

# Modes of governance in the Dutch social housing sector <sup>1</sup>

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**Abstract:** *We describe and analyze five consecutive modes of governance in the Dutch social housing sector. We compare these institutional forms with the five policy values that the sector was assumed to realize. For that purpose we propose and use a new, analytical framework based on a separation principle that is applied to the coercion domain (the governance of transactions) as well as to the interaction domain (the welfare values). The consecutive modes of governance were introduced to cope with the changing welfare policies, but with varying results. In this paper we show that the implemented modes of governance in the Dutch social housing sector did not always realize the values that the sector was supposed to deliver. The framework we propose also facilitates the discussion about the concept of a social enterprise and the embedding of a service of general interest in the European Union.*

**JEL-codes:** D0, L2, L3, O12

**Keywords:** Transaction cost economics, modes of governance, values and services, duality, social enterprise, service of general interest, social housing.

## 1 Introduction

In public administration one observes a fast expanding private domain and a retreating public domain. The extreme *postmodernistic* view (Frissen, 1999) holds that the classical, vertical democracy is transforming to a horizontal network society with continuous bargaining. Focusing on the services providers, they prefer decentralized but powerful agencies – without transparent checks and balances – to a politically controlled, authoritarian government. On the procurement side, they see the system of vertical representation of service receivers – with established political and democratic institutions – undermined and replaced by a process of permanent, horizontal bargaining in a network society as the ultimate form of democracy. So the postmodernistic view adopts the bottom-up approach in contract formation. The philosophical school called *contractualism*<sup>2</sup> focuses on the analysis of contracts in some mode of governance, with its particular checks and balances. A contract may be an allegedly historical one or a tacitly implied one, or an imaginary one. It may be between people who set up a sovereign,

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<sup>2</sup> The idea goes back at least as far as Plato's *Crito* (c.395 BC), and contractualists (or contractarians) have also included Thomas Hobbes (1588-1679), John Locke (1632-1704), Jean Jacques Rousseau (1712-1778), and various modern writers.

or between the people and the sovereign, or between the individual and society or the state, or between hypothetical beings in a setting making for impartiality. It is a rational way to allocate power.

In this paper we attempt to explain these observed trends by applying a novel framework, in which welfare policies are separated from modes of governance. The types of welfare policies are positioned in the values domain, the modes of governance in a coercion or power domain. There exists a duality between both domains, which enables us to assess the relative positions in each domain. This duality principle, introduced in Ruys (2005), forms the core of the new framework. The *institutional isomorphism mechanism* (DiMaggio and Powell, 1983) explains that the institutional form of similar organizations converges to a mode of governance with norms and symbols that are relevant for all organizations in this class. Similarly, the *discrete alignment principle* (Williamson, 1991) explains that an organization selects its institutional form by aligning the corresponding governance structure with its exchange characteristics. Since these legal characteristics and the social norms and symbols belong to distinctive institutions that are finite in number (North, 1981), we consider discrete changes in governance. That offers an opportunity to design and test an efficient contracting hypothesis of a sort that has been introduced by Williamson in his Transaction Costs Economics (TCE). From economizing on transaction costs the comparative efficacy of alternative generic forms of governance can be determined. Where Williamson focuses on the production side of the economy, our framework allows including modes of governance that are also applicable for consumer organizations.

The Dutch housing corporations play a dominant role in the rented house market. Table 1 partitions the housing market into three categories: social rented houses, private rented houses, and owner-occupied houses for nine European countries.

Country	Social rented	Private rented	Owner-occupied
Netherlands	35	10	55
Denmark	28	18	54
Sweden	24	23	53
UK	21	11	68
France	18	20	62
Finland	18	20	62
Belgium	7	26	67
Ireland	7	10	83
Germany	6	50	44

Source: Norris and Shiels (2004)

Table 1. Composition of the stock of houses 2001/2002 in percentages

More than 500 Dutch housing corporations own 2,4 million affordable houses for rent. They not only offer houses to low-income families, but also to middle and sometimes even to high income groups. So living in a social rented house in the Netherlands does not necessarily mean being poor. About 15% of the families receive a rent-subsidy, so the market share of social housing would shrink from 35% to 15% if only low-income families would be eligible. It also would mean stigmatization of that group, which was not politically acceptable. How-

ever, this policy turned out to be not only a very expensive solution, but also untenable in terms of consumers' sovereignty. In short, the early successful governance of the housing sector in the years of housing shortage was not suited to cope with subsequent changes in technology and consumer preferences. The most recent experiences of the social housing sector, however, indicate that the desired governance of 'social enterprise' did not suit the political parties, unwilling as they are to end the separation between the rented-housing market and the owned-housing market.

The next section presents the analytical framework for delineating modes of governance and types of welfare policies. Section 3 presents a description of five consecutive modes of governance implemented in the Dutch housing sector and the welfare improvements expected from applying these modes of governance. Section 4 confronts expectations with realizations and gives some recent developments, including supervision in the social housing sector as an important dimension of good governance. Section 5 concludes.

## 2 Modes of governance and types of welfare policies

### 2.1 Various approaches

The impact of a mode of governance on the performance of an economy or of an organization is high on the research agenda of the professional economists, or the legal origins literature (see Dam, 2006), and of policy designing institutions as the World Bank. The purpose of this research is to predict the choice of an institutional arrangement and to test this prediction, before giving a normative advice. There is, however, not yet a full agreement about the modeling of the governance framework or about an operational definition of the concept. The most influential definition is the contracting framework by Williamson (1985). The World Bank Institute, a research component of the World Bank, has developed an alternative governance concept, which is closer to the legal approach in the discussion of the relationship between the rule of law and economic performance.

The dominant line of thought in the school of New Institutional Economics (NIE) is based on Williamson's (1975) contracting framework. This paradigm is called Transaction Cost Economics<sup>3</sup>. It takes *market contracting* as the original state of affairs and considers circumstances where deviations from market transactions will economize on transaction costs. Williamson (1985) sets hierarchy off against markets. He identifies the mode of governance that is characterized by organizational hierarchy with *vertical integration*. That mode will be relatively more efficient with recurrent transactions, and when either investment are idiosyncratic (high asset specificity) and uncertainty is either high or medium, or when investments are mixed (medium asset specificity) and uncertainty is high. Williamson calls governance mechanisms that lie between markets and hierarchy *hybrid relationships*. Dixit (2003: 452) develops another mode of governance in the TCE tradition focusing "on the governance of economic transactions, that is, the enforcement of contracts ... in large populations. ... In my

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<sup>3</sup> Others have examined the enforcement of *property rights*. Within the property rights based theory of the firm, an organization is characterized by ownership over assets. Grossman and Hart (1986) define ownership by residual rights of control. Consequently, the type or the identity of the owners determines the organization's objective and form. The transaction approach takes instead the type of transaction as determinant of the organization's form. See also Hart and Moore (2006).

analysis, participation is voluntary, and only the flows that each side brings into transaction each period are at risk due to the other's cheating."

In the NIE line of research, the World Bank Institute offers a model of 'good' governance. It identifies a set of governance indicators, broken down in six dimensions: voice and external accountability; political stability and lack of violence; crime and terrorism; government effectiveness; lack of regulatory burden; rule of law; and control of corruption.

## 2.2 *Ordering various modes of governance*

In this paper we apply a theory developed by Ruys (2005), which is essentially a TCE approach. A **transaction** is a contract-relation between a procurer (the principal or commissioner) and a provider (the agent or contractor); the contract contains an agreement on the service to be delivered by the provider and the price or exchange value to be paid by the procurer. The **procurer**, represented by an authorized decision maker, contains all and only members of society who empower the procurer to determine a specific, desired outcome, and who are willing to pay the price or levy allocated to the members of the procurer. Examples are: the parliament representing the citizens, a partnership, the members of a union or an association, the shareholders meeting. The **provider**, also represented by an authorized decision maker, contains all and only members of the society who are able and empowered to deliver a specific contractual outcome and reward, after receiving the necessary resources from the procurer. Examples are: the administration representing all public officers, the executive board representing the union employees and volunteers; an incorporated firm with its employees. The characteristic for both a provider and a procurer is the extent of coercion on the members of a group: the scope of control. It stretches from control over all members of a society – complete centralization – to independence or self-control of an individual agent – complete decentralization. Multiplicity of transactions or organizations<sup>4</sup> of level 1 refers to complete centralization with a single decision maker. The largest multiplicity level has complete decentralization with as many decision-makers as there are citizens in the society. So a first approximation of the multiplicity of decision-making units – for both the procurer and the provider – is *the size of that group*<sup>5</sup>. So the power domain is ordered by the two-dimensional **multiplicity level** for types of transactions indicating the degree of coercion, respectively of freedom that is contractually available to implement a transaction.

We further assume that each type of transaction requires a legal environment, a kind of 'constitution' to specify and support behavioral rules and balancing procedures. One may think of allotting voting rights and designing voting procedures, or the protection of ownership rights, and/or the prevention of abusing market dominance (Article 82 of the EU treaty). Such a constitution contains *micro* procedures for arriving at a decision on the individual organizational level using social norms and symbols. These provide for legitimacy and helps organizations, for example, to cope with uncertainty by imitating their peers, as observed by DiMaggio and

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<sup>4</sup> A transaction may also be interpreted as a legal entity mediating transactions, such as a firm or an organization. The firm owns the property rights to assets received from the procurer's resources and the property rights to decisions regarding the output from the provider. This is particularly relevant in the case of multiple procurers or stakeholders, and multiple providers or employees.

<sup>5</sup> The intensity of the power transferred is implicitly determined by the size of a group and correspond with the values or tasks agreed upon, as identified in the next section. Power over a large group of people implies comprehensive coercion for comprehensive tasks, usually constitutionally restricted; power over small groups implies a more specific authority corresponding to specific tasks.

Powell (1983). On the *macro* level, the external organization, it also contains legally supported economic procedures for obtaining consistency between transactions and efficiency in society, such as arriving at a balance between parties, determining the exchange value between them, such as a market price; and implementing the agreement. In line with DiMaggio and Powell, we assume that organizations under a given constitution are homogeneous in functions and roles, as they are shaped by a broad set of similar institutional influences. This is the mechanism of *institutional isomorphism*, which is effective through the influence of the macro norms and symbols. Another type of pressure may come from economic competition between modes of governance or from evolutionary economics rationales<sup>6</sup>.

A **mode of governance** is a ‘transactional constitution’ that aims at supporting the behavior of organizations that engage in a specific type of transaction in society. The purpose is to generate stability in organizational behavior, which enables their predictability for other agents in the economy. A mode of governance also defines the countervailing power for each transaction party and takes care of the balance of power between them. Since a mode of governance supports specific types of transactions in society, we assume that each organization chooses to submit itself to the most appropriate mode of governance for its specific type of transactions it is engaged in. That defines a one-to-one correspondence between the transaction space and the space of governance modes for organizations. An organization is called a **hybrid** if it is governed by two or more modes of governance<sup>7</sup>. That has consequences for its predictability and strategy, as we will see in Section 5.

### 2.3 Modes of governance in social housing with three Multiplicity levels

For analyzing governance in the social housing sector, we introduce in Table 2 three levels of multiplicity for both the procurers and the providers of social housing services. In Section 3 we characterize these services and search for the best fit between the service or policy desired and the mode of governance required for it.

Each level in Table 2 has its own power base. Group empowerment of Multiplicity-level 1 refers to public law on the central level; that power base is suited for uniform, comprehensive services, including the realization of society-wide solidarity principles. Group empowerment of Multiplicity-level 2 refers to a multiform local power base, which may be territorial or sectorial. Examples are task organizations, established to provide specific services, by force of either public law or civil law. City government and corporations fall also under this heading. Group empowerment of Multiplicity-level 3 refers to a multiplicity of independent, individual power bases, such as private ownership. All these power bases have to be protected by law or constitution. The set of governance modes contains thus nine fields.

The bottom row in Table 2 represents decentralization of procurer-decisions. In cell (3,1) one may find independent, small procurers may be voters in a direct democracy electing a national executive; in cell (3,2) one finds members of a corporation, voters in a city, or customers on a monopolistic market; and in cell (3,3) customers on a competitive market<sup>8</sup>. The column at the

<sup>6</sup> The emergence of a mode of governance is studied elsewhere; see Dam (2006), Dixit (2005), Greif (1995), Ménard (2004) and other authors; see e.g. Ventoruzzo (2006) for regulatory competition.

<sup>7</sup> Hybrid organizations are analyzed in Ruys (2006). Ménard (2004) focuses on the Williamson hybrids between market and hierarchy.

<sup>8</sup> Williamson restricts his theory to arrangements according to private law (which are situated here in the modes (3,3) and (3,2) and the mode in-between) and calls these modes, respectively, the market mode, vertical integra-

right in Table 2 represents decentralization of the provider- or production-decisions, allowing for competition among the providers. In cell (1,3) one may find transactions regarding private production of public services, such as public infrastructure and utilities. In cell (2,3) outsourcing of local tasks to private contractors, or a production corporation on a large product market. In cell (3,3) the transactions between private suppliers and demanders, usually on a bilateral competitive market. This last column contains characteristically *economic transactions*, because they are governed by the supply side of the market consisting of relatively small and independent producers with marketable outputs.

Provider group: Procurer group:	Central administration with comprehensive tasks; (multiplicity level 1)	Task organizations; monopolies (multiplicity level 2)	Independent and specialized private firms; (multiplicity level 3)
Central government; comprehensive power; (multiplicity level 1)	(1,1) Government systems;	(1,2) Administrative agencies; public enterprises	(1,3) Public-outsourcing systems (PPP)
Networks of stakeholders; (multiplicity level 2)	(2,1) Federative and political systems; NGOs	(2,2) Social enterprise systems; non-profits	(2,3) Stakeholder empowered private firms, cooperative;
Individual, private customers or voters; (multiplicity level 3)	(3,1) Democratic, legitimizing systems;	(3,2) Privately empowered social task or voluntary organization;	(3,3) Shareholder empowered firms, individual bargaining systems;

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Table 2. Modes of governance with three multiplicity levels

Integrating procurers from the bottom row makes them a group of stakeholders of a procurer organization (2,1), (2,2) or (2,3). The group-coherence may be voluntary, such as a cooperative or an alliance. Further integration gives them comprehensive power, where public law applies. Integrating providers from the right to the left increases the scale, the scope, or the time period of a transaction. On the diagonal one finds in cell (1,1) the transaction between the legislative and the executive of a society, or the (Rousseau) contract between the people and the administration. The non-profits and social enterprise systems are situated in (2,2), which is the domain where cooperation is not based on coercive public law.

Since the mode (2,2) is called here the **social enterprise** system, it is illustrative to check whether the dimensions defining a social enterprise meet the characteristics of the mode introduced here. Defourny (2001) and Defourny and Nyssens (2006) give a definition in terms of activities, which term we interpret as resulting from transactions. They provide the following four criteria for the economic and managerial dimensions of a social enterprise activity:

- a continuous activity, producing and selling goods and/or services;
- a high degree of autonomy;
- a significant level of economic risk;
- a minimum amount of paid work.

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tion, and hybrids. Williamson does not consider modes for centralized provision (3,1), neither integration on the part of procurers or consumers: the vertical dimensions in Table 2.

The social dimensions are captured by five criteria:

- an explicit aim to benefit the community;
- an initiative launched by a group of citizens;
- decision-making power not based on capital ownership;
- a participatory nature, which involves the various parties affected by the activity;
- limited profit distribution.

As for the social dimensions, these belong evidently to the procurer group with Multiplicity-level 2 and to the providers' group with Multiplicity-level 2 (or 1). The first economic criterion requires selling goods, which belongs to providers' Multiplicity-level 2 (or 3); a minimum of paid work excludes procurers' index 3. So, indeed, mode (2,2) dominates when modes of governance are assigned to the criteria defining a social enterprise. It typically belongs to the domain of *civil society* and should be granted an acknowledged mode of governance<sup>9</sup>.

The modes of governance in the last column and the lowest row – the grey colored fields of the Table 2 – involve decentralized, independent individual decision-making. That allows for (quasi-) market modes on the demand and/or on the supply side. Money is an excellent instrument for decentralizing power, although a centralized force is needed to regulate the markets. The other modes are characterized by societal or group decision-making in the social and political arena. It may be noticed that the so-called *Anglo-Saxon model* of governance focuses on the set of decentralizable modes of governance (which are colored in grey in Table 2); the *Rhineland model* focuses on the more centralized modes of governance. Both models are shown to be complementary in our approach.

## 2.4 Ordering various welfare policies

In general, a welfare policy specifies societal values and assigns institutional forms to achieve these goals. In our approach we separate the value domain from the power or governance domain and define a welfare policy as a service, free of institutional or instrumental elements. There are many types of services and values, which are hard to compare. The unifying criterion we apply is based on the characteristics of the two groups of people who generate the value by their interaction. That restricts the type of value to behavioral and operational values<sup>10</sup>. We define a **service** as a value-generating relation between two groups of people, the receivers and the performers. Their interaction generates personal values in contrast to the transactional or exchange values agreed upon in contracts. The personal value may correspond to a person's utility or user value of a service.

The **receiver** is a group that contains all and only members of the society who simultaneously receive a specific service. A receiver therefore internalizes the external effects in receiving a service and is externally independent. One may think of the public in a football stadium, or tenants of a housing corporation, the users of a road, or a class of students. The **performer** is

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<sup>9</sup> De Ru e.a. (2005) propagates to incorporate the 'social enterprise' in the Dutch law system. They define it as an enterprise incorporated under private law, with considerable autonomy, aiming at a social goal, and with profits only destined for its mission. Missing in both definitions, however, is a system of checks and balances that is vital for performing in the context of an interdependent economy.

<sup>10</sup> The European Values Study (2005) identifies long-term values such as the value of family, work, friends, religiosity, tolerance, solidarity, confidence, obedience and work ethos, post-materialism, etcetera. These values are aggregated into two independent dimensions: normative/religious and personal autonomy / individual freedom. Since values are rather stable over time, they can characterize a country on the cultural map. Hofstede (1980), using the dimensions of power distance, uncertainty avoidance, femininity, and individualism, has performed a similar research.

a group that contains all and only members of the society who simultaneously perform a specific service. Again, a performer internalizes the external effects in performing a service. Examples are: a medical team performing an operation, public officers performing a task, or employees of a firm.

The characteristic for both a performer and a receiver is the extent of the service or value performed or received by the group: the scope of cohesion, or its inverse, the level of separability. It stretches from all members of a society, a community-wide scope of performance or reception, to an individual scope. Separability level 1 has a community-wide scope of cohesion, and the largest separability level has the smallest scope of cohesion. It is assumed that the level of separability for both the performer and the receiver is *inversely proportional to the size of that group*. So the value domain is ordered by the two-dimensional **separability level** indicating types of values with a decreasing degree of cohesion or an increasing degree of individuality in the value generated by a specific service. Invoking the isomorphism mechanism again, we define a **type of service** by the condition that the level of separability for the performer of a service in a type is the same<sup>11</sup> for all performers delivering this service; the same holds for the receiver of that service. There may exist many services of the same type with a different content, for example a class in English and a class in finance.

## 2.5 Types of welfare policies in social housing with three Separability levels

For analyzing welfare policies in the social housing sector, we introduce in Table 3 three levels of separability for both the performers and the receivers, the minimum number for describing the value creation in the social housing sector. Each level in Table 3 has its own scope of cohesion and value generation.

A value of Separability-level 1 refers to a society-wide performance and/or reception, usually uniform and comprehensive services for all citizens, such as society-wide solidarity principles. Values of Separability-level 2 refer to multiform local services, territorial or sectorial. Examples are professional norms or community values, task organizations, established to provide specific services, by force of either public law or civil law. City government and corporations fall also under this heading. Values of Separability-level 3 refer to a multiplicity of independent, individual or particular interests. The set of welfare policies thus contains nine fields.

The bottom row in Table 3 represents decentralization of procurer-decisions. In cell (3,1) one may find independent, small procurers may be voters in a direct democracy electing a national executive; in cell (3,2) one finds members of a corporation, voters in a city, or customers on a monopolistic market; and in cell (3,3) customers on a competitive market<sup>12</sup>. The column at the right in Table 2 represents decentralization of the provider- or production-decisions, allowing for competition among the providers. In cell (1,3) one may find transactions regarding private production of public services, such as public infrastructure and utilities. In cell (2,3) outsourcing of local tasks to private contractors, or a production corporation on a large product market. In cell (3,3) the transactions between private suppliers and demanders, usually on a bilateral

<sup>11</sup> A typical size is not an exact magnitude, but it indicates typical boundaries of interaction, a minimal mass and a maximal stretch for the internal coherence of a performer or a receiver.

<sup>12</sup> Williamson restricts his theory to arrangements according to private law (which are situated here in the modes (3,3) and (3,2) and the mode in-between) and calls these modes, respectively, the market mode, vertical integration, and hybrids. Williamson does not consider modes for centralized provision (3,1), neither integration on the part of procurers or consumers: the vertical dimensions in Table 2.



competitive market. This last column contains characteristically *economic transactions*, because they are governed by the supply side of the market consisting of relatively small and independent producers with marketable outputs.

The column on the left contains values *for* receivers of varying size *by* the whole society (level 1), such as community values, safety and environment in cell (1,1) and public values, such as care for subgroups in the society in cells (2,1) and (3,1). The column on the right contains services *for* clubs of varying size *by* many small teams (level 3), which are therefore comparable and measurable in outputs, allowing for defining competition, economic efficiency, and market prices. Economic services belong typically to this category.

The top row contains services *for* the whole society (level 1) *by* performers of varying size. In cell (1,2) one may find Services of General Interest (SGI) and in cell (1,3) the Services of General Economic Interest (SGEI). The second row contains social services as Services of Social Interest (SSI) and Services of Social Economic Interest (SSEI). The third row contains services *for* many independent, small clubs (level 3), which are therefore comparable and measurable in service appreciation, allowing for defining utility functions (public, local public and standard) and for applying methodological individualism and the Pareto optimality concept. One may notice that all these definitions are institutional-free.

<b>Performers</b> <b>Receivers</b>	Community wide performance; Separability level 1	Comprehensive group performance; Separability level 2	Individual and specialized performers; Separability level 3
Community wide interests; Separability level 1	Community values	Public values performed by groups (SGI)	Public values performed by individuals (SGEI)
Comprehensive group interests; Separability level 2	Public values performed for groups	Social values (SSI)	Social values performed by individuals (SSEI)
Individual and specialized interests; Separability level 3	Public values performed for individuals	Group values performed for individuals	Individual values

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Table 3. The service map with values on three Separability-levels

Two welfare principles span this framework. The solidarity principle is embodied in values that cover the whole society and is therefore a community value in the cell (1,1); the efficiency principle is embodied in services that allow for comparing individual values, situated in cell (3,3).

### 3 Consecutive welfare policies with their modes of governance

Modes of governance belong to the organizational domain. They interact with welfare policies, but we treat them separately in order to analyze which mode of governance is used for which type of welfare policy. In this section we assign both the welfare policies from Table 3 and their modes of governance mentioned in Table 2 to consecutive periods. The reference set – the grand coalition – is the community of Dutch citizens. That community or some appropriate subsets enter into transactions to manage the social housing sector. Five consecutive periods are distinguished, each offering a different solution. We simplify matters by identifying the dominant type of transaction for each period.

#### 3.1 *Consecutive welfare policies for social housing*

In this section we identify the goals set in consecutive welfare policies in the Netherlands' social housing sector. For carrying out a correct analysis it is essential not to use institutional elements in the definitions or descriptions. That would jeopardize the separation between the two domains, which separation is required for choosing the best managerial instrument for achieving a given goal.

- **1850 – 1940: Improving housing conditions for the poor.**

The housing corporations aimed at offering housing facilities for the poor families. The type of receivers is the group of poorly housed people and low income families belonging to some social group in society, religious or humanitarian. Captains of industry took also care of a healthy social housing environment of their employees, which also diminished illness and crime. So Separability level 2 applies on the procurer side. The type of performers is the professional team of housing experts, who are engaged and supported by a corporation; also Separability level 2.

**Criteria for success:** average age, child mortality, health, degree of schooling, social and cultural cohesion (music bands, sport clubs).

**Welfare policy (2,2).**

- **1945 – 1965: Reconstruction and mass production**

Based on the immense sentiment of solidarity after the war, society required now the service of reconstructing houses with the shortest delay. The housing-shortage became a first priority for the country and dominated the political agenda for many years. So the receivers were the whole population: Separability level 1. Performers were the central administration in close cooperation with the corporations: Separability level 2.

**Criteria:** the number of houses and apartments built (garden villages).

**Welfare policy (1,2).**

The consequence was a sober and standardized construction scheme. The revival of the building industry took much more time than was expected at the start. Building emergency livings and duplex houses solved the most cutting problems. The massive, centrally planned production led to monotonous blocks of housing units and produced eventually malcontent tenants. The consumers wanted their wishes for diversification and variety to be recognized separately from the general interest. Since the housing shortage was over, a new policy was desired.

- **1965 – 1995: Diversification and more variety**

Society as a whole (Separability level 1) was still the type of receivers of the government's housing services, again performed by the corporations (Separability level 2). But serving the varying interests of the club of tenants and their neighborhood (Separability level 2) became an independent type of receivers for the housing corporations (Separability level 2). So there appeared two types of services in the housing sector:

**Criteria:** larger variety in living conditions; heterogeneous quarters; homogeneous neighborhoods: houses with a through room; corporation policy aimed at lifetime durable districts.

**Welfare policy: (1,2) and (2,2)**

The end of the basic housing shortage should also mean the end of government involvement in the housing sector. But abolishing the rights on housing and rents, established in the previous period, was politically infeasible. So the government service of regulating rents for social housing and subsidizing some individuals for costs of housing remained. The corporations' professional team services were expanded and liberated, with the core-activities delineated.

- **1995 – 2005: Higher quality: partly liberalizing social housing**

One type of receiver in the housing sector was society as a whole (Separability level 1) receiving an income policy and peace on the rent-front; this service was performed by the government (Separability level 1). The other type of service aims at the social groups of eligible members of a corporation and neighbors as receivers (Separability level 2), with the professional team of the housing corporations as performers (Separability level 2). These performers were also active for private housing services to tenants who were not necessarily members of the social group mentioned above, but individuals on the demand market (Separability level 3).

**Criteria:** bigger houses, varying in shape and with room for individual choice; mixed composition of owned and rented houses.

**Welfare policies: (1,1), (2,2) and (3,2)**

The corporations are expanding their social activities to other domains, overlapping the services of neighboring corporations (and therefore competing with them). They also expand their private services and sell their free assets (and therefore competing with private firms).

- **2005 – 2006: Fully liberalizing with a task as Service of General Interest**

The type of services mentioned above are expanded with a new one: the receivers are non-members of the corporation (Separability level 3), and the housing corporations' professional team were allowed to be active on the supply market as performer (Separability level 3).

**Criteria:** integration of the markets for owned and for rented houses and affordable access to both markets for young couples (starters); circulation of tenants in accordance with their consecutive stages in life; equal housing costs (rented or owned) for similar houses.

**Welfare policy: (1,1), (2,2), (3,2) and (3,3)**

- **2007 – ... : Status quo with affordable rents for the social housing sector**

Due to a change in political majorities the liberalization of the rented market has been turned down and reversed to central control. It is now again under strict supervision by the central administration with no influence of housing corporations.

### 3.2 Consecutive modes of governance

- **1850 – 1940: Private social enterprises**

In the 19<sup>th</sup> century, it was private initiative that established housing corporations in the Netherlands, which was just one of the domains in which private initiative has established a civil society. At that time, society was organized along the lines of the so-called ‘pillars’, the vertically integrated social groups, such as the Socialists, the Roman-Catholics, and the Protestants, who take care of the needy in their ‘pillar’ for all aspects of life: housing, health, youth and education. Captains of industry were also involved as procurer of social housing for their employees (Bata village; Hevea village; ten Cate, etc.). In 1902, a political consensus was reached to transpose some responsibility to the central government. According to the *Woningwet* (Housing Law), the government subsidizes a social housing association if it has received the status of *toegelaten instelling* (admitted institution). The government marginally subsidized deficits due to the fact that the group of tenants cannot afford market-determined rents.

**Mode of governance (2,2):**

The legal form was a cooperative association with membership established under private law, aimed at improving the miserable housing conditions of workers in the cities. A corporation (the provider) was owned and financed by a group of stakeholders (the procurers) belonging to one of the social groups that partitioned the Dutch society (*de zuilen* or pillars). In 1902, the local government joined the group of stakeholders. So from the procurer’s view, it is the mode of Multiplicity level 2 in Table 2. The social housing was provided by some producer cooperation: again Multiplicity level 2.

- **1945 – 1965: Central planning: reconstruction and mass production**

After the Second World War, the government assumed the role of a housing procurer and developer to beat “peoples’ enemy nr.1”. Central administration and regulation was developed to enhance the number of houses built each year. These conditions also included severe price- and rent controls. The powerful instrument for this goal was the full financing of the housing projects, formally by means of subsidies, and by determining the conditions for these subsidies. In 1948, the Marshall plan brought sizeable financial support to reinvigorate the European economies, and allowed for experimental production methods to decrease building time and costs.

The reconstruction started from a national governmental network, in which the municipalities played an important role. There was no role for the housing corporations, other than managing daily operations. The influence of the housing corporations grew in time. In the sixties, the unions of housing corporations (“*centrales*”) were successful in their intermediation with the government to bunch together separate corporation contingents of houses to be built into regional contingents, which increased building streams.

**Mode of governance (1,1):**

All social housing projects were financed and strictly regulated by the government (as procurer): Multiplicity level 1. Although the government did not own the housing corporations, the actual power was in the hands of the government. The central government took over the responsibility for the provision of social housing (as provider) – Multiplicity level 1 – and delegated only the management functions to the corporations.

- **1965 – 1995: The corporation as government agency**

The end of the harsh housing shortage ended the task of the state and the government wanted to shift responsibility to the corporations to listen better to the tenants' wishes. A gradual process of decentralization was implemented and in 1965 the housing corporations regained their status as project developers, but under strict central regulation. The municipal conditions for social housing loans and contributions were standardized. Although the municipalities were obliged to call in the corporations for designing building plans, the municipalities in the big cities were not eager to follow this route. Only a minority of the housing corporations were involved in the preparation and procurement of municipal building projects. As a consequence of her regulatory involvement, the housing budget of the central government increased from € 1 billion in 1970 to € 6.5 billion in 1985 (8.7% of the state budget).

### **Mode of governance (1,2):**

Social housing projects were still financed and strictly regulated by the government (the procurer) – Multiplicity level 1 – although the government did not own the housing corporations. The central government outsourced the provision and the management of social housing again to the social housing corporations (the providers): Multiplicity level 2.

### **• 1995 – 2005: Liberalizing and quasi-privatizing the corporations**

In order to relieve the state budget from the ever increasing burden caused by the social housing expenditures there was a political agreement to decentralize also the financial responsibility and procurement to the corporations. Government failures and the increasing belief in the efficiency of market forces made such a change in governance possible. In 1995 the government terminated subsidizing the housing corporations and the corporations received independence from detailed central government regulation. A watershed forms the “*bruteringsregel*”, a capital clearing operation in 1995. It was agreed that all payback obligations for loans received by the corporations (€17 billion) were cleared with all governmental subsidy obligations (€16 billion), such as the yearly costs of long term loans and the contributions in the exploitation. That was the end of the system of financial state intervention in the social housing sector. The much weaker instruments of influencing and self-regulation followed it. Corporations were from now on allowed to engage in market activities for their own profit and risk. However, they were not privatized and a ‘destination obligation’ rests on the non-profit assets, which means government control.

The idea was to create the social housing corporation as a carrier of social enterprise in which both private entrepreneurship and the provision of social goals are supposedly combined. All non-core activities, that is, activities not mentioned in the BBSH<sup>13</sup>, have to be managed in separate legal entities and are subject to corporate tax.

The number of corporations (the number of municipal corporations) decreased in this period from 600 (21) in 2002 to 526 (18) in 2005. Their employment rose from 22,444 to 26,000.

### **Hybrid modes of governance (1,2), (2,2) and (2,3):**

The housing corporations faced strict regulation by the government for social housing projects – Multiplicity level 1 – but for the private, non-core activities the procurement power went to the housing corporations: Multiplicity level 2. The type of provider for the corporation was extended to providing on the private market: Multiplicity levels 2 and 3. The hybrid form of governance made the housing corporation a hybrid organization.

The chosen modes of governance did not, however, specify the procurement side of the base core and non-core transactions satisfactorily. If the government withdraws from her role of

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<sup>13</sup> *Besluit Beheer Sociale Huurwoningen (BBSH)*, a ministerial directive from 1995, giving rules of behaviour for a social corporation that is a *toegelaten instellingen*, an organization formally accepted by the government.

procurer, who did take her place and legitimized the social activities of the social corporation? If eventually losses on non-core transactions exceeded the value of the free assets, could the social corporation go bankrupt? It was understood that internal supervision should substitute government supervision<sup>14</sup>. Most housing corporations changed their legal status from a cooperative association with members to a foundation, which increased their independence from corporation members and their strategic powers<sup>15</sup>. This process of becoming independent was at the height in 2004, when the government handed over all houses that were until then only managed and exploited by the corporations. The understanding was that the sector would not be subsidized any more and would take care itself of the construction and management of houses suited for social rented houses. A group called NTMO<sup>16</sup> formulated the idea that public tasks should be executed with the least possible regulation and social tasks as close as possible to the group receiving the services, in 2003. The WRR (2003) added softly that a pure model of self-regulation is not desirable: corporations have always to be accountable to the political domain and to society as a whole.

In 2005, EU-Commissioner Mrs. Neelie Kroes sent a letter to the Dutch government in which she urged the Dutch corporations to comply with the competition rules of the EU. The hybrid form chosen above did not guarantee a correct separation between the provision of marketable services from the desired services of general interest. That was – surprisingly – a surprise for the Dutch government and parliament. The hybrid form had more disadvantages. Although the previous policy indeed resulted in an increase in high quality private house building, it also caused stagnation in the social house building. The Minister wanted to ‘seduce’ the corporations to invest more in unprofitable social housing. A new rental bill, *Huurwet 2006*, the Rent bill 2006 was introduced, according to which the house rents were slightly liberalized against the promise of the corporations (i) to invest more in social housing projects and (ii) using parts of the increased rents to compensate specific tenants. They ought to do so voluntarily, based on their responsibility as a ‘Social Enterprise’. If imposed by law, these complementary measures – confirming the hybrid construction – could make the bill politically viable.

The fall of the government has prevented the Rent bill 2006 to become a law. That very cautious attempt to liberalize the social housing market was postponed for some time. Since the government gives now individual rent subsidies<sup>17</sup> rather than subsidizing the corporations, it has not too much interest in liberalization. That makes it hard or impossible for the corporations to develop a long term business strategy. Secondly, the privatized corporations have no privileged admission any more to local building lots. Large private project-developers buy out farmers for future building lots and the thus create scarcity, which causes stagnation and disequilibrium in the housing market; notably the ‘starters’ in the housing market find themselves in a difficult position. That problem was aggravated by the ban to build houses in the designated rural areas.

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<sup>14</sup> In 1995 the Commission Glasz, installed by large housing corporations, presented a pioneering report on internal supervision of housing corporations, called *Naar professioneel toezicht*.

<sup>15</sup> In ‘t Veld (1997) was an influential proponent of hybridization and pleaded for a legal embedding.

<sup>16</sup> *Netwerk Toekomst Maatschappelijke Ondernemingen* (NTMO), *De waarde van de maatschappelijke onderneming geborgd*, 2003. *Wetenschappelijke Raad voor het Regeringsbeleid* (WRR), *Omggaan met overmaat. De vermogens van de corporaties als sturingsopgave*, 2003.

<sup>17</sup> An OECD report “Economic survey of the Netherlands 2004, Housing Policies” made very critical remarks on the Dutch rent policy. It says that the system of rent subsidies performs badly because tenants remain too long in a cheap house. The OECD proposes to adapt the rents gradually to the level of the rents in the free housing market.

We have mentioned above a power gap in this hybrid form of governance. That has been filled up by the Boards of Directors of the corporations, who were covered by the networks they indirectly command. The effect of this development is ambiguous: some corporations provide excellent services; others become inert. The results of the corporations and the fact that the role of supervision is now under scrutiny, indicates that this aspect of governance is not quite satisfactory resolved. This is the subject of the Sections 4.4 and 5.

- **2005 – 2006 : A system of social enterprises**

The future form of governance of the Dutch social housing sector is still under discussion. Important government advisors as the SER and the WRR are in favor of a hybrid form. But the social enterprise may possibly emerge as a more satisfactory and transparent mode of governance.

- **2007 – ... : The captive social enterprises**

The recent elections caused changing majorities in parliament, which ended the liberalization process of the rented-housing market. On the other hand, the social tasks as could be specified for SGI's have been aggravated.

## 4 Assessment and Recent Developments

### 4.1 *Confrontation: the efficient contracting hypothesis revisited*

The separation of the value domain from the institutional domain allows for choosing the mode of governance for achieving a given type of service or goal in a welfare policy. That separation is also the fundament of the efficient contracting hypothesis, by which we can predict the choice of a mode of governance. We call a mode of governance a **feasible mode for a type of service** if it assigns sufficient power to the contracting parties to realize that type of service, that is, if the team contains the set of performers and the club contains the set of receivers of that type of service. So the mode (1,1) is feasible for all types of service, whereas the mode (3,3) is feasible only for the type of service (3,3). We call a mode of governance an **efficient mode** if it is feasible and requires the least power for the contracting parties to realize. When this criterion is applied to the Sections 4.2 and 4.3, we can conclude that in the first three time periods an efficient mode of governance has been chosen. Problems arise in the privatization mode, which have not been solved yet in the last mode of the corporation as a social enterprise.

- **1850 – 1940: Improving housing conditions for the poor**

The group of receivers belonged to the social group (or 'pillar') that included the stakeholders of the service, who identified themselves with the receivers. The group of performers was engaged by the corporation, the provider of the service. So mode (2,2) contains service type (2,2) and is feasible. It is also efficient.

Therefore, the type of service desired (2,2) is governed efficiently by mode (2,2).

- **1945 – 1965: Reconstruction and mass production**

Again, the type of service desired (1,2) is governed by mode (1,1), which implies too much central government involvement.

- **1965 – 1995: Diversification and more variety**

Two new types of service was desired (1,2) and (2,2), for which the new mode of governance was (1,2) was constructed. This mode is efficient for service (1,2) and feasible for service (2,2). But in the end it did not make true the expectations as formulated in the welfare policy.

- **1995 – 2005: Higher quality: partly liberalizing social housing**

The expanding activities (1,1), (2,2) and (3,2) were covered by the modes (1,2), (2,2) and (2,3), which is not a perfect match. The administrative policy<sup>18</sup> to build houses in a limited number of large locations near the big cities: the so-called VINEX locations were accomplished, but the construction of social housing stagnated almost completely. Services of social interest were formulated, but not supported by a transaction. The government's intention was that – after the ownership of all assets was shifted to the corporations – the housing corporations should continue building houses for the lower income categories, possibly extending their market to higher categories, and better oriented at the consumers' taste. The central government had in mind that the corporations were rich enough to cover the losses due to its rent policy, which policy remained intact. The government took the position that the management of these corporations should have internalized the external effects of housing corporations. The complex positioning of emancipated social housing corporations as social enterprises with a partial autonomy and strong dependence on governmental regulations seems to be a cause of the actual stagnation in the social housing sector. The hybrid character of housing corporations has resulted in a high degree of autonomy for strategic development, but also in a low degree of transparency. Some have used this autonomy to start new, sometimes surprising initiatives, such as taxi services and art lending, but they are gradually converging to either assuming responsibility for the livability of the districts in which their target groups live or to inertia (see Perotti, 2002).

- **2005 – 2006: Fully liberalizing with a task as Service of Social Interest**

Even more services are now taken up by the social housing corporations: (1,1), (2,2), (3,2) and (3,3). The modes of governance are still in discussion.

Public tasks should be executed with the least possible regulation. Tasks should be close to the group aimed at by the organization, according to the providers of public-sector organizations<sup>19</sup>. Social enterprises should succeed in situations where the free market mechanism fails. These enterprises have no need to fall back on bureaucratic or public law enforced mechanisms associated with government intervention. The Scientific Government Council (WRR, 2003) is in favor of a social enterprise, but adds that it should always be accountable to society. They think that a model of pure self-regulation is not feasible, neither desirable. That is why supervision has become a central issue.

- **2007 – ... : The captive social enterprises**

The aggravation of social tasks forces housing corporations to realize the hidden values in their assets. At the same time they are not allowed to liberalize the rented-housing market. This is a short term solution. That implies on the long run that they are not able to meet their social tasks and that the gap between tenants and house-owners will increase. The central ad-

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<sup>18</sup> *De Vierde Nota ruimtelijke ordening EXtra (VINEX)*, or the fourth report on spatial ordering (1995).

<sup>19</sup> *Netwerk Toekomst Maatschappelijke Onderneming* (2003), *De waarde van de maatschappelijke onderneming geborgd*. A critical analysis of the social housing sector gives Hof e.a. (2006). They suggest economically viable solutions for securing public interests in the housing market and observe that short-term political motives form a serious obstacle for a sound long-term solution. Ruys (2003) has also pleaded for designing strong modes of governance for the growth and distribution of social welfare rather than seeking protection in a hybrid labyrinth.



ministration will supervise the corporations more closely and not decrease regulation in this matter, which is the mode of governance of 1995-2005 period again. The outcome in terms of welfare values will be the same as described above for that period.

## **4.2 Transaction costs and tradeoffs**

Since the exercise of power on individual members of an interacting group requires effort to preclude opportunistic individual behavior, it is a costly affair. We assume that *the cost of a mode of governance* is proportional to the degree of coercion applied, which is again *proportional to the size of any party in the transaction*. This transaction cost ordering defines a tradeoff between the various modes of governance. Integration of some party implies less freedom of choice for the composing parts (higher organization or welfare costs), if it is not necessary for the chosen service. Liberalization of a party implies more freedom of choice for the composing parts (higher welfare and lower organizational costs), and is cheaper if this decentralization of decisions is technological feasible. Integration may be necessary, however, for providing services with a higher degree of interaction and resulting welfare. So the trade-off between two feasible modes of governance is determined by the change in welfare benefits and organizational costs caused by a change in a mode of governance. Benefits and feasibility are subjects of Section 4.

Williamson designs a mapping from the transaction space into the modes of governance space to construct his efficient contracting hypothesis. His theory predicts that an organization will align to a specific mode of governance when the transactions in which that organization is involved have specific characteristics. The key dimensions of uncertainty, frequency of occurrence, and asset-specificity identify these characteristics. This theory can be tested empirically<sup>20</sup> and is called the efficient contracting hypothesis. Williamson's mode of Vertical Integration, for example, will be relatively more efficient with recurrent transactions, and when either investments are idiosyncratic (high asset specificity) and uncertainty is either high or medium, or when investments are mixed (medium asset specificity) and uncertainty is high. In this paper we deviate from Williamson's model in two ways. First, we have extended the choice of contracting in this paper to providers *and* procurers. Secondly, we have defined a mode of governance by a type of transactions. So we cannot assess the efficiency of a mode of governance without extending the model with welfare dimensions.

## **4.3 Supervision in the Dutch social housing sector**

The institute 'housing corporation' is a vehicle of social enterprise by which both (market oriented) entrepreneurship and achieving social goals are supposed to be realized. The actual surplus of capital assets in possession of the housing corporations offers new possibilities for society. The social legitimacy of the decisions made by the housing corporations are, however, questionable. There are at least two bottlenecks in spending the allocating the surplus of assets. Firstly, a so-called *bestemmingsplicht*, destination obligation, rests on the assets. So the resources can only be used in the interest of social housing and the housing corporations have not these funds at their free disposal. Various public authorities now try to use this restriction by imposing at will obligations on the corporations. The *verzelfstandiging* or emancipation of the corporations, however, is inconsistent with this strategy. Secondly, there exists

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<sup>20</sup> Carter and Hodgson (2006) observe however, that the empirical evidence does not decisively support Williamson's theory; so further research is necessary.

a legitimate expectation from the side of the government that the corporations should support the public authorities to fulfill their social tasks. That task need not to be outsourced and bought as a service of general economic interest (SGEI), but can be formulated as a service of social interest (SGI or SSI) based on the destination obligation on the assets of the corporations. So there exists a public and legal framework to solve this bottleneck. A general opinion is growing that “the richness” of housing corporations, having its roots in the social sector, must be used for social purposes.

There exists a large variety in housing corporations, but they have one common denominator: they consider themselves social enterprises. A *social enterprise* is a private organization with a public-sector task. Their claim is based on being granted by the government the position of ‘admitted institution’, *toegelaten instelling*, according to the Housing Law (*Woningwet*, Ww) of 1901. That recognition implied rights and duties for the corporation. Instead of a strict description of the tasks to be fulfilled with the state’s subsidy, the corporation was allowed to own houses and to make profits but it faced the condition that its working capital could only be used in the service of the people’s housing. So legally the assets belong to the corporation, but economically the corporation has no full freedom to dispose of these assets. These assets are called ‘socially tied assets’.

The corporate mode of governance for housing corporations contains the following elements. The Board of Directors is responsible for the corporate policy, given the following restrictions:

- there exists a priori regulation based on the *Woningwet* the Housing Law 2001 (Ww) and the *Besluit Beheer Sociale Huursector* 1995, the ministerial directive Social Housing Rents (BBSH);
- there is a system of supervision and there exist sanctions;
- there are two financial funds for the sector: *Centraal Fonds voor de Volkshuisvesting* (CFV) and *Waarborgfonds Sociale Woningbouw* (WSW);
- there is a network of local relations (stakeholders).

An admitted corporation has to adopt the following articles in its by-laws:

- there is a Board of Supervisors;
- this Board of Supervisors has to draw up a people’s housing report;
- there are rules to give tenants influence on the composition of the board;
- in case of dissolution of the corporation, its assets has to be distributed among other corporations or the municipality; its net capital has to be deposited in a central fund.

The supervision by the central government was marginal and aimed at guaranteeing the continuity and solvability of the corporation by the CFV. The CFV calculates the *surplus* for many corporations, which part of the assets of a corporation could be spent on social purposes. In order to turn away the risk of direct political intervention, the Minister has urged the corporations to seriously plan spending this surplus on living quarters that lag behind in development and big problems are expected on the short term. In its annual report 2006, the CFV observes that the Boards of Supervisors of corporations are very slow in improving their performance, viz., their accountability towards society and their recruiting of board members.

Recently the Association of Housing Corporations, Aedes, has issued two codes for its members, viz.:

- The Aedes Code
- The Governance Code

In the Aedes Code is stated that the governance code is compulsory. The Governance Code has resulted from an assignment by the VTW, the union of supervisors in Housing corpora-

tions, and Aedes to the *Commissie Winters*. The code of this committee is sharper and requires more engagement than the Aedes Code.

Apart from the generic regulations in the Civil Code, housing corporations are also subject to the Ww and the BBSH, a ministerial directive for the management of the social rent sector, issued by the *Ministerie van Volkshuisvesting en Ruimtelijke Ordening* (VROM), the Ministry of People's Housing and Environmental Design. The BBSH delineates:

- activities that housing corporations may undertake;
- policy domains upon which housing corporations may be active.

This directive regulates the functioning and performance of housing corporations on six policy domains, which define the public tasks with which a housing corporation is charged. Although the term 'service of general interest' is never used, it defines that service. The directive has been redesigned in 2004 requiring corporations to make a distinction between their core business, which is exempt from company taxes, and non-core or commercial services, such as broker services; these are subject to company taxes. The government, however, remains responsible for the supervision chain. The basic supervision is carried out by internal supervision; external supervision is complementary.

A special point from a governance point of view is the information about subsidiaries. This information is essential for associations, because an association is not in the form of a capital call. This means that more information on an association can be held secret. As a consequence, losses can be kept hidden for a certain period of time. It is therefore essential that the directors' report gives proper insight in the actual situation of an association and its subsidiaries, notably in the structure of profits and losses.

## 5 Conclusion

In the introduction we mentioned the postmodernistic view that the classical, vertical democracy is transforming to a horizontal network society with continuous bargaining between hybrid organizations. Complementary to this development is the need for transparency of a mode of governance, for security when engaging in long term contracts, and for efficiency with its particular checks and balances. People appreciate a rational way to allocate power, included economic power, which is channeled by modes of governance. If that power is not properly allocated, misallocations of wealth and services follow. In this paper we have shown that the consecutive modes of governance in the Dutch social housing sector did not always match with the values that the sector was supposed to deliver. We propose and use a framework that also facilitates the discussion about the concept of a social enterprise and the embedding of a service of general interest.

One conclusion is that the expansion of non-core activities in the social housing sector and the underperformance in the core business is due to the vagueness and proliferation of the modes governance. The hybridization of governance has positive effects, such as a reformulation and reshuffling of tasks and methods. But in order to make these innovations durable, new boundaries have to be delineated and a strong mode of governance has to be designed for the new type of organization, which is usually called a social enterprise.

With the framework offered here one can address urgent questions that have to be raised in the analysis. The first issue is about legitimacy: Who is the principal? That is, who has authority as a procurer on the various levels to enter into transactions, who has delegated that authority, and what are the consequences in case of underperformance? The actual state of supervision in the Netherlands is still deficient in this matter. The main issue, however, is about a new type of government's failure: political inconsistency between the various modes of governance imposed by the government. For, integrating a system of social enterprises in the housing sector of the economy is inconsistent with simultaneously regulating rents for other political reasons. The actual political status quo in the Netherlands will not break up the barriers between the rented-housing market and the owned-housing market. These questions have to be answered satisfactorily if one really wants to increase social welfare.

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