

XIII Conference de IAFEP (*International Association for Economics of Participation*) 2006, intitulada “ *Expanding Democratic firms, Broadening Economic Democracy*”, que decorreu nos dias 12-15 de Julho 2006 em Onati – Universidade de Madragón – Espanha

**Conference: Expanding Democratic Firms,
Broadening Economic Democracy**

Boguslawa Maria Barszczak Sardinha
bsardinha@esce.ips.pt

Luísa Margarida Cagica Carvalho
lcarmo@esce.ips.pt

Instituto Politécnico de Setúbal
Escola Superior de Ciências Empresariais
Departamento de Economia e Gestão
Campus do IPS
Estefanilha
2194-503 SETUBAL

Housing Cooperatives in Portugal- the end of social purposes?

In Portugal housing cooperatives (co-ops) developed greatly after the 1975 change of political regime. The economic weight of cooperatives in national GDP (2005) is about 8.8% of total business volume and housing cooperatives make up about 3.3% of this total.

During the last 30 years the functioning of housing cooperatives has changed, particularly in the principal objective of providing reasonable accommodation for lower-income families and thereby improving their living conditions/quality of life

Today many housing cooperatives function as companies, which promote housing for the middle or middle-upper income but not for the lower income groups. This seems contrary to the principal objective of the cooperatives since the 1975 change in political regime.

What happened?

During the last thirty years many things changed. Political policy has seen a progressive retreat of state control, undermining the social objective of housing co-ops, creating financial problems, disappearance of incentives, diminished availability of lands for construction and speculation in the housing sector.

Housing co-ops are functioning in a market that has many failures. Asymmetric information, prices, unique characteristics of housing and competitiveness in the market are some of the many problems that exist in this sector. Public policy also influences these characteristics.

We demonstrate in this paper that during the thirty years of existence of housing co-ops in Portugal the social objective to promote houses for low-income individuals has changed considerably and the target resident the houses has also changed. This leads us to question if the social objective of housing co-ops is being achieved.

We used a questionnaire to discover why people look for cooperative housing, what the advantage of cooperative housing is and what the members' income level is.

Key Words: housing cooperatives, social objectives, market failure.

JEL: *L31; Z13*

INTRODUCTON:

The objective of housing cooperatives is to provide reasonable living space especially to the lowest income people, in order to increase their quality of life through the housing cooperative strategy.

A cooperative is a group of people working together in a joint economic activity that is owned and operated by its members for their mutual benefit.

Considering the cooperative principles its role, its activity and the connection of the cooperative management to local communities and, considering also the knowledge of local problems, the cooperative is very efficient in getting solutions for many housing problems.

All of the directors are elected from the cooperative membership, which means that every one can eventually become a cooperative director. The board is also responsible for the enforcement of cooperative rules and regulations. Since board members are also cooperative members, they must follow the same rules and regulations followed by everyone.

The cooperative principles are really important and they define many details of cooperative management.

The specific details are:

1. Principle 1: Voluntary and Open Membership
2. Principle 2: Democratic member Control
3. Principle 3: Member Economic Participation
4. Principle 4: Autonomy and Independence

5. Principle 5: Education, Training and Participation
6. Principle 6: Co-operation among Co-operatives
7. Principle 7: Concern for Community

In a housing cooperative (or co-op), a housing development is jointly operated by its members. They own membership certificates in the corporation, giving them the right to occupy a dwelling unit and participate in the operations of the corporation. The housing sector is really very important in any Economy because the national stock of housing achieves a significant percentage of all national stock of capital. A big part of these stocks is managed by the housing co-ops. The managing of this stock depends on the specific characteristics of a good - housing.

1. CHARACTERISTICS OF HOUSING MARKET

The good housing is from an economic point of view a good with some specific characteristics.

It is possible to present the characteristics of housing on three different levels;

- Characteristics, which allow the satisfaction of basic human needs;
- Physical characteristics;
- Characteristics, which depend on the functioning of the housing market or economics' characteristics.

Following Arnott R. (1987), the social characteristics of housing are:

- Necessity – a housing provides the satisfaction of basic needs of every human being;
- Significance – this kind of “good”, considering the importance for humans, has a high value which means that almost everybody is willing to pay a lot of money to purchase this “good”;

The physical characteristics are:

- Durability, which is one of the most important characteristics of housing and which may limit individuals in many different situation of life and significantly influence a decision of buying.
- Immobility – another important characteristics of housing which means the impossibility of moving the house from one place to another. These characteristics also limit the mobility of individuals.
- Indivisibility it's impossible to divide this “good”.

- Complexity and multidimensional heterogeneity, it is more difficult to compare different types of housing, considering the intrinsic characteristics of this “good”. The consumer is able to compare different types of housing considering the utility of services that the housing is able to provide.

The economic characteristics:

- The market problems especially the insufficiency of market - due to the length of the time of production of housing means that sometimes there is scarcity of housing in one place and excess in others. This adjustment problem is also related to the physical characteristic of immobility.

-The lacks of convexity of the production function, which means then the economic law of diminishing marginal productivity does not always apply to this market, with important economic implications.

- Imperfect information in the market - buyers do not have the same information as the sellers. This situation has a very important implication, considering the rational choice of buyers and the owners of the dwellings who do not know the renters' characteristics, especially considering the proper use of housing.

- The importance of transactional costs – the search and acquisition of housing involves sometimes large transactional costs, like time, taxes etc.

- Relevant insecurity considering the future of the market – bearing in mind that housing is an expensive and durable good, the instability of the market may harm the housing market.

Most transactional goods have these characteristics, but only in the “good” housing are those characteristics so explicit. The interaction of all these features is a source of a very different performance of the housing market.

In the housing market it is possible to identify two types of supply: supply for buying and supply for renting. The most important agents on the demand side are families. When a family buys or rents a house, they obtain much more than housing services, they acquire also the neighbourhood, some public services and public rights and obligations that are determined by the location of the house. Security problems are one of the most important.

As it was expressed earlier, the housing market has many specific features. These features provoke many differences or even failures in market functioning. The most important of them are efficiency failure and equity failure.

Efficiency failure in the housing market is associated with the imperfect functioning of the financial market, discrimination, imperfect information and externalities. There is also in the short run, the lack of supply adjustment problem

The imperfect functioning of the financial market is one of the most important issues in the housing market. Usually families do not have enough money to purchase a house, so they apply for medium or long term loans in the financial market. The uncertainty in this case is a usual issue, because both families and banks do not know the future behaviour of the housing market, the situation of families' income or the changes in the financial market itself. Risk aversion funders in order to diminish the risk have a tendency to exclude the families with fragile income possibilities or with older members. This situation implies that those fragile families face the worst conditions when they want to purchase the house or even sometimes those families are pushed to renting in markets where they face the discrimination power of owners.

Perfect information is a fundamental issue for the good functioning of any market.

In the housing market this situation is particularly important. Almost everyone who wants to purchase a house does not have exact information about the quality of the "good" he or she wants. This situation may lead to higher prices and abnormal profit for the supplier. To have access to information means time, money and some educational preparation. Usually the lack of educational preparation is a characteristic of the poorest individuals. In the renting market the situation is even worse. The owner has the discrimination power to offer a higher price for the more fragile, from the economics point of view, individuals, which means that these individuals will pay more for the housing services than others.

The externality problem is revealed many times in the housing market. Fire securities, cleaning of common spaces and noise are the most frequent situations. Decision to purchase the house is always influenced by the neighbourhood. The location of new construction depends also on the quality of neighbourhoods, even the conservation of existing houses. The degradation of a neighbourhood determines the construction of good quality housing and creates the conditions for appearance of slums and other sources of poverty. This problem is particularly important in the renting market because the renters ignore the negative impact of the lack of conservation on future renters. The resident does not spend anything to maintain the house in good condition.

The problem of lack of adjustment – inelastic supply in the housing market is created by some characteristics of housing (Grand J. e Robinson R. (1992) like:

- Immobility;

- Available spaces;
- Productivity of the construction sector.

The immobility problems are that, the available stock of housing in one place is impossible to transfer to another place. This situation of course implies the relative immobility of individuals especially due the moving costs (family problems, children schools, friends, work etc.) Another adjustment problem is related to scarcity of available space for constructions. The productivity of the construction sector is not very high. On average about one or two years is needed to build a house and a construction needs a lot of labor. As the construction sector is very sensitive to conjunctural changes, the constructors have a preference to employ the labor force instead of investing in equipment. It is easier to dismiss a labor force then to maintain or sell equipments.

The equity problem is linked to some social or even moral issues like a basic need of every human being to have a house. On the pure functioning of the market it is impossible to provide a dignifying house to everybody. The housing need is many times the principal cause of other social problems. The equity on the housing market would imply the capacity of every family to have a dignifying house to live in. It is possible to talk about the lack of horizontal and vertical equity in the housing market. (Barr N. 1987). The lack of horizontal equity is related to two situations: the access to loans for buying a house and access to a proper house.

We discussed the problem of access to loans (discrimination problem); and access to house is related to the knowledge about the quality of a proper house. (Imperfect information problem). Considering the last situation it is important to refer to some particularities like a situation in which the individual does not have information about the necessity to consume certain types of housing services, a situation in which the individuals do not have enough money to consume an adequate level of housing services and a situation in which the individuals do not realize that the result of their decision to use some type of housing services may influence other individuals.(externality problem).

Concluding and following Culyer (1980) “good housing is so important from a social point of view, that all individuals ought to be obliged to consume a certain minimum level of housing services.” Housing in this situation is treated as a “merit good”.

2 THE INTERVENTION OF THE STATE IN THE HOUSING MARKET

There are many reasons for the State intervention in the housing market. Some of them may be justified by discrimination to access financial markets, inadequate income to the necessities of this market. Another problem is related to the lack of efficiency in this market. The principal objective of this intervention is to increase the consumption of housing above those, which may be provided by normal market functioning.

In order to achieve this objective governments have used several policies and instruments not only on the renting market (for example the control of rents contracts) but also building the new houses itself and also on the buying market (fiscal policy, subsidies).

The intervention of the State in the housing market many times led to the emerging of some contrary effects.

In order to increase the consumption of housing services on the renting market, many times renting control has been used, which fixed the maximum value of rent for renter and owners. At the same time there is some legislation for protection of renters. As the owners are not able to adjust the price of renting to market situation they prefer to invest in other markets where this adjustment is possible and the results of this kind of policy is the shrinking of the renting market and scarcity of supply.

The State may also promote the construction of housing itself through municipality construction. The objective is to increase the number of houses available in the renting market and to provide houses with lower renting prices for more economically fragile families. In general municipality provided housing has better quality than many private houses. Many times these municipality houses are more desirable than market houses, also for individuals with higher income. Those individuals are able to borrow for a house at market price. Culyer, A. J. (1980) criticized this policy stating that:

- Municipality provided houses lead to the appearance of a waiting list which may reduce the mobility of the labour force;
- Diminishing of equity because it is really difficult to avoid that the better income families have access to this houses leaving behind the poorest families.

Because of these critics there is a big pressure to sell these houses lower than market prices.

The most usual instrument of public policy used as an intervention in the housing market is fiscal policy, for example: subsidies to young people for the acquisition of housing or pressure on banks on their debt policy for some facilities to constructors and many others.

All these kinds of intervention in the housing market may cause the excess of investment in this market (as we said a market of low productivity) and damage other markets with higher productivity levels, which may harm the increase of the national product.

Concluding, intervention in the housing market may be inefficient and also presents real problems on increasing equity.

The Housing Co-op considering these economic problems may present an alternative solution, presenting more flexibility; knowledge of local problems and better condition to respond to actual housing needs.

3. HABITATION POLICY

The habitation policy may be analysed considering three dimensions: social, economic and territorial.

The social dimension is related directly to the objective content of the Constitution of many democratic countries. This dimension considers

- *The policy of social action* which in housing situation means that the state may provide housing services for the poorest individuals without any possibility to acquire a house,
- *The redistribution policy*, which has to facilitate the access to housing, through fiscal benefits, subsidies etc.

- *The social integration policy*, which ought to combat ghettos in peripheries of big cities, responsible for many social problems.

The economic dimension of the habitation policy is related to ante-cyclic policies, which intend to create dynamism in the construction sector in recession periods in order to diminish unemployment and to increase family's savings.

The territorial dimension is related to planning and territory order. The objective of these policies is the rehabilitation of urban historic centres, to combat the chaotic development in peripheries, the construction of basic infrastructures and leisure spaces.

The State has some important instruments which may be used to bias the economic agents functioning in the housing market. The most important are:

- Territory disposition;
- Financial system;
- Fiscal system.

The territory disposition has a big impact on the localization of new construction. This is often a big limitation of construction of certain areas. Sometimes problems with this issue of housing policy leads to land speculation and abnormal profit for land owners.

The interest rate, financing of social construction and house-saving accounts are the most important instruments which a State may use on the financial system.

The fiscal charge is very significant in the housing market. In this market there are fiscal charges in all stages of construction and both before and during the project stage there are municipality licenses. All participants in the housing market during their intervention in this market will face fiscal payments. They are: households; financing institutions, housing administration and constructors.

Households participate in four different stages of market housing in the demand stage (purchasing and renting); self construction; financing the construction; management and conservation of houses. In all these stages there are fiscal charges.

The state may increase/decrease the fiscal charge of financial institution and on that situation biases the housing market.

The housing administration biases the market defying the priorities for the housing market including the available land for the emission of housing utilization licenses.

The promoters/constructors of housing might be municipalities, private companies, housing co-ops, families etc. They provide houses for purchase.

4. PUBLIC POLICY AND HOUSING CO-OPS DURING THE THIRTY YEARS

When on 25th of April 1974 the “old regime” felt the situation of the housing sector was very bad. There were on the one hand many old houses almost without infrastructures in many places, a lack of housing and on the other hand there were some empty houses. In the final period of the old regime the Housing Development Fund (FFH) 1969, State Secretary of Habitation and Public Company of Urbanization in 1971 was created. Some standards related to the using of urban soil, clandestine construction, big habitation constructions forecasted in Construction Plan (Planos de Fomento¹) were also planned. About one fourth of the population lived in overcrowded houses without minimum habitation conditions (drinking water, electricity and drainage).

During this time, the State adopted strong interventionist measures like:

A conditional rent;

- Creation of Service For Local Support (SAAL- Serviço de Apoio Ambulatório Local) program;
- Support for the creation of Housing Co-ops;
- Reinforcement of social habitation program- municipalities support, soil use planning; urbanization policy;
- Creation of program for Houses Recuperation (PRID);

In 1976 the Ministry for Habitation was created of which the first measures pointed to the liberalization of housing policy with major support for houses acquisition and diminishing of direct intervention in the housing market (decreasing support for municipalities and co-ops construction of housing). This policy of reinforcement for houses which originated more facilities for loans for acquisition instigated the increase of house demand and the disappearance of available stock. The production of houses increased (1977-1981) by 32.390 but the loans increased at the same time by 109.921 for new loan contracts.

¹ O Plano de Fomento de 1965 preconizava a construção directa de habitação pelo Estado e a implementação de medidas susceptíveis de orientar a iniciativa privada para a satisfação das carências habitacionais das classes de fracos rendimentos.

The liberalization of housing policy originated the lack of available funding for housing co-op construction and increased the interest rate almost strangling the coops construction during this period. Only at the beginning of 1980 was it possible to start with new coops construction. In May 1982 the Support Fund for Habitation Investment (*FAIH- Fundo de Apoio ao Investimento Habitacional*) was created whose objective was: "Financing social housing considering the criteria of commercial rentability".² Based on this objective, the FAIH during its short existence did not finance any construction. Since 1981 to 1986 the coops financing for new construction were "frozen".

In 1984 the FAIH was substituted by INH (National Institute for Housing). The INH financed during this period about 7.697 houses per year. After 1985 some important institution for the housing policy was created. The Urban Rental Scheme (RAU) and the Programme for the Renovation and Retrieval of Buildings (RECRIA) were the most important. It was also introduced new loans legislation especially for the youngest.

The "*laissez-faire*" policy is clearly viewed during that decade; the State blamed the municipalities for all problems of housing market and insisted that the market forces were able to solve all housing problems.

In 1996, the Special Re-Location Programmes was created, which were launched by Portugal's major cities in an attempt to re-locate those households of low incomes that still lived in poor neighbourhoods. The Programme of Solidarity and Assistance with the Retrieval of Housing Stock (SOLARH) initiative had a similar objective but focussed on families with financial difficulties living in older areas or in the inner city. The SOLARH initiative helped families purchase their homes with their renovation and maintenance. Another program introduced during that time was Re-Housing Programs (PER). The objective of this programme is to re-house the population still living in slums in low cost dwellings. Rehabilitation of old low-rent stock is also a priority. Land prices have increased due to the recent construction boom and associated speculation. The cooperative ought to deal with that speculation since that time.

² op. cit. p. 46

At the same time (1998) new fiscal policy principles were introduced. Within this change the co-ops sector in Portugal finally received the “The fiscal codex of benefits “. This new document allows to conjunction of all remaining benefits and introduced some limitation to the housing co-ops. That limitation is related to the quality of construction. The reduced tax rate is only possible for cooperative housing since the coops construct a low costs, low quality and small areas dwellings. The evaluation of any coops construction is be done by INH.

Reduced interest loans for the acquisition of houses was one of the factors leading to a high rate of construction during the 90’s when over 100.000 dwellings were constructed annually, i.e. Approximately 10 dwellings per 1000 inhabitants were built. More than 235 000 contracts between credit institutions and individuals were signed annually for the acquisition of dwellings under the home-ownership scheme. This situation leads also to speculation on housing market and to overinvestment. More recently however, the financial constraints that characterise the situation in Portugal, and the abolition of reduced rates on loans for the acquisition of houses, have resulted in a significant reduction in the construction rate of dwellings.

Recently the new legislation addressing the problem of unadjusted rental contracts was introduced, some constrains on the normal rental market remain. To address these, a new package of legislative measures for the urban rental sector is being developed, that in conjunction with support and incentive measures for urban regeneration is designed to transform the rental sector into a viable alternative to satisfy the country’s housing needs.

5. THE ANALYSES OF QUESTIONNAIRES

In order to analyse the changes of some characteristics of the members of housing Co-ops of Setubal District a questionnaire was carried out and it was possible to obtain 174 responses, which corresponded to about 75% of the distributed questionnaires.

We distributed the questionnaires through members who are living in coop houses built in different periods of co-ops construction.

Table n° 1

Working condition of co-ops members

CO-OP Members	Total	In actives	Unemployed	Self-employes	Works for others	Business man	Other
1 stage of construction (1974-1980)	100.0%	10.6%	17.0%	12.8%	55.3%	4.3%	0.0%
2 stage of construction (1980 - 1990)	100.0%	7%	16.3%	14.0%	53.5%	4.6%	4.6%
3 stage of construction (1990-1998)	100.0%	10.9%	4.7%	7.8%	60.9%	10.9%	4.7%
4 stage of construction (1999-2006)	100%	7%	-	11%	71%	11%	-

Source: inquiry

Analyzing the working situation of co-ops members it is possible to conclude that there is some evolution, the number of employed and business men is increasing while the number of unemployed people is diminishing. As the prices of houses are increasing it is impossible to maintain increasingly more expensive houses.

Table n° 2

Professions of co-ops members

CO-OP Members	Total	Technicians scientific, artistic; Workers	Commerce, services and office	Industry agriculture workers and fishermen	Other
1 stage of construction	100.0%	12.8%	51.0%	27.6%	8.6%

(1974-1980)					
2 stage of construction (1980 - 1990)	100.0%	9.3%	46.5%	37.2%	4.7%
3 stage of construction (1990-1998)	100%	25%	36.7%	33.3%	5%
4 stage of construction (1999-2006)	100%	11%	33%	28%	28%

Source: Inquiry

Considering the professional situation of co-ops members we did not identify major changes.

Table n° 3

Level of education of co-ops members

CO-OP Members	Total	Primary or less then primary education	Lower secondary education	Upper secondary education and more
1 stage of construction (1974-1980)	100.0%	46.8%	40.4%	12.8%
2 stage of construction (1980 - 1990)	100.0%	46.5%	37.2%	16.3%
3 stage of construction (1990-1998)	100%	32.8%	43.8%	23.4%
4 stage of construction (1999-2006)	100%	10%	47%	43%

Source: Inquiry

Analysing the educational level it is possible to identify big changes. The educational level increases quickly between members of housing coops from the first to the last period of construction. Of course the members of the last period are much younger than the first one. What is very interesting is that the average level of education is much higher among the cooperative members than the Portuguese average in education. The Portuguese average is nearly 20% and

considering only the youngest individuals in the labour market (25-34 years old) this percentage was about 38 %³ and in the forth stage of construction where the average age is almost the same the percentage is 43. Individuals with higher levels of education have much more opportunity to be better paid in the labour market. We may assume that, housing co-ops attracted those individuals, because others do not have the possibility to acquire a residence in housing co-ops.

Table n° 4

Income level of co-ops members

CO-OP Members	Total	Lower then 500€	Between 500€-1000€	Between 1001€-2000 €	More then 2000€
1 stage of construction (1974-1980)	100.0%	40.4%	42.6%	17%	0%
2 stage of construction (1980 - 1990)	100.0%	27.9%	55.9%	16.2%	0%
3 stage of construction (1990-1998)	100%	37.5%	45.3%	17.2%	0%
4 stage of construction (1999-2006)	100%	7%	57%	29%	7%

Source: Inquiry

As we may see the income level of members of coops housing is slowly increasing. It might be much higher for the members of the fourth stage of construction during the future few years as we said the members of this stage are the youngest so it might be expected that their income will increase. We also must remember that those members are much more educated than others.

Table n° 5

Reason for choosing the co-op house

CO-OP Members	Total	Less expensive	Like the place	Less work for acquisition	Other

³Data from 2005 OCDE

1 stage of construction (1974-1980)	100.0%	53.2%	21.3%	17%	8.5%
2 stage of construction (1980 - 1990)	100.0%	53.5%	30.2%	16.3%	0%
3 stage of construction (1990-1998)	100%	59.4%	29.4%	4.7%	6.2%
4 stage of construction (1999-2006)	100%	71%	29%	0%	0%

Source: Inquiry

The principal reason for choosing the coops house is to be less expensive. This reason is slowly increasing. As the price is a principal reason for choosing cooperative houses, any changes which may influence the houses prices are punitive for the social layer of housing coops.

Table n° 6

Advantages to live on co-ops houses

Advantages	1 stage of construction (1974-1980)	2 stage of construction (1980 - 1990)	3 stage of construction (1990-1998)	4 stage of construction (1999-2006)
Don't have any	17%	16.4%	11%	8%
Easier to solve the houses problems	51.1%	53.5%	78%	46%
Good relationship with neighbours	19.1%	0%	0%	0%
Easier to solve common spaces Problems	12.8%	9.3%	11%	8%
Other	0%	20.8%		38%

Source: Inquiry

As principal advantages of housing co-ops the majority of members say that it is easy to solve problems related to their residence and common spaces. As the co-ops usually are responsible for management of the common spaces, it is easy to understand.

Table n° 7

Disadvantages to live on co-ops houses

Disadvantages	1 stage of construction (1974-1980)	2 stage of construction (1980 - 1990)	3 stage of construction (1990-1998)	4 stage of construction (1999-2006)
Don't have any	42.6%	25.6%	34.4%	13%
Small areas	2.1%	16.3%	15.6%	20%
Quality of house interiors	46.6%	53.5%	45.3%	60%
Localization	8.3%	4.6%	4.7%	7%

Source: Inquiry

The biggest disadvantages of the housing co-ops of Setúbal district is the quality of house interiors. The house interiors are usually an issue where it is possible to save some money in order to offer a cheaper house. The members, except from the first stage of construction, are also discontent about the areas of the houses. Since eighty were introduced on cooperative housing, which want to apply for the public finance, the area limitations.

In conclusion the characteristics of housing co-ops members have changed during the last thirty years. They have higher levels of education, higher income, they are more demanding, and more price sensitive. For them other cooperative principles are not so important. (Like helping each other or better relationship with neighbours)

CONCLUSIONS

As was discussed the functioning of co-ops housing during thirty years co-ops changed. At the beginning the housing co-ops constructed dwellings for low income people. During those years the co-ops also provided the houses for rent. Housing co-ops had access to available and urbanized soil and because of the very favorable fiscal policy co-ops have been able to offer dwellings at a very good price or even offer for renting. Housing co-ops maintained the ownership of the dwellings.

The first policy change modified the benefits of the interest rate which lead to the increasing of cost of rent. This situation leads to members of co-ops needing to pay much more for the dwelling

The liberalization of the economy in the middle of the eighties finished the financing of co-ops for housing for renting. Since then coop members have been able only to purchase the house. The liberalization of housing policy also leads to housing coops being obliged to compete for the available land with other private companies. With land speculation and available loans for acquisition of houses there was a significant increase in house prices. Now the new coop member must have a much higher income to purchase the co-ops houses. The financing system as we said discriminates against families with lower incomes. All those changes are leading to the modification of social layers, which look for the housing coops. The new social layers want different quality houses. They are more demanding, look for high quality interiors, bigger areas and that causes the increase of construction costs. As housing coops lost most fiscal benefits, which might help to maintain lower costs, the managers of housing coops in order to respond to members necessity are obliged to construct the houses which their member want.

As a result of this market evolution the coops which initially constructed for the lower income individual, now are constructing for much higher income individuals, leaving the State to solve the housing problems of the poorest social layers.

Considering the general well being, there are many advantages for housing coops construction. The first is related to the local connection of coops. They know local housing needs better and the cooperative construction always creates some added value through the mobilization of social capital and civic entrepreneurship stimulation for local sustainable development.

The management of public spaces which is the municipalities' responsibility, in coops building is usually guaranteed by housing coops which are a better solution because people are much more interested to maintain a pleasant environment.

Another very important advantage of housing coops is to diminish some of the housing market failure problem – the asymmetric information problem. When the coops construct or promote construction they are also responsible for all construction

problems, which may happen after the selling or renting of their houses. The members have always a right to ask for the solution for those problems. This generates a bigger trust and diminishes uncertainty in the housing market. The externality problems are also easier to solve inside the housing coops. Financing the housing coops for construction dwellings for rent, allows avoiding the discrimination of financing system. In that situation the co-ops management is responsible for the financing issues.

In conclusion “National, regional and local governments should encourage the development of cooperation forms including a broad range of actors. It is recommended that local authorities take over the lead in developing and coordinating partnerships.”⁴

BIBLIOGRAFY:

- AGUDO J.M., (1980); *Cooperação e Cooperadores*, Lisboa, Livros Horizonte.
- ARNOTT R., (1987); *Economics Theory and Housing* in Handbook of Regional and Urban Economics V. 2 - Urban Economics, Amsterdam, North-Holland, p 959-988.
- BALLESTERO E. (1983); *Teoría Económica de las Cooperativas*, Madrid, Alianza Editorial.
- BARR N. (1987); *the Economics of the Welfare State*, Stanford - California, Stanford University Press.
- BILLINGS B. A., WELD L. G. (1991); *Definition of Cooperative Housing Corporations*, CPA Journal.
- CORNES R. STANDER T. (1987); *The Theory of Externalities, Public Goods and Club Goods*, Cambridge, Cambridge University Press.
- COSTA F. F. (1986); *As Cooperativas e a Economia Social*, Lisboa, Livros Horizonte.
- CULYER A. J. (1980); *The Political Economy of Social Policy*, Oxford, Martin Robertson
- ENC (1993); *Livro Branco sobre a Política de Habitação em Portugal*, Lisboa, Encontro Nacional de Habitação.
- FENACHE, (1989); *Historial e conclusões do V Congresso do MCH*, Lisboa, Fenache.
- FENACHE, (1992), *A Política de Habitação em Portugal*, Lisboa, (documento policopiado).
- FERREIRA A. F. (1979); *Cooperativas de Habitação em Portugal*, Lisboa, Fundo Fomento de Habitação, Ministério das Obras Públicas.
- FERREIRA A. F.(1988); *Por uma Nova Política de Habitação*, Porto, Ed. Afrontamento.

⁴ From the EU report ON GOOD PRACTICE IN COOPERATION TRANSFERABLE LESSONS . Project “Integrated Form of Cooperation in Housing Policy for Housing Provisions for Risk Groups”.

- GOMES A.A. (1993); *Política de Financiamento*, (documento policopiado).
- INH, (1992); *Fogos Concluídos no período de 1981-1990*, Lisboa, (documento policopiado).
- INH,(1992); *Resumo da Actividade do INH entre 1984 e 1991*, Lisboa, (documento policopiado).
- HABITAT II ,(1993); *A Agenda Habitat. Proposta Resultado da Segunda Reunião Intersecções do Grupo de Redacção Informal do Comité de Organização da Conferência das Nações Unidas sobre Estabelecimentos Humanos*, Istambul, (documento policopiado).
- INH,(1995); *As linhas de Crédito do INH*, Lisboa, INH.
- INSCOOP,(1980); *Introdução ao Cooperativismo*, Lisboa, INSCOOP.
- INSCOOP,(1992); *Código Cooperativo*, Lisboa, INSCOOP.
- INSCOOP,(1992); *Documentos da Terceira Conferência Europeia de Economia Social*, Lisboa, INSCOOP.
- INSCOOP,(1994); *O Regime Legal das Cooperativas*, Lisboa, INSCOOP.
- LE GRAND J., PROPPER C., ROBINSON R., (1992); *The Economics of Social Problems*, London, Mac Millan (3rd editions).
- LEITE J. S. (1994); *Enquadramento Histórico-Social do Movimento Cooperativo*, Lisboa, INSCOOP.
- LIDLAW A. F. (1983); *As Cooperativas no Ano 2000*. Lisboa, INSCOOP.
- LIFSON D. A. (1990); *New Ruling About Cooperative Housing Corporations*, CPA Journal.
- MICELI T. J., SAZAMA G. W. SIRMANS C. F. (1994); *The Role of Limited- Equity Cooperatives in Providing Affordable Housing*, in *Housing Policy Debate* Vol. 5, University of Connecticut.
- NAMORADO R. (1993); *As relações entre as Cooperativas e o Estado em Portugal , do Estado Paralelo ao Estado Heterogéneo*, in *Portugal um Retrato Singular*, Porto, Ed, Afrontamento p.339 - 372.
- NAMORADO R. (1993); *Da Cooperação ao Direito Cooperativo, para uma Expressão Jurídica da Cooperatividade*, Coimbra, Faculdade de Economia , Universidade de Coimbra, (tese de doutoramento - policopiado).
- PAIVA F.(1980); *A Gestão nas Cooperativas de Habitação Económica*, Lisboa, Fundo Fomento de Habitação, Secretaria de Estado da Habitação e Urbanismo, Ministério de Habitação e Obras Públicas.
- PAIVA F. (1994); *O Sistema Habitacional Português no Contexto Europeu*. In *Guia do Cidadão e da Empresa no Imobiliário*, Vol. III, Lisboa, Civis - Informação do Cidadão e da Empresa L.da.
- PAIVA F. (1995); *Cooperativismo no Distrito de Setúbal*. Documento de Encontro: Setúbal - 10 Anos em Perspectiva, (documento - policopiado).
- PAIVA F. (1995); *O Dilema das Cooperativas de Habitação: Observância dos Princípios ou Eficácia Económica? O Caso de Lisboa*, Lisboa, Instituto Superior de Economia e Gestão, Universidade Técnica de Lisboa,(tese de mestrado - policopiado).
- PAIVA F. (1996); *Diagnóstico de Situação das Cooperativas de Habitação*, Lisboa , INSCOOP, (documento - policopiado).
- QUINTELA J. (1992); *Sociabilidades em Habitat Cooperativo*, in *Habitação Cooperativa em Portugal 1974 - 1991*, Lisboa, FENACHE.

Recomendações Técnicas de Habitação Social, (1990); Lisboa, Imprensa Nacional Casa da Moeda.

RODRIGUES A. N.(1986);*Cooperativas de Habitação*, in *Que Perspectivas para a Economia Social em Portugal?*, Lisboa, CEEPS- Centro de Estudos de Economia Pública e Social, p 101-120.

SARDINHA B. (1996); - “*O Sector Cooperativo e a Política Habitacional em Portugal pós 25 de Abril*”. ISEG, Lisboa

SECOMSKI K. (1974); *Mala Encyclopedia Ekonomiczna*, Warszawa, Państwowe Wydawnictwo Ekonomiczne.

SÉRGIO A. (1958); *Introdução e Quadro Geral do Cooperativismo e do Sector Cooperativo in “O Cooperativismo, objectivo e modalidades”*, Lisboa.

STRUYK R. J. (1980); *A New Sistem for Public Housing*, Washington, Urban Institute.

VARIAN H. R. (1987); *Intermediate Microeconomics, A Modern Approach*, New York, Norton.