to suspect that these two variables and chamber formation might be jointly determined at the local level, such that a naive regression of the former on the latter would not produce a causal effect. To foster identification, I therefore develop novel shift-share instruments for industrial diversification and market concentration.

Results of 2SLS regressions on a panel of counties between 1970-2018 provide strong support for the theory: industrial diversification is a strong positive predictor of both municipal and county chamber of commerce formation, while market concentration is a

[3]Data on state corporate registries was collected by OpenCorporates (https://opencorporates.com).

strong negative predictor. Effect magnitudes are meaningful: for example, a one standard deviation increase in industrial diversification leads to a 12 percentage point increase in the probability that a county has its own chamber of commerce. Results are robust to a wide range of controls and sample permutations, as well as alternative measures of industrial diversification. Further, to test the mechanism, I collect complete membership data for 100 local chambers—constituting over 100,000 local businesses—and demonstrate that industrial diversification and market concentration shape not only the formation but also the *composition* of local chambers.

These results contribute to our understanding of how structural economic change has shaped local politics. The U.S. economy has undergone a number of structural transformations during the 20th and 21st centuries; the political consequences of some of these transformations, like the decline of agricultural and manufacturing employment, have been thoroughly examined (Baccini and Weymouth, 2021; Broz, Frieden, and Weymouth, 2021; Choi et al., 2024; Clark, Khoban, and Zucker, 2025). Others, such as (sub)urbanization (Baum-Snow, 2007; Michaels, Rauch, and Redding, 2012) and agglomeration (Ellison, Glaeser, and Kerr, 2010), have received less attention. Local industrial diversification and market concentration fall into the latter category, and this paper shows that—contra the general findings of the literature on manufacturing decline—these structural transformations may have actually *increased* the power of local business by enabling it to organize.

More broadly, this paper's theory provides a framework for studying an important question in the interest groups literature: from a firm's perspective, what is the optimal level at which to organize for political action? Firms are embedded in localities, states and territories, countries, regions, and so on, and thus are presented with a variety of governments to potentially lobby and sets of potential coalition partners. Just as industrial diversification at the local level makes local organization more favorable, for example, industrial concentration at the national level may lead to the fracturing (or declining influence) of national-level business interest groups. Indeed, as national economies grow increasingly specialized in a globalized world, and as "superstar" firms dominate national industries (Autor, Dorn, Katz, Patterson, and Van Reenen, 2020), scholars have documented the declining influence of national trade associations relative to cross-industry coalitions among supply chain partners (Osgood, 2017; Zhang, 2025). By studying variation in economic structure across and within different political units, we can better understand where interest groups form and succeed—and where they don't.

Finally, by providing a comprehensive dataset of local chambers, this paper also responds to Anzia (2019)'s call for scholars of interest groups to pay more attention to subnational governments. Due at least in part to data limitations,[4] past work on lobbying has focused mainly on the federal and (to a lesser extent) the state levels. Yet, there are over 3,000 county governments and over 35,000 municipal governments in the U.S. alone;[5] as local chambers are key interest groups within these governments, future work should explore chambers' influence on local governance. One fruitful area in which to search for such influence is that of local economic development and other place-based policies that seek to stimulate specific geographic areas, such as tax breaks, subsidies, and workforce development programs (Hanson, Rodrik, and Sandhu, 2025; Jensen and Thrall, 2021; Neumark and Simpson, 2015). Not only do local chambers have a strong interest in such targeted economic benefits, but local governments also often have the ability to supply them.

2 Local Effects of Structural Changes

While economists have mainly used the term "structural change" to refer to long-term sectoral shifts from agriculture, to manufacturing, to services (Krüger, 2008; Michaels, Rauch, and Redding, 2012), I adopt a broader definition of the term that encapsulates any

[4] Anzia (2019, 350) concludes that the study of subnational interest groups "is practically a desert when it comes to data."

[5] See https://www.stlouisfed.org/publications/...local-governments-us-number-type. These figures do not include school districts or other special purpose governments.

broad-based and long-term change in the national economic structure. Examples include the transition from rural to urban and suburban areas as the primary loci of economic production, the increasing benefits that firms receive from operating nearby firms in other industries (agglomeration), and the increasing integration of national economies through international trade and investment. A critical premise of political economy scholarship is that these aggregate trends have distributive effects: some individuals, firms, and industries benefit from structural shifts while others lose. As a result, substantial work has studied how national economic changes generate political consequences at the local level.

The study of economic globalization's local effects, while long a subject of interest for political economists (Schattschneider, 1935), has intensified in step with global trade and investment flows over the last several decades. Trade liberalization increases consumer surplus by lowering prices, but can also produce layoffs and firm closures when local industries cannot compete against foreign imports (Autor, Dorn, and Hanson, 2013). Individuals in localities negatively affected by trade competition increase their votes for right-wing candidates (Autor, Dorn, Hanson, and Majlesi, 2020; Choi et al., 2024; Ferrara, 2023), increasingly support nationalist and nativist parties (Colantone and Stanig, 2018; Helms, 2024), and adopt more authoritarian values (Ballard-Rosa, Jensen, and Scheve, 2022).[6] Further, there is evidence that individuals perceive and respond not only to globalization's impact on their own livelihood, but also to its effects on their local communities (Colantone and Stanig, 2018); one mechanism might be decline in public service provision in these areas due to declining local tax revenue (Feler and Senses, 2017).

As national economies develop, production tends to shift from the primary sector (agriculture, mining, etc), to the secondary sector (manufacturing), and finally to the tertiary sector (services, wholesale and retail trade) (Fisher, 1939). This process has diverging effects on localities depending on how specialized they are in the declining industry. In particular, scholars have shown that areas that experience larger declines in manufactur-

[6]Interestingly, Scheve and Serlin (2023) show that trade shocks led affected localities to support greater redistribution in the early 20th century UK.

ing employment experience similar consequences as those facing greater import competition: shifts towards right-wing and populist ideology (Broz, Frieden, and Weymouth, 2021), particularly among white voters (Baccini and Weymouth, 2021) and in areas where men were disproportionately affected (Clark, Khoban, and Zucker, 2025), and backlash against the incumbent party more generally (Rickard, 2022). While trade is one driver of the decline of manufacturing employment, another is the shift towards automation (Acemoglu and Restrepo, 2020), which has also been shown to affect local politics by weakening the local influence of organized labor (Balcazar, 2023).

Political economists have thoroughly documented the negative economic effects of globalization and the loss of manufacturing at the local level and have connected economic shocks to political consequences. These are important stories to tell, particularly given the national-level electoral consequences of geographically concentrated economic decline. However, increased exposure to imports and the loss of manufacturing employment are only two out of many structural economic shifts that have profoundly changed local economies over the past several decades. In particular, I highlight below two structural changes that appear to have *increased* the dynamism of U.S. local economies.

First, relative to the mid-20th century, employment in U.S. regions and localities is now much less concentrated in particular industries (Kim, 1995; Krugman, 2011). The decline of the "industry town" has many potential causes: Kim (1998) argues that the decline of manufacturing has reduced the importance of regional differences in land and resource endowments, while Krugman (1991) and Glaeser et al. (1992) point to the increasing benefits of agglomeration (co-location with firms in other industries) as urbanization progresses. While some have studied the national-level political effects of industrial geography (see e.g. Busch and Reinhardt, 1999; McGillivray, 1997), the effects of industrial diversification on local politics have not been investigated.

Second, while national-level industrial concentration has increased over the past few decades (Autor, Dorn, Katz, Patterson, and Van Reenen, 2020), the *opposite* has occurred at the local level: local economies have become increasingly competitive and decreasingly captured by monopolists (or monopsonists) (Rossi-Hansberg, Sarte, and Trachter, 2021). Decreasing local concentration can be attributed in part to the fact that local businesses increasingly face competition from local branches of national chains (Rossi-Hansberg, Sarte, and Trachter, 2021), and in part to the reallocation of employment from less competitive sectors (like manufacturing) to more competitive ones (like retail trade) (Autor, Patterson, and Van Reenen, 2023). While scholars have studied the political economy of "superstar firms" at the national level (Kim, 2017; Osgood, 2017), the local politics of increasing local competition have received little attention.

In the following section I argue that these overlooked structural shifts have created ideal conditions for the political organization of local business, changing the landscape of interest group representation in American towns and cities.

3 Theory: Local Economic Structure and Local Business Organization

I argue that, as municipalities became home to more (and less concentrated) industries over the late 20th and 21st centuries, local businesses in those municipalities became more likely to organize and create local chambers of commerce. First, I discuss the potential benefits of local business organization and the conditions under which those benefits obtain. Second, I discuss the potential costs to forming a local chamber. Finally, I argue that industrial diversification and decreasing market concentration increase the benefits (and decrease the costs) of chamber formation.

3.1 What good is a local chamber?

Why might locally-operating firms decide to form a chamber of commerce? What do these groups provide their members beyond what could be achieved through independent action? I argue that there are two primary benefits to forming a local chamber. First, as with all interest groups, collective action increases political power; local firms gain influence over local policymaking when they act through a chamber. Second, moreso than most interest groups, local chambers provide members with private goods in the form of networking opportunities with other local businesspeople; chamber-facilitated networking events are a critical source of business for many local enterprises.

3.1.1 Lobbying and policy advocacy

Firms operating in a given locality, regardless of their industry, typically have a number of shared preferences regarding local policymaking: they might want business tax cuts, improvements to local infrastructure, increased funding for local schools, and so on. While state and federal government policy can influence local conditions, municipal and county governments wield substantial authority over key policy areas such as taxation (Jensen and Malesky, 2018), zoning (Sahn, 2025), and infrastructure spending (Kirkland, 2021). Local governments are also typically more accessible to local businesses than their state or federal counterparts, creating an additional incentive for firms to lobby locally.

One of the primary purposes of the local chamber is to divine the common policy interests of the local business community and communicate these interests to local policymakers.[7] Local elected officials are often highly receptive to chambers' policy input, as maintaining favorable local economic conditions is typically one of the primary goals of local government. Local chambers are thus efficient sources of information for elected officials who want to know how to best serve their local economies; former Los Ange-

[7]The Association for Chamber of Commerce Executives' website states that "[M]any consider the process of appropriately influencing elected/appointed officials to be one of [chambers'] most important functions." See https://secure.acce.org/pages/chambers/.

les Mayor Eric Garcetti referred to local chambers as "intelligence networks" informing his government on the needs of local business.[8] Policymakers frequently seek out local chambers' advice on proposed policy changes; for example, Philadelphia City Council President Kenyatta Johnson consulted with the Chamber of Commerce for Greater Philadelphia when developing a proposal to establish a citywide automatic IRA enrollment program.[9]

Chambers gain leverage with local policymakers by serving as the one group that can represent the interests of the local business community as a whole. In order to play this role, however, a chamber must actually be a legitimate representative of local business. This requires that a significant proportion of local firms actually decide to become members of the chamber; large memberships signal to policymakers that a chamber is legitimate, and chambers frequently broadcast their membership counts on the landing pages of their websites.[10] Given that lobbying is typically one of the primary purposes of the local chamber, we might expect that chambers should only form when their founders suspect that they will be able to attract sufficiently large memberships.

3.1.2 Networking

While policy advocacy is a key function of the local chamber, it is not the only benefit that members receive. A recent survey found that while 65% of small business owners agree that their local chamber "advocates for initiatives/policies that are in the best interest of my business," only 19% listed influencing policy as a primary motivation for joining the chamber.[11] In contrast, 40% listed "networking with other business leaders" as a top reason for joining their local chamber.

Chambers hold a wide range of events designed to foster business-to-business net-

[8] Zahniser, David, "Mayor talks business with local chambers but skips the big groups," *Los Angeles Times*, 1 July 2013.

[9] See Philadelphia City Council, Law and Government Committee Meeting Transcript, 11/19/2025.

[10] See e.g. the Canton, OH Chamber and the New Orleans, LA Chamber.

[11] "Public Opinion Poll: The Impact and Value of Chambers of Commerce." Association of Chamber of Commerce Executives, September 2024.

working: dinners, golf tournaments, galas, and so on. While these events may help to grow the personal social networks of business owners, their true value lies in their ability to connect firms to potential clients. Particularly for small enterprises with limited advertising budgets, the opportunity to socialize with other local businesspeople is a primary method for growing their business. Posters on Reddit's r/smallbusiness forum highlighted this fact in a discussion of whether or not to join the local chamber: one poster commented "I get a lot of referrals through chamber connections, it's more than half our pipeline," while another poster wrote "for me [chamber membership] has been very important. The majority of my leads come from the chamber."[12]

As with policy advocacy, a local chamber's ability to foster business-to-business networking is also contingent on its membership. Chambers with few members necessarily present fewer opportunities for networking. Further, chambers in which many industries are represented will offer much greater networking benefits than those dominated by a few industries, given that firms tend to contract with firms outside their own industry (e.g. providing accounting services for a restaurant, providing repair services for a taxi company, etc). When chambers are dominated by a few industries, there are too many sellers and too few buyers; as another Reddit commenter lamented, "I found [the local chamber] pretty useless... it was all insurance, financial advisors, and bankers trying to sell to me."[13]

3.2 When are chambers beneficial?

Local chambers can only provide advocacy and networking benefits for their members when their memberships are sufficiently large; thus, we should only expect chambers to form when a large number of local firms would decide to join. Under what conditions might we expect this to happen?

[12] See https://www.reddit.com/r/smallbusiness/comments/are_chambers_of_commerce_worth_it/.

[13] See https://www.reddit.com/r/smallbusiness/comments/is_anyone_here_a_member_of_their_local.

First, when firms expect that they might benefit from the chamber's policy advocacy, they still face a collective action problem (Olson, 1965): given that local policy change is a public good, all firms would prefer to reap the benefits of the chamber's efforts without paying membership dues themselves. This collective action problem can be offset when chambers offer their members sufficiently large *private* goods in the form of exclusive networking opportunities. However, when networking benefits of membership are small—most likely because the chamber's membership is not (or would not be) sufficiently industrially diverse—firms will be disincentivized to join (or create) a chamber, even if they would ultimately benefit from chamber lobbying. Under the reasonable assumption that a local chamber's capacity for industrial diversity is a function of the industrial diversity of the local economy, an observable implication follows:

H1: Increasing industrial diversity at the local level should make local chamber formation more likely.

Second, firms care not only about their absolute gains, but also about their position in the market relative to their competitors. Capturing a larger share of an industry can increase future profitability, both through building market power and signaling product quality to consumers (Bhattacharya, Morgan, and Rego, 2022); across a range of contexts, firms have even been known to support policies that impose absolute costs on themselves (such as cap-and-trade) as long as they impose *greater* costs on their competitors (Kennard, 2020; Perlman, 2020; Stigler, 1971). This matters because most local policy changes, even those that would benefit all local firms to some degree, are unlikely to benefit all local firms equally. For example, a decline in local property tax rates would deliver relatively larger benefits for a firm that owns a large plant than for one that owns a small one, and increased spending on workforce development programs would deliver relatively larger benefits to firms with large local workforces. If firms believe that their local competitors would receive relatively greater benefits from local business-friendly policies, they may be unwilling to join forces with them to lobby in favor of such policies.

Under what conditions might firms expect uneven relative gains from local policy advocacy? I argue that one likely possibility is high market concentration. Large firms tend to be more productive than small ones (Leung, Meh, and Terajima, 2008), allowing them to translate favorable policy concessions into output at a higher rate than their smaller competitors. In localities (or industries) where the market is dominated by a few large firms, smaller firms are likely to opt out of chamber membership to avoid helping the rich get richer. This dynamic can prevent chamber formation entirely, because a chamber formed without the participation of small businesses would lack the legitimacy (and membership) required to credibly represent local business as a whole in local government. This leads to a second observable implication:

H2: Decreasing market concentration at the local level should make local chamber formation more likely.

4 Data: Local Chambers in the United States

Local chambers of commerce first emerged in the mid-18th century in France, the UK, and colonial America; the New York Chamber of Commerce was founded in 1768, predating the U.S. Chamber of Commerce by nearly 150 years (Bennett, 2012).[14] Yet, despite their ubiquity and much anecdotal evidence of their local influence, it is only very recently that political scientists have begun to study local chambers. Anzia (2022) uses survey data from local government officials to measure cross-sectional local chamber activity as of 2015, finding that officials perceive local chambers to be the interest groups

[14] It should be noted that the vast majority of local chambers have no connection whatsoever to the U.S. Chamber. Only 187 local chambers (less than 3%) even have formal accreditation with the U.S. Chamber; see https://www.uschamber.com/program/federation-relations/chamber-accreditation.

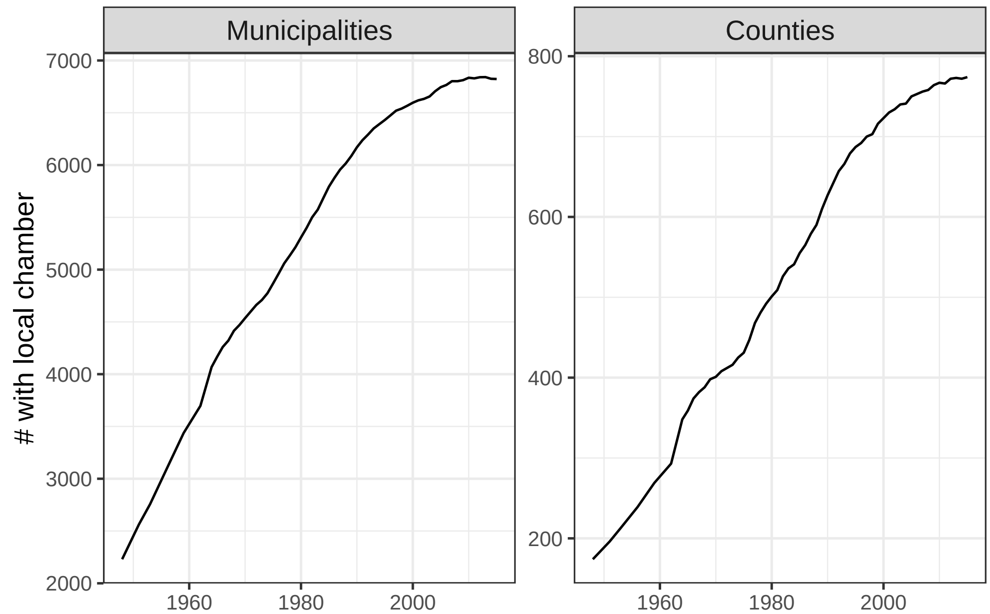
with the greatest involvement in local politics. Courbe and Payson (2024) hand-collect data on local chambers in California and show that voters only punish incumbent mayors for raising business taxes in cities with their own local chamber, suggesting an important mobilization role. Local chambers also get involved in state-level politics: I find that over 700 chambers have contributed to political campaigns above the local level (Bonica, 2024), and over 350 have lobbied one of the 17 state legislatures coded by Hall et al. (2024). To date, however, no comprehensive, nation-wide, longitudinal data exists on the presence of local chambers in the United States.

To study the predictors of local business organization, I introduce an original dataset of over 11,000 local chambers of commerce incorporated in the United States over the past 250 years. To do so, I leverage the fact that local chambers—as nonprofit corporations—must file documents of incorporation with their state governments, as well as annual filings to remain in good standing. I therefore use administrative data on the complete corporate registries of all 50 state governments (over 79m firms in total), collected by the nonprofit OpenCorporates, to identify all local chambers operating in the country. Further, given that states retain records for defunct corporate entities as well as active ones, I am also able to identify local chambers that *used to* exist.

To identify local chambers of commerce from state corporate registries, I begin by limiting the data to entities with "chamber of commerce" or "board of trade" in their name. To validate this approach, I look to the list of currently active local chambers maintained by the U.S. Chamber of Commerce;[15] of the U.S. Chamber's list of approximately 7,400 chambers, compiled via submissions from local chambers themselves, over 90% contain one of these two terms in their name. I then filter out chambers that are specific to a certain ethnic group, nationality, religion, gender, sexuality, or industry. While these groups should certainly be the focus of future study, I am solely interested in general membership local chambers; as the only groups that can credibly claim to represent the local business

[15] See https://www.uschamber.com/co/chambers.

Figure 1: **The number of U.S. municipalities and counties with local chambers of commerce has increased sharply since 1947.**

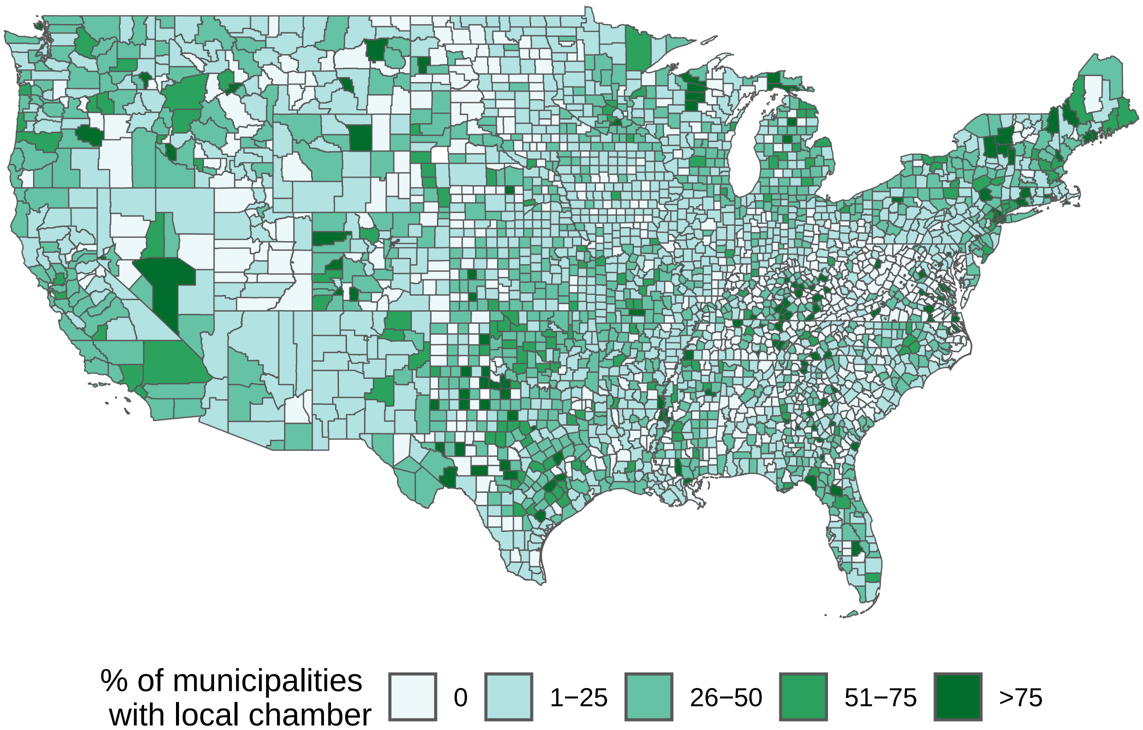


community as a whole, these tend to be the largest and most powerful local business organizations. Finally, to ensure that the chambers are focused on particular localities, I filter the data again to chambers that contain either the name of the municipality or county in which they are located. In Figure A.1, I show that the state-level distribution of currently active chambers in my data looks very similar to that of the U.S. Chamber list.

While some counties and municipalities have multiple active chambers at a given time, my primary interest is in the extensive margin: how has the number of localities with any local chamber at all evolved over time? Figure 1 plots these trends for both municipalities and counties between the years of 1947 and 2018.[16] The number of U.S. localities with their own, dedicated chamber grew rapidly over the 20th century, with growth slowing in the 21st century and leveling out following the 2008 Financial Crisis. The number of municipalities with a local chamber more than tripled over the late 20th century, and the number of counties with their own county chamber more than quadru-

[16]Note that the "Counties" panel plots the number of counties with their own *county*-level chamber, not the number of counties in which at least one municipal chamber is operating.

Figure 2: **Percentage of Municipalities in each County with a Local Chamber of Commerce, 2015.** Data on municipalities per county comes from Manson et al. (2024).



pled. Given that the total number of counties remained relatively fixed over this time period, the growth in county chambers provides reassurance that growth in chamber coverage is not simply attributable to the proliferation of local governments. Further, Figure 2 demonstrates that local chambers are active across all regions of the continental United States.[17]

One concern with using modern data from state corporate registries to study historical chamber formation is that some states only began retaining records for defunct entities in the mid-20th century. For example, Indiana's corporate registry does not contain information on firms that were both created *and dissolved* prior to 1970; this means that while my data would include a chamber that was incorporated in 1950 in Indiana and dissolved in 1972, it would not include a chamber that was incorporated in Indiana in 1950 and dis-

[17]See Figure A.2 for a comparable map for county-level chambers.

Table 1: **Comparing the OpenCorporates data to contemporaneous estimates from the New York Chamber of Commerce**.

Year	# of Chambers: OC	# of Chambers: NYCC	State-level correlation
1925	1,472	1,532	0.75
1951	3,497	2,145	0.85

solved in 1965. Thus, there is a risk that the upward trend in chamber formation presented in Figure 1 simply reflects the fact that registries have more complete data on chambers that were created more recently.

To address this concern, I compare my data to two contemporaneous lists of local chambers prepared by the New York (State) Chamber of Commerce in 1951 and 1925. These lists attempted to identify the primary local chamber (if one existed) in each U.S. municipality, which is quite similar to my goal of identifying all general-membership local chambers. I digitize both lists, tallying the overall number of local chambers as well as the number of chambers per state; to compare these figures to those from my own data, I filter my data to only those chambers that were reported as being active in 1951 and 1925 (respectively).

Table 1 lists the total chamber counts for both datasets in each year, as well as the correlation between both data sources' state-level chamber counts. The results provide some reassurance in the accuracy of the state corporate registries data; first, in 1951, state corporate registries list *more* active chambers than the contemporaneously compiled New York Chamber list, and the state-level correlation between the two lists is very high ($\rho = 0.85$). Even in 1925, long before the period analyzed in this paper, modern corporate registries list a highly similar number of active chambers as the contemporaneous list and the correlation between the two is remarkably high. Thus, while users of this data should exercise caution when studying the early 20th century, it appears that modern-day state corporate registries are well-equipped to study the proliferation of local chambers over time.

5 Measurement: Industrial Diversification and Market Concentration

Testing this paper's hypotheses requires detailed data on local economic structure in the United States over several decades. To create measures of industrial diversification and market concentration at the local level over time, I use data from the U.S. Census's County Business Patterns (CBP) files. Since 1946, the Census has used administrative data to tabulate annual, sector-level employment counts for most U.S. counties (all counties beginning in 1964) (Eckert et al., 2022). Since the county is the smallest geographic unit at which this information is available during this period, I construct both of my measures at the county-year level.

5.1 Industrial diversification

To measure industrial diversification at the county-year level, I calculate the extent to which county c's employment is concentrated in a small number of industries j using the Herfindahl-Hirschman Index (HHI) and subtract this value from one:

$$\text{inddiv}_{ct} = 1 - \underbrace{\sum_j (\frac{E_{jct}}{E_{ct}})^2}_{\text{HHI}} \tag{1}$$

A county's HHI in any given year is equal to the sum of squared industry employment shares, such that higher values of the HHI indicate greater specialization (and thus lower diversification). To facilitate comparability over time, given that the CBP reported different numbers of industry categories in different years, I calculate industrial diversification at the relatively aggregated 2-digit SIC level.

5.2 Market concentration

In addition to providing total employment counts at the county-industry level, the CBP also provides the number of *establishments*[18] in each county-industry according to binned values of their number of employees; for example, a county-industry may have 100 establishments that employ 1-4 workers each, 60 that employ 5-9, 30 that employ 10-19, and so on (the largest reported category is 5000+). These binned establishment counts can be used to calculate market concentration at the county-year level, again using the HHI, as follows:

$$\text{marketconc}_{ct} = \sum N_{bct}(\frac{\nu_b}{E_{ct}})^2 \tag{2}$$

where N_{bct} is the number of establishments in county c in year t in employment bin b, ν_b is the midpoint value of employment bin b,[19] and E_{ct} is the total employment in the county-year. Larger values for this variable indicate that total employment in a county is accounted for by a smaller number of employers, indicating greater market concentration.

6 Research Design and Identification

I estimate the effects of local-level industrial diversification and market concentration on the formation of local chambers of commerce using a panel of U.S. counties observed annually from 1970-2015. I examine two primary outcome variables. First, since the analysis is conducted at the county-year level, I examine the proportion of municipalities in a given county year that have their own local chamber. To produce this measure, I sum the number of unique municipalities in a county-year with at least one local chamber and divide by the number of census places in that county-year according to NHGIS census

[18] An establishment is defined as a place of business, such as a store or a factory. A single firm may have several establishments in the same locality.

[19] I follow the precedent of McGillivray (1997) in using the midpoints of employment bins to calculate concentration.

tabulations (Manson et al., 2024). Second, I examine a binary variable indicating whether or not a county had its own county-level chamber in a given year. The basic estimating equations for the industrial diversification and market concentration models are, respectively:

$$\text{Chambers}_{ct} = \alpha_c + \gamma_t + \delta[\text{inddiv}]_{ct} + \beta X_{ct} + \epsilon_{ct} \tag{3}$$

$$\text{Chambers}_{ct} = \alpha_c + \gamma_t + \delta[\text{marketconc}]_{ct} + \beta X_{ct} + \epsilon_{ct} \tag{4}$$

I control for a number of potential confounders at the county-year level: population, white population, median education, median real income, and percent voting for the Democratic candidate in presidential elections.[20] Descriptives on all variables used in the analysis are available in Table A.1. Still, however, structural economic change is not randomly assigned across counties. It is possible that some unmeasured confounder, such as government spending on local economic development or the construction of a new highway or rail line, drives changes in local economic structure as well as chamber formation. If this were to be the case, estimates of δ would fail to capture the causal effect of these variables on local business organization.

To address this possibility, I introduce novel shift-share instruments for county-level industrial diversification and market concenctration (Goldsmith-Pinkham, Sorkin, and Swift, 2020). The shift-share instrument was originally developed to study the effects of local employment growth on local wages (Bartik, 1991); the logic of the instrument is that local employment growth can be decomposed into local industry-level employment shares and local industry-level employment growth, and that the latter is at least partially determined by national industry-level trends. Thus, one can instrument for local employment at time t using industry-level employment shares at time $t - n$ and *national*-level growth in industry employment between time $t - n$ and time t. Shift-share instruments

[20] Voting data comes from Amlani and Algara (2021), population data comes from the NBER intercensal estimates, and all other variables come from NHGIS (Manson et al., 2024).

of this type are commonly used when studying the local effects of structural changes (Autor, Dorn, and Hanson, 2013; Baccini and Weymouth, 2021; Clark, Khoban, and Zucker, 2025).

First, to instrument for industrial diversification, I contruct a shift-share that is quite similar to that of Bartik (1991). The shares are county-industry employment proportions as of 1965 ($s_{cj,t=1965}$), and the shifts are changes in national-level employment proportions in those industries between 1965 and year t, leaving out county c ($\Delta s_{jt,-c}$). Unlike Bartik, however, I am interested in studying industrial diversity rather than employment growth, so I use the shares and shifts to calculate an HHI measure as follows:

$$\text{inddiv}_{ct}^{IV} = 1 - \sum_{j} (s_{cj,t=1965} + \Delta s_{jt,-c})^2 \tag{5}$$

As with the endogenous measure of industrial diversification, I subtract the HHI from 1 so that larger values indicate greater diversification.

Second, to instrument for market concentration, I begin by taking as shares the number of enterprises in each county c in each employment bin b as of 1974 ($N_{bc,t=1974}$).[21] As shifts, I calculate national-level growth in the number of enterprises in each employment bin between 1974 and year t, leaving out county c ($\Delta N_{bt,-c}$). Because calculating an HHI also requires a value for total employment, I estimate this for each county-year by summing the estimated number of enterprises in each employment bin ($N_{bc,t=1974} \Delta N_{bt,-c}$) multiplied by the midpoint value of that bin (ν_b):

$$\text{marketconc}_{ct}^{IV} = \sum N_{bc,t=1974} \Delta N_{bt,-c} \left(\frac{\nu_b}{\sum N_{bc,t=1974} \Delta N_{bt,-c} \nu_b} \right)^2 \tag{6}$$

This instrument assumes that changes in the distribution of firm size in a local economy are driven in part by national trends; Boustan et al. (2013) take a similar approach to studying local income inequality.

[21] I use 1974 rather than 1965 because the CBP changed its employment bin categories in 1974, precluding comparisons of this kind between pre-1974 and post-1974 data.

For both instruments, I adopt a "share-based" approach to identification following Goldsmith-Pinkham, Sorkin, and Swift (2020). I thus follow best practices by first calculating Rotemberg weights to determine which industries (and employment bins) drive the identifying variation in the instrument (see Appendix Figure B.1). I find that wholesale trade and manufacturing industries hold outsized influence over the industrial diversification instrument, and the market concentration instrument is primarily driven by small businesses (those with fewer than 20 employees).

In this context, a violation of the exclusion restriction would occur if some factor that is correlated with the initial shares also predicts *changes* in future chamber formation. To address the potential for exclusion restriction violations, I again follow Goldsmith-Pinkham, Sorkin, and Swift (2020) by determining the proportion of the variation in each of the initial shares that can be explained by the control variables (see Appendix Tables B.1 and B.2); if large, this suggests the potential for other channels of influence. In both cases, I find that the controls explain relatively little of the variation in initial shares. As a benchmark, across both instruments, covariates explain less of the variation in the initial shares than in Bartik (1991)'s "canonical" setting.[22] Still, I take several steps to address potential identification concerns in Section 7.1.

7 Results: Chamber Formation

Table 2 presents estimates of the effect of local-level industrial diversification and market concentration on the formation of municipal-level chambers of commerce. Models 1-4 present naive OLS estimates, while Models 4-8 present the second stage of two stage least squares estimates in which industrial diversification and market concentration are instrumented with their respective shift-shares; all estimates are presented alongside robust standard errors clustered on the county. Across all models, industrial diversifica-

[22] See Goldsmith-Pinkham, Sorkin, and Swift (2020).

Table 2: **Industrial diversification increases the probability of municipal-level chamber formation, while market concentration decreases it.**

	DV: prop. of municipalities with local chamber							
	OLS				2SLS			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Industrial Divers.	0.098***	0.077**			0.292***	0.245***		
	(0.026)	(0.025)			(0.074)	(0.074)		
Market Conc.			-0.088*	-0.090*			-0.665*	-0.483+
			(0.044)	(0.044)			(0.262)	(0.254)
Num.Obs.	141949	139369	141957	139372	140829	139099	126302	124003
R2	0.820	0.823	0.819	0.823	0.817	0.821	0.835	0.841
First stage F					303.8	299.7	194.9	179.5
Controls		✓		✓		✓		✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓	✓	✓

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

tion is a significant positive predictor—and market concentration is a significant negative predictor—of local chamber formation. Further, the effect magnitudes are nontrivial: using the estimates from Models (6) and (8), a one standard deviation increase in industrial diversification at the county level would generate a 5 percentage point increase in the proportion of municipalities in that county with a local chamber, while a one standard deviation increase in market concentration would generate a 2.8 percentage point decrease. Note too that the first stage of the 2SLS models handily satisfies the standard weak instrument tests, with an F statistic well above the accepted level for valid inference (Lee et al., 2022).

Table 3 presents the analagous results for county-level chamber formation, which is measured as a binary outcome rather than a proportion given that the unit of analysis is the county-year. Similarly to the municipal chambers analysis, industrial diversification has the predicted positive effect on chamber formation while market concentration has the predicted negative effect. The effect size is quite substantial: again using the

Table 3: **Industrial diversification increases the probability of county-level chamber formation, while market concentration decreases it.**

	DV: county has its own chamber (0,1)							
	OLS				2SLS			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Industrial Divers.	0.149***	0.119***			0.758***	0.592***		
	(0.026)	(0.031)			(0.106)	(0.106)		
Market Conc.			-0.154***	-0.118+			-1.034**	-0.736*
			(0.043)	(0.065)			(0.323)	(0.314)
Num.Obs.	146588	141203	146620	141226	142688	140887	130072	125518
R2	0.846	0.848	0.845	0.848	0.837	0.843	0.861	0.867
First Stage F					233.6	223.3	84.5	86.9
Controls		✓		✓		✓		✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓	✓	✓

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

estimates from Models (6) and (8), a one standard deviation increase in local-level industrial diversification would generate a 12 percentage point increase in the probability that a county has its own chamber of commerce, while a one standard deviation increase in market concentration would lead to a 4.3 percentage point decrease. These large effects accord with the modern geography of county chambers, which (as shown by Figure A.2) are particularly prevalent in the "Rust Belt" states of Pennsylvania, Ohio, and Indiana that experienced particularly large increases in industrial diversification as they lost their manufacturing industries.

7.1 Robustness

These results provide strong support for the theory: local chambers are more likely to form when industrial diversification increases and when market concentration decreases. I take several steps to ensure the robustness of these results. First, to ensure that no single state drives either the municipal or county-level results, I re-estimate the main models after iteratively dropping observations from each state; the results, plotted in Figures B.2 and B.3, are quite stable. In Table B.3, I show that all results are robust to using a more fine-grained, normalized measure of industrial diversification.

I also take steps to account for other local economic factors that may be correlated with industrial diversification and market concentration. One concern is that both of these factors may simply be proxies for total employment at the county level. Another potential concern is that cities and counties may only need general membership chambers when they are home to multiple industries; my industrial diversification measure may simply be proxying for the existence of multiple industries in a county, leading to a fairly mechanical alternative interpretation (counties only form multi-industry chambers when they have multiple industries). This is not likely given the highly aggregated industry categories used in the analysis; even in 1974, 91% of U.S. counties had nonzero employment in at least 9 of 10 2-digit SIC industries. Nonetheless, in Appendix Table B.4 I demonstrate that the main results are robust to controlling for logged total employment and the number of industries with nonzero employment at the county level.

As discussed above, a sizable proportion of the decline in county-level industrial diversification over time is driven by the decline of manufacturing employment in counties that were once specialized in manufacturing. Past studies have demonstrated that a good deal of the decline in U.S. manufacturing employment can be tied to the rise of imports from low-wage countries (Autor, Dorn, and Hanson, 2013; Pierce and Schott, 2016). Thus, if counties' initial (1965) shares of manufacturing employment render them more exposed to future trade shocks, local-level import exposure could serve as an alternative causal pathway between my shift-share instrument and local chamber foundation.

To address this possibility, I create a county-year measure of import exposure in a similar vein as that of Autor, Dorn, and Hanson (2013). To do so, I begin with data from Schott (2008) on annual U.S. imports and exports at the 4-digit SIC level from 1975-2005; I then create a measure of import balance for each industry by dividing the value of U.S.

imports by the value of total trade (imports vs. exports). I then merge this measure into the CBP county-year data, and create a county-year level import exposure variable:

$$\text{ImpExp}_{ct} = \sum_{j} \text{ImpBal}_{jt} \times s_{jct} \tag{7}$$

Where ImpBal_{jt} is the U.S. import balance in an industry-year and s_{jct} is the share of county c's employment accounted for by industry j in year t. The resulting measure, which takes values between 0 and 1, provides a decent proxy for the extent to which a county's economy faces competition from imported goods.

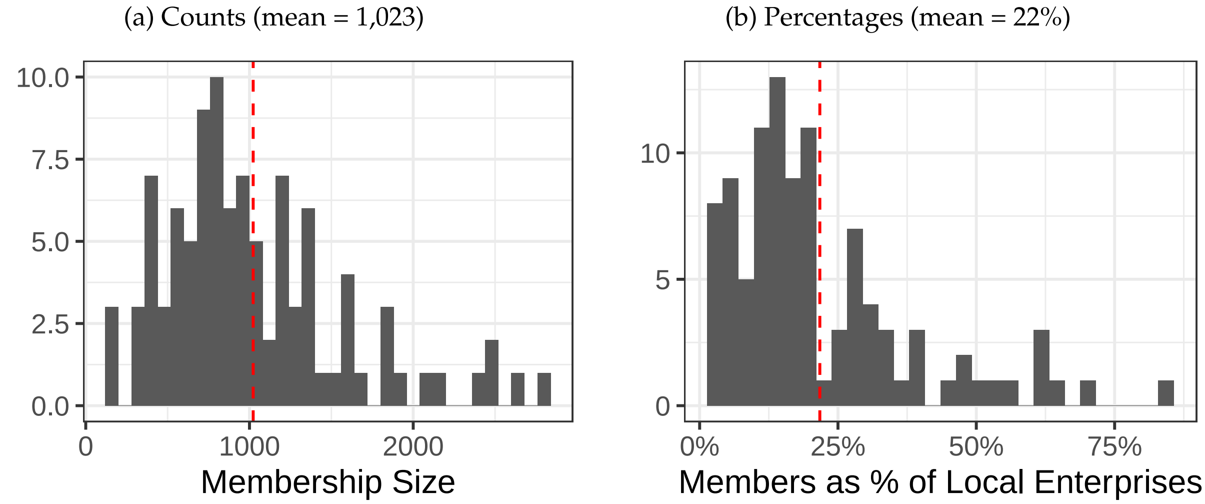
I estimate models with both municipal and county chamber outcomes after controling for import exposure. The results, presented in Appendix Table B.5, demonstrate that results are highly robust. While the coefficient on market concentration is no longer significant for the municipal chamber outcome, comparison between Models (3) and (4) demonstrates that this is an artifact of the substantially smaller sample size (1975-2005 instead of 1970-2015) rather than the inclusion of the import exposure control. The fact that three of the four fully specified 2SLS results remain significant and of similar magnitude, after both controlling for import exposure and shrinking the sample size by 33%, should foster confidence in the main results.

8 Testing the Mechanism: Evidence from 100 Chambers

8.1 Looking inside the chamber

The results in the previous section closely match the reduced form predictions of my theory. Yet, they reveal little about the mechanisms through which industrial diversification and market concentration affect local business organization. I propose that these factors shape chamber formation by influencing local businesses' willingness to join a potential chamber. Unfortunately, historical data on chamber membership is simply not

Figure 3: **Local chamber membership, nominal and as a % of all local enterprises.**



available at a level that would allow for longitudinal analysis.

If my proposed mechanisms are in operation, however, an observable implication is that firms within a given locality should also vary in their incentive to join an *existing* local chamber based on the degree of industrial diversification in their local economy and the degree of concentration in their local industry. Testing these implications requires data on the memberships of several different local chambers. Such data is difficult to acquire: while chambers often provide member directories on their websites, these directories are often difficult to systematically harvest data from, and even more often they do not provide any type of information about their members' industries. Since members are often small local businesses, matching member directories to corporate databases is not feasible as a way to collect firm-level metadata.

Still, I am able to collect data on the complete memberships of 100 municipal chambers of commerce, constituting over 102,000 total member firms. Sample selection was largely driven by data availability, as I require that chamber websites provide (i) membership data that can be webscraped at scale and (ii) some form of industry description for each member. I also attempted to cover a wide range of geographic regions and municipality sizes; the chambers span 40 states and 98 counties, from Martinez, CA (pop. 37,287) to

San Antonio, TX (pop. ∼1.52m).[23] To the author's knowledge, this is the first ever dataset of municipal chamber of commerce members.

Figure 3 plots the distribution of chamber membership size. First, the left facet demonstrates that the average chamber in the sample has approximately 1,000 member firms. To understand whether this should be considered large or small, the right facet uses the most recent (2022) edition of the CBP data—which contains zip code-level data on enterprise counts—to plot chamber membership as a percentage of the total number of enterprises in the corresponding municipality. I find that the average chamber's membership is equivalent to 21% of the total number of local establishments, though it is as great as 70% in Bowling Green, KY and 84% in Palm Beach, FL. To provide some context for these numbers, an average membership rate of 21% is higher than the rate that nearly every civic organization documented by Putnam (2001) had at its mid-20th century *peak*; a membership rate of 70% is greater than the highest ever membership rate for working lawyers in the American Bar Association, which was 50.2% in 1977 (Putnam, 2001). That local businesses join their local chambers at such high rates helps to explain chambers' substantial influence in local politics (Anzia, 2022; Courbe and Payson, 2024).

However, these figures should not be interpreted as meaning that an average of 21% of a municipality's enterprises are chamber members, given that firms headquartered outside of city limits join local chambers as well. Analyzing member firms' addresses, I find that approximately 67% of chamber members have a location within the chamber's municipality; 81% are headquartered within the same county as the chamber, suggesting that local chambers regularly draw members from surrounding areas as well. As a result, in the following analyses I continue to use county-level economic variables to study the determinants of municipal chamber membership.

Based on the industry descriptions provided in each chamber member's entry in the chamber's online member directory, I assign a 3-digit NAICS industry code to each mem-

[23] A full list of municipalities is available in Appendix Table A.2.

ber firm.[24] For example, Billings, MT Chamber member firm Bob Smith Motors, Inc. was listed with the industry tag of "Auto Dealers–New & Used," which I mapped to NAICS code 441 ("Motor Vehicle and Parts Dealers"). I then calculate the proportion of each chamber's membership that is accounted for by each industry. I also calculate the corresponding proportion of each county's total establishments that is accounted for by each industry, again using the 2022 CBP. The correlation of these two statistics reveals the general extent to which local chambers are representative of their local economies: among the chambers in my sample the correlation is $\rho = 0.68$, suggesting that local chambers are indeed quite representative.

8.2 Chamber-industry tests

I use this chamber-industry data to test my proposed mechanisms. First, if industrial diversification makes chambers more valuable networking venues, this should disproportionately increase chamber membership among firms in more dominant local industries; when diversification is low, it is firms in dominant industries that face more competition to market their goods to fewer buyers. Thus, industrial diversification should *strengthen* the relationship between an industry's share of the local economy and its share of the local chamber membership, making the chamber more representative. Second, if market concentration disincentivizes firms from joining the chamber, we should observe a negative relationship between the concentration of a local industry and its representation in the local chamber (even after controlling for its share of the local economy).

Testing these hypotheses requires a method for estimating the baseline correspondence between the industrial distibution of firms in the local economy and the industrial distribution of firms in the local chamber. I do so using rank-rank regression, which requires the conversion of both independent and dependent variables to their sample ranks

[24]There are 85 NAICS 3-digit industries; this is the finest level of disaggregation that I can reliably estimate based on the industry codes available on chamber websites.

(highest value = 1, second highest = 2, etc) prior to estimation via OLS. This approach allows for intelligible comparisons even when both levels and distributions vary widely across units/clusters, and is thus common in economic studies of distributional change (Lee and Lin, 2017; Ward, 2023).

I begin by calculating each industry's rank, based on the number of enterprises, within each county (countyrank_{cj}) and each chamber (chamberrank_{cj}). First, to test the industrial diversification mechanism, I estimate the following equation:

$$\text{chamberrank}_{cj} = \alpha_c + \gamma_j + \beta\text{countyrank}_{cj} + \lambda\text{inddiv}_c + \delta[\text{countyrank}_{cj} \times \text{inddiv}_i] + \epsilon_{cj} \tag{8}$$

inddiv_i is the same measure of industrial diversification used previously, this time calculated using the 2022 CBP; higher values indicate greater industrial diversification at the local level. My theory predicts that δ should be positive. Second, to test the market concentration mechanism, I estimate the following equation:

$$\text{chamberrank}_{cj} = \alpha_c + \gamma_j + \beta\text{countyrank}_{cj} + \phi\text{marketconc}_{cj} + \epsilon_{cj} \tag{9}$$

marketconc_{cj} is again the same measure as used previously, this time calculated using the 2022 CBP and at the county-industry level rather than the county level. My theory predicts a positive coefficient on ϕ (recall that higher ranks indicate lower positions in the distribution).

Table 4 presents the results of several models alongside robust standard errors clustered on the industry. First, Models (1) and (2) demonstrate that an industry's rank in the local economy is a significant positive predictor of its rank in the local chamber, even after controlling for industry fixed effects. Thus, the strong correlation between an industry's presence in the local economy and its presence in the local chamber is not simply driven by industry-level differences in propensity to join the chamber.

However, the other models reported in Table 4 demonstrate that the positive relation-

Table 4: **Testing the Mechanism: Chamber-Industry Level Results**.

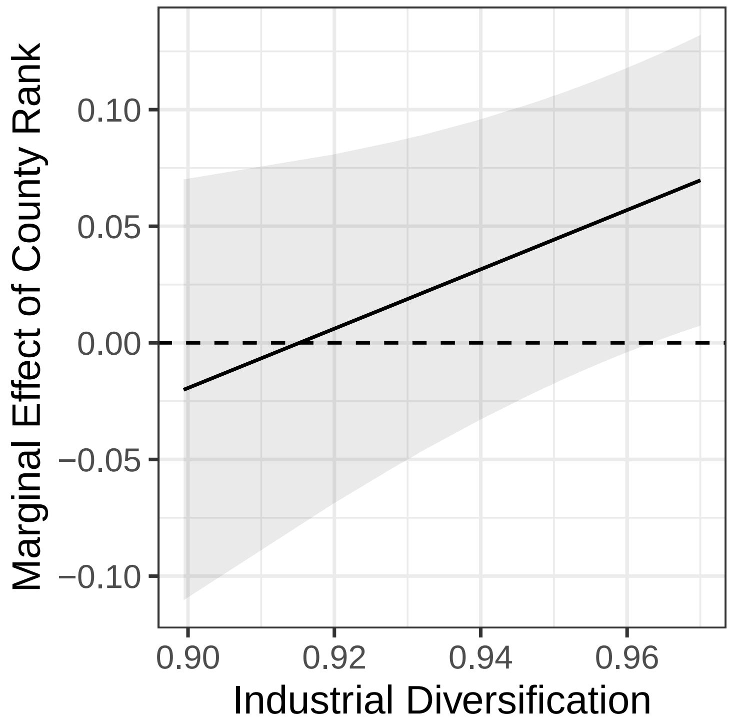
DV:	Industry rank (chamber)				
	(1)	(2)	(3)	(4)	(5)
Ind Rank (county)	0.186***	0.055***	-1.164*	0.052***	-1.362*
	(0.004)	(0.012)	(0.531)	(0.014)	(0.571)
Ind Rank (county) × Ind Divers			1.272*		1.474*
			(0.554)		(0.595)
Market Concentration				2.778*	3.343**
				(1.231)	(1.224)
Num.Obs.	7348	7348	7348	6856	6856
R2	0.228	0.699	0.700	0.696	0.697
Industry FE		✓	✓	✓	✓
County FE		✓	✓	✓	✓

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

ship between an industry's share of the local economy and its share of chamber membership is conditional on industrial diversification and market concentration. First, Models (4) and (5) demonstrate that—even after conditioning on industry fixed effects as well as the industry's rank in the local economy—county-industry level market concentration is a positive predictor of the county-industry's rank in the local chamber (and thus a negative predictor of its representation in the chamber). The effect size is nontrivial: all else equal, a county-industry that shifted from the lowest observed value of market concentration (0.0003) to the highest (0.33) would fall more than a full rank in chamber representation.

Next, the positive and significant coefficient on the interaction term between county rank and industrial diversification in Models (3) and (5) suggests that the relationship between an industry's share of the local economy and its share of the local chamber is strongest under conditions of maximum industrial diversification. In fact, once industrial diversification falls to a sufficiently low level, the relationship goes away: an industry's position in the local economy has no predictive power regarding its position in the local chamber (after conditioning on industry fixed effects). Further, to demonstrate that this effect is driven by dominant local industries, I replicate Figure 4 by county-industry rank

Figure 4: **Marginal effect of an industry's county rank on its chamber rank, by county-level industrial diversification.** From Table 4, Model (3).



quartile. The results, presented in Appendix Figure B.4, show that first-quartile industries become disproportionately better represented in the local chamber when industrial diversification increases.

By analyzing how the relationship between an industry's position in the local economy and its position in the local chamber changes based on industrial diversification and market concentration, I am able to shed light on the drivers of chamber membership. These tests provide support for both of my proposed mechanisms: more industrially diverse counties also have more representative chambers, particularly among dominant industries, which supports the networking mechanism. Likewise, county-industry level market concentration is negatively correlated with that industry's position in the local chamber, suggesting that firms are indeed sensitive to the distributional effects of local policy advocacy. While these tests are based on a cross-sectional sample of local chambers, they nonetheless provide suggestive evidence that my proposed mechanisms underlie the relationships estimated in Tables 2 and 3 between local economic structure and local business organization.

9 Conclusion

Why have local business interest groups proliferated widely over the last several decades, bucking the trend of political nationalization? I argue that the answer lies in two underresearched forms of structural economic change: the increasing diversity of local economies' industrial compositions, and the decreasing concentration of industries at the local level. These trends increase chambers' ability to offer local firms *public goods* in the form of policy advocacy, as well as *private goods* in the form of networking opportunities. Using an original dataset on thousands of local chambers of commerce, as well as two novel shift-share instruments, I find that industrial diversification and market concentration are strong predictors of local chamber formation. Further, using additional original data on the memberships of 100 municipal chambers, I find that both factors also affect chamber membership at the chamber-industry level.

This study contributes to a fast-growing literature on local interest groups in the United States (Anzia, 2019, 2022; Courbe and Payson, 2024; Gaudette, 2024; Sahn, 2025). A major barrier to studying local interest groups has historically been the inavailability of comprehensive data on the activities, and even the *presence*, of these groups. As a result, many existing studies restrict their focus to local interest groups in a single state (Courbe and Payson, 2024), in large cities only (Gaudette, 2024), or even in a single city (Sahn, 2025). By providing a comprehensive, national, longitudinal dataset on local chambers of commerce, the primary type of local business interest group, this study will hopefully enable much future investigation of chambers' effects on local policymaking. Further, given that many other types of local interest groups also incorporate as non-profits, state corporate registries may serve as a good resource for future data collection efforts as well.

Relatedly, while I limit my focus in this paper to general membership chambers, the data I collect suggest that there has also been a proliferation of local chambers that represent specific subsets of the local business community. For example, race and ethnicity-specific chambers—such as Black chambers, Asian-American chambers, and Hispanic chambers—are quite common. Studying these local interest groups has the potential to advance the recent empirical study of racial capitalism in political science (Thurston, 2021, 2025). For example, racial segregation has long been a critical aspect of local politics in the U.S., enduring long after the 1968 Fair Housing Act through mechanisms such as local land use restrictions (Trounstine, 2020); Black-owned and Black-friendly businesses clustered overwhelmingly in redlined neighborhoods in the mid 20th century, paving the way for modern business district segregation as well (Jones et al., 2024). Future research could fruitfully examine the effects of local-level racial segregation on the emergence of racially-fragmented local interest groups, as well as study these groups' preferences and advocacy efforts.

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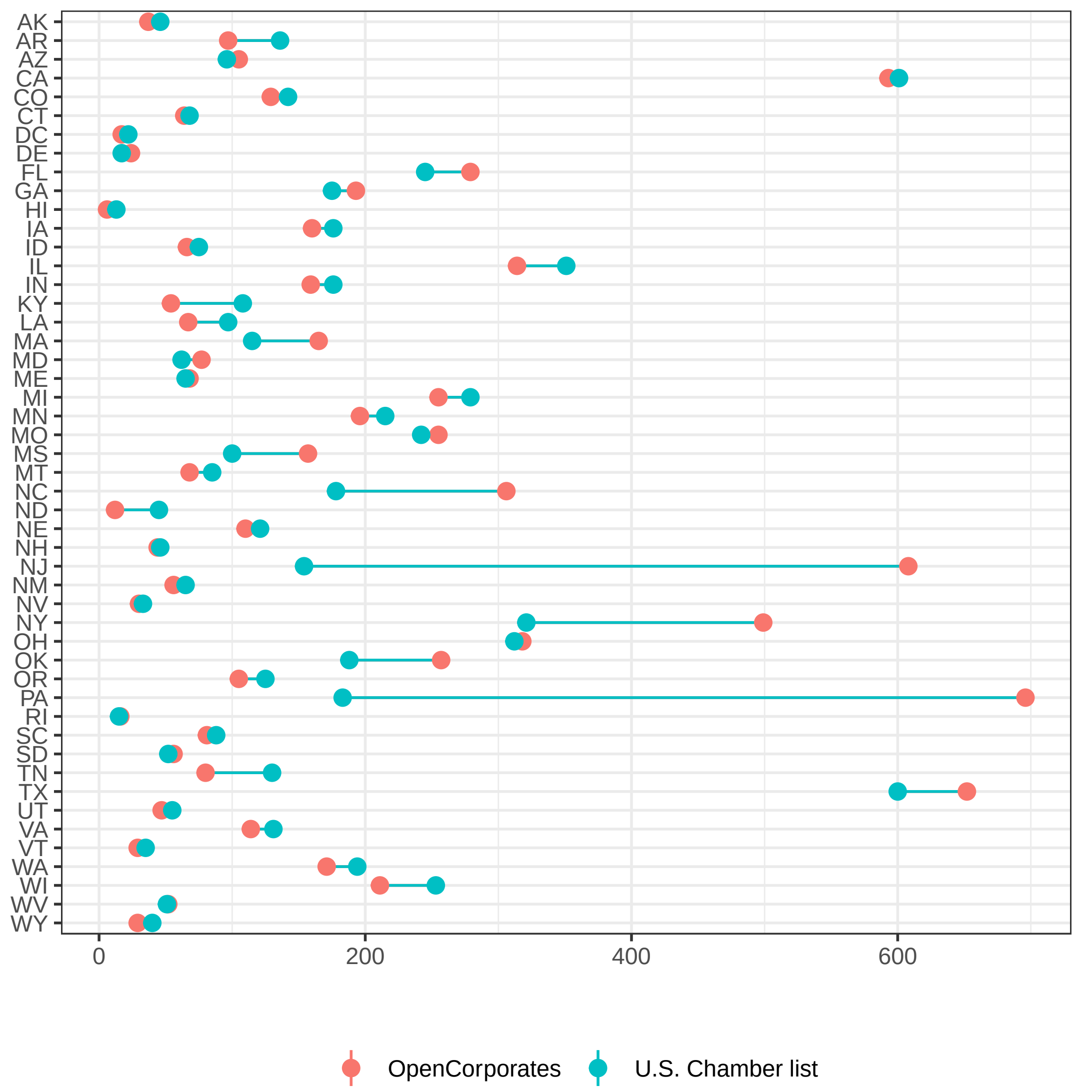
Organized Business in the American City: Appendix

Table of Contents

A Additional descriptives

A.1 Data validation: comparison to U.S. Chamber list of local chambers

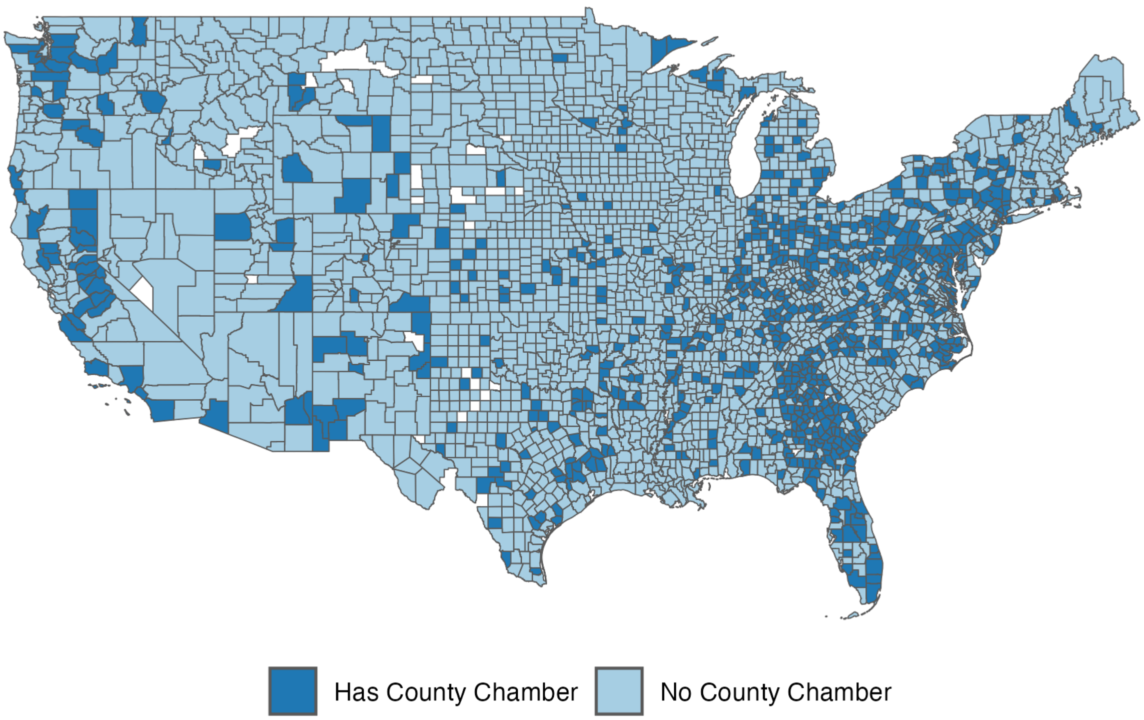
Figure A.1: **For most states, the number of active chambers in my data is quite similar to the number reported by the U.S. Chamber of Commerce.**



Discrepancies, such as those in PA or NJ, are likely due to those states' failure to label inactive chambers as inactive. AL and KS not listed, as those states do not provide status codes in their corporate registries.

A.2 Descriptives: map of county-level chambers as of 2018

Figure A.2: **U.S. Counties with a County-level Chamber of Commerce, 2018.**



A.3 Descriptives: descriptive statistics for variables used in main analyses

Table A.1: **Descriptive statistics for variables used in main analyses.**

Variable	Prop non-missing	Mean	SD	Min	Max
Year	1.00	1992.50	13.28	1970.00	2015.00
Ind. Diversification	1.00	0.69	0.10	0.00	0.88
Ind. Divers. (norm)	1.00	0.95	0.07	0.00	1.00
Ind. Divers. (IV)	0.97	0.66	0.12	-0.95	1.00
Market Concentration	1.00	0.04	0.06	0.00	1.00
Market Conc. (IV)	0.89	0.02	0.03	0.00	0.69
% of Munis w/Chamber	0.97	0.27	0.28	0.00	1.00
County Chamber	1.00	0.20	0.40	0.00	1.00
Population	0.97	77680.31	259101.67	40.00	9848011.00
Median Income	0.98	43541.51	11865.78	9727.90	135436.95
Median Education	0.98	11.41	1.74	5.00	16.00
White Population	0.98	63446.20	182665.91	32.00	6006499.00
Dem. Vote %	0.98	0.40	0.13	0.05	0.93
Import exposure	0.67	0.18	0.17	-0.00	0.90
Inds w/Nonzero Emp.	1.00	8.18	1.09	0.00	10.00
Total employment	1.00	26900.42	107735.83	0.00	4006016.00

A.4 Full list of chamber municipalities from membership analysis

Table A.2: **Municipalities with local chambers analyzed in Section 8.**

ALBANY, NY	DAYTON, OH	MARTINEZ, CA	ROUND ROCK, TX
ALEXANDRIA, VA	DES MOINES, IA	MEMPHIS, TN	SACRAMENTO, CA
ALLENTOWN, PA	EDISON, NJ	MINNEAPOLIS, MN	SAINT PAUL, MN
ANN ARBOR, MI	EL PASO, TX	MOBILE, AL	ST PETERSBURG, FL
ATLANTIC CITY, NJ	EUREKA, CA	MONTGOMERY, AL	SALINAS, CA
AURORA, IL	FAIRFIELD, CT	NAPERVILLE, IL	SALT LAKE CITY, UT
BAKERSFIELD, CA	FLINT, MI	NEW ORLEANS, LA	SAN ANTONIO, TX
BATON ROUGE, LA	FT LAUDERDALE, FL	NEW ROCHELLE, NY	SAN FRANCISCO, CA
BAYONNE, NJ	FORT WAYNE, IN	NORTH LITTLE ROCK, AR	SANTA ANA, CA
BEAUMONT, TX	FORT WORTH, TX	OAKLAND, CA	SAVANNAH, GA
BELLEVILLE, IL	FRESNO, CA	OKLAHOMA CITY, OK	SCRANTON, PA
BETHESDA, MD	GRAND RAPIDS, MI	OMAHA, NE	SPRINGFIELD, MA
BILLINGS, MT	GREENSBORO, NC	PALM BEACH, FL	STOCKTON, CA
BINGHAMTON, NY	HAMILTON, OH	PATERSON, NJ	TACOMA, WA
BOULDER, CO	HARRISBURG, PA	PLYMOUTH, MA	TAMPA, FL
BOWLING GREEN, KY	HOLLYWOOD, FL	POCATELLO, ID	TEXARKANA, TX
CANTON, OH	INDEPENDENCE, MO	PORTLAND, ME	TOLEDO, OH
CASPER, WY	JACKSON, MS	PORTLAND, OR	TROY, MI
CHANDLER, AZ	JACKSONVILLE, FL	PROVIDENCE, RI	TUCSON, AZ
CHARLESTON, SC	LAFAYETTE, LA	READING, PA	TULSA, OK
CHARLOTTE, NC	LAKELAND, FL	RIVERSIDE, CA	UTICA, NY
COLUMBIA, SC	LANCASTER, PA	ROANOKE, VA	WICHITA, KS
CONCORD, NH	LANSING, MI	ROCHESTER, NY	WILKES BARRE, PA
CORPUS CHRISTI, TX	LOUISVILLE, KY	ROCKFORD, IL	WILMINGTON, NC
DANBURY, CT	LUBBOCK, TX	ROCKVILLE, MD	WINSTON SALEM, NC

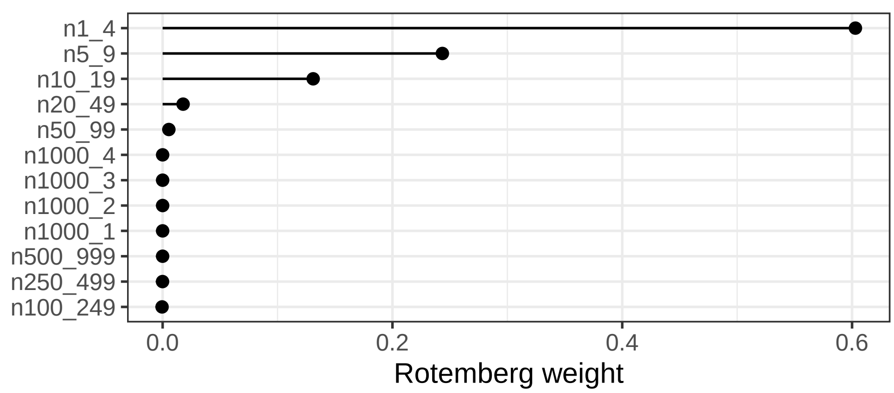
B Additional analyses

B.1 Rotemberg weights

Figure B.1: **Rotemberg weights for both shift-share instruments**. Results calculated using municipal chamber outcome.

(a) Industrial diversification

(b) Market concentration



I calculate Rotemberg weights, as described in Goldsmith-Pinkham, Sorkin, and Swift (2020), for both instruments using the municipal chamber outcome variable. Note: for the industrial diversification weights, I omit both SIC 10 (Mining) and SIC 00 (Unclassified); these industries are only reported for a relatively small number of county-years, and as such the weights calculated for these industries are not comparable to the others.

B.2 Correlates of initial industry and binsize shares

Table B.1: **Correlates of 1965 Industry Shares.**

DV:	Industry Share of County Employment, 1965										
	Unclass.	Agri.	Mining	Constr.	Mfg.	Utils.	W. Trade	R. Trade	Finance	Svcs.	Ind. Div
Population (log)	-0.012*	-0.002	-0.071***	0.026***	0.162***	-0.006	-0.008+	-0.079***	-0.003	-0.016*	-0.033***
	(0.005)	(0.002)	(0.014)	(0.006)	(0.017)	(0.004)	(0.004)	(0.009)	(0.003)	(0.007)	(0.008)
Median income (log)	0.026***	0.003	0.024+	0.018*	-0.003	-0.014*	-0.002	0.013	-0.003	-0.007	-0.037***
	(0.006)	(0.002)	(0.014)	(0.008)	(0.024)	(0.006)	(0.006)	(0.012)	(0.004)	(0.009)	(0.011)
Dem vote share	-0.005	-0.002	0.110***	-0.021*	-0.209***	0.007	0.021**	0.072***	0.013*	0.034**	0.052***
	(0.009)	(0.003)	(0.021)	(0.010)	(0.031)	(0.008)	(0.008)	(0.015)	(0.005)	(0.012)	(0.014)
White pop. (log)	-0.009+	-0.001	0.044**	-0.027***	-0.107***	0.008+	0.000	0.048***	0.002	0.017*	0.045***
	(0.005)	(0.002)	(0.014)	(0.006)	(0.017)	(0.004)	(0.004)	(0.009)	(0.003)	(0.007)	(0.008)
Median education	-0.001*	-0.000	-0.009***	0.003***	-0.019***	0.003***	0.003***	0.008***	0.003***	0.010***	0.006***
	(0.001)	(0.000)	(0.001)	(0.001)	(0.002)	(0.000)	(0.000)	(0.001)	(0.000)	(0.001)	(0.001)
Num.Obs.	2613	2621	2371	3057	3046	3053	3040	3088	3060	3082	3093
R2	0.193	0.044	0.116	0.014	0.136	0.035	0.035	0.145	0.034	0.091	0.077

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

All covariates measured as of 1970. Industries include SIC 00 (Unclassified); SIC 07 (Agricultural Services, Forestry and Fisheries); SIC 10 (Mining); SIC 15 (Contract Construction); SIC 20 (Manufacturing); SIC 40 (Transportation and Utilities); SIC 50 (Wholesale Trade); SIC 52 (Retail Trade); SIC 60 (Finance, Insurance and Real Estate); and SIC 70 (Services).

Table B.2: **Correlates of 1974 enterprise sizes.**

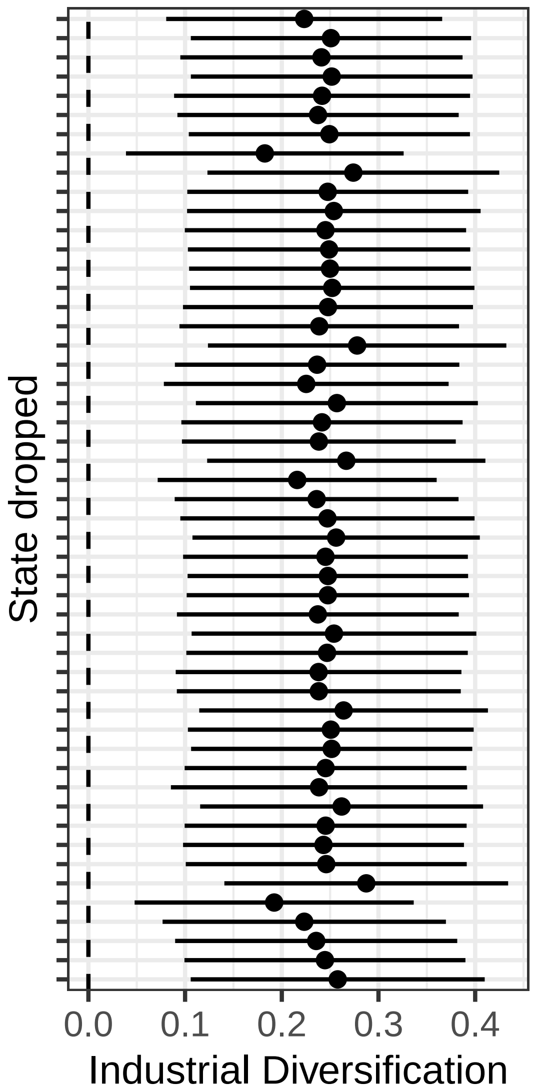
DV:	Count of enterprises in each bin, 1974											
Emp. bin:	1-4	5-9	10-19	20-49	50-99	100-249	250-499	500-999	1000-1499	1500-2499	2500-4999	>5000
Pop. (log)	751.466***	256.516***	172.519***	123.533***	43.275***	22.648***	6.452***	2.846***	0.817***	0.491**	0.268*	0.127*
	(176.788)	(54.573)	(37.050)	(27.743)	(10.296)	(5.623)	(1.645)	(0.729)	(0.234)	(0.156)	(0.107)	(0.061)
Med. inc. (log)	1386.442***	409.794***	247.842***	190.760***	68.734***	34.926***	10.114***	4.706***	1.340***	0.530*	0.592***	0.355***
	(263.394)	(81.307)	(55.200)	(41.334)	(15.340)	(8.377)	(2.451)	(1.086)	(0.349)	(0.232)	(0.159)	(0.091)
Dem vote pct	2194.352***	686.658***	464.126***	334.980***	121.479***	66.683***	19.020***	9.290***	3.294***	2.366***	1.380***	0.828***
	(433.095)	(133.692)	(90.764)	(67.965)	(25.223)	(13.774)	(4.029)	(1.785)	(0.574)	(0.382)	(0.261)	(0.149)
White pop (log)	232.919	58.503	33.298	22.293	7.693	4.808	1.821	0.822	0.247	0.213	0.128	0.048
	(179.467)	(55.399)	(37.611)	(28.164)	(10.452)	(5.708)	(1.670)	(0.740)	(0.238)	(0.158)	(0.108)	(0.062)
Median educ.	29.191	11.033+	7.099+	4.467	1.309	0.470	0.065	0.045	0.017	0.012	0.004	0.003
	(19.323)	(5.965)	(4.050)	(3.032)	(1.125)	(0.615)	(0.180)	(0.080)	(0.026)	(0.017)	(0.012)	(0.007)
Num.Obs.	3106	3106	3106	3106	3106	3106	3106	3106	3106	3106	3106	3106
R2	0.284	0.297	0.280	0.260	0.238	0.231	0.238	0.242	0.210	0.203	0.156	0.111

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

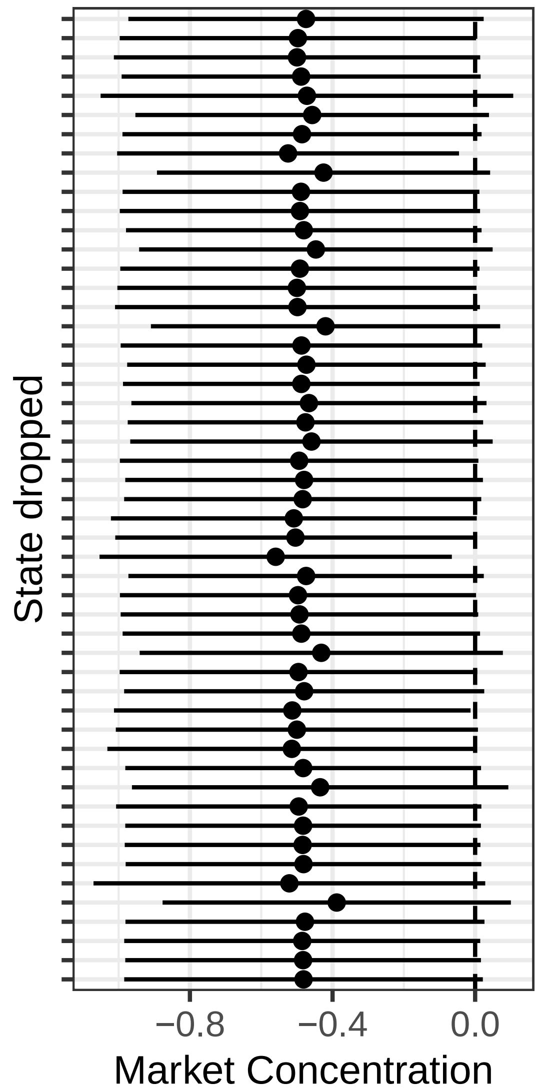
B.3 Municipal chamber results, iteratively dropping each state

Figure B.2: **Results of Table 2, Models (6) and (8) are robust to dropping observations from each state.**

(a) Table 2, Model (6)

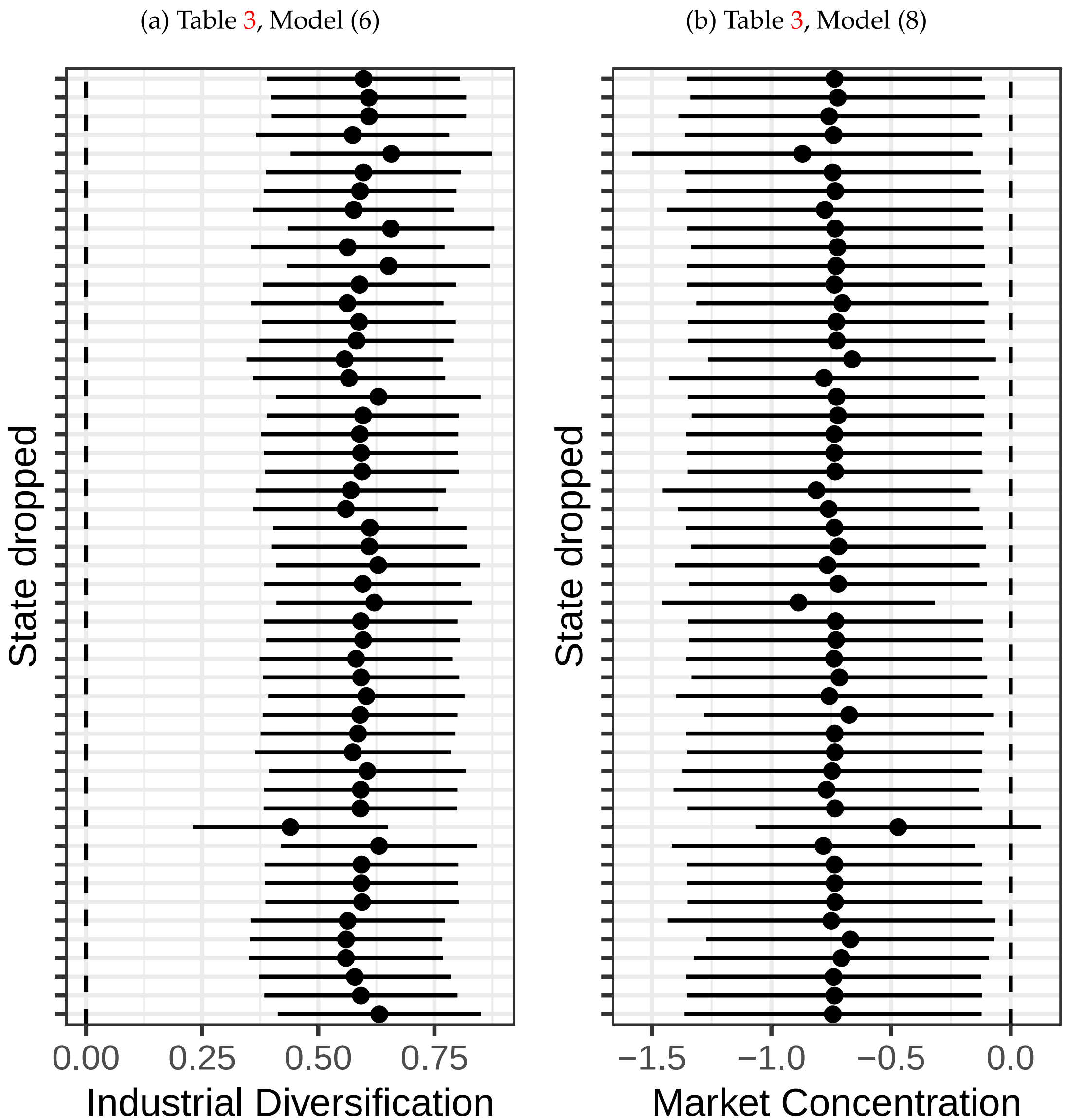


(b) Table 2, Model (8)



B.4 County chamber results, iteratively dropping each state

Figure B.3: **Results of Table 3, Models (6) and (8) are robust to dropping observations from each state.**



B.5 Main results, alternative measure of industrial diversification

Table B.3: **Main results from Tables 2 and 3 are robust to an alternate measure of industrial diversification.**

DV:	Prop. w/local chamber				County chamber (0,1)			
	OLS		2SLS		OLS		2SLS	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Ind. Diversification	0.071*	0.058+	1.201***	1.089**	0.106***	0.076+	3.671***	3.175***
	(0.032)	(0.032)	(0.333)	(0.361)	(0.030)	(0.039)	(0.668)	(0.718)
Num.Obs.	141950	139367	140827	139097	146562	141097	142675	140785
R2	0.819	0.823	0.798	0.806	0.845	0.848	0.727	0.760
Controls		✓		✓		✓		✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓	✓	✓
First stage *F* stat:			97***	82***			49***	36***

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Rather than measuring industrial diversification using the HHI of industry employment at the 2-digit SIC level, the results in Table B.3 measure local industry employment HHI using the most fine-grained industry codes available and then normalize according to the number of industries reported per county-year. The normalization is $\text{HHI}^N_{ct} = \frac{\text{HHI}_{ct} - \frac{1}{N_{ct}}}{1 - \frac{1}{N_{ct}}}$, where N_{ct} is the number of industries reported in a given county-year.

B.6 Main results, additional employment controls

Table B.4: **Main results from Tables 2 and 3 are robust to additional local employment controls.**

DV:	Prop. w/local chamber		County chamber (0,1)	
	(1)	(2)	(3)	(4)
Industrial Diversification	0.279**		0.644***	
	(0.089)		(0.124)	
Market Concentration		-0.517+		-0.777*
		(0.281)		(0.350)
Num.Obs.	139099	124001	140887	125497
R2	0.821	0.841	0.842	0.867
First stage *F*	297.7	145.6	229.4	76.7
Extra emp. controls	✓	✓	✓	✓
Main controls	✓	✓	✓	✓
Year FE	✓	✓	✓	✓
County FE	✓	✓	✓	✓

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

All models in Table B.4 include controls for (i) the logged value of total county employment, and (ii) the number of industries in the county with nonzero employment.

B.7 Main results, including import exposure control

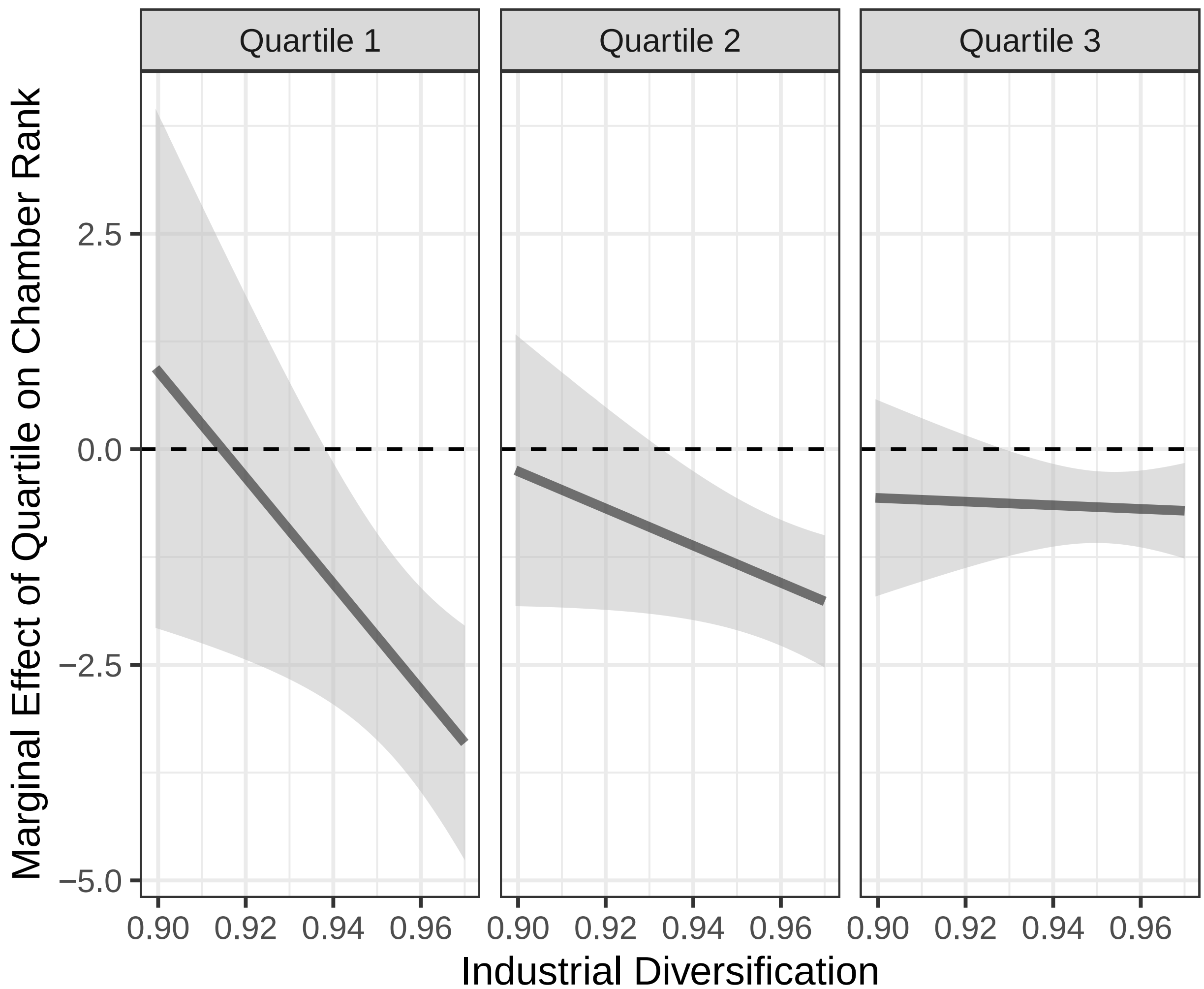
Table B.5: **Main results from Tables 2 and 3 are largely robust to controlling for import exposure.** All models estimated via 2SLS.

DV:	Prop. w/local chamber				County chamber (0,1)			
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Industrial Divers.	0.281**	0.279**			0.642***	0.643***		
	(0.102)	(0.102)			(0.141)	(0.142)		
Market Conc.			-0.456+	-0.452			-0.703*	-0.704*
			(0.277)	(0.276)			(0.330)	(0.329)
Num.Obs.	94784	94784	94878	94878	96118	96118	96235	96235
R2	0.865	0.865	0.865	0.865	0.873	0.873	0.876	0.876
First stage F:	122.6	124.4	163.5	163.4	92.2	93.3	109.9	109.9
Imp exp control:		✓		✓		✓		✓
Controls	✓	✓	✓	✓	✓	✓	✓	✓
Year FE	✓	✓	✓	✓	✓	✓	✓	✓
County FE	✓	✓	✓	✓	✓	✓	✓	✓

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

B.8 Marginal effects of county-industry rank quartile, by industrial diversification

Figure B.4: **Marginal effects of county-industry rank quartile on chamber rank, by industrial diversification**.



To produce this figure, I first assigned each county-industry observation a quartile based on its position in the county distribution (e.g. if a county had 80 industries, 1-20 =

quartile 1, 21-40 = quartile 2, etc). Next, I estimated the following regression:

$$\text{chamberrank}_{cj} = \alpha_c + \gamma_j + \lambda \text{inddiv}_c + \beta_1 \text{quartile1}_{cj} + \delta_1[\text{quartile1}_{cj} \times \text{inddiv}_i] + \beta_2 \text{quartile2}_{cj} + \delta_2[\text{quartile2}_{cj} \times \text{inddiv}_i] + \beta_3 \text{quartile3}_{cj} + \delta_3[\text{quartile3}_{cj} \times \text{inddiv}_i] + \epsilon_{cj}$$

Finally, I estimate the marginal effects of membership in quartiles 1-3 (relative to quartile 4) on a county-industry's rank in the local chamber by the level of industrial diversification in the county. Figure B.4 plots these. It is clear that, as industrial diversification increases, industries in the top quartile of the local county experience the largest decreases in chamber rank (e.g. the largest increases in chamber representation). Industries in Quartile 3, by contrast, see no detectable shift in representation.