Ostrom against heating costs: Empirical evidence from managing buildings in Ukraine

Arieda Muço

CEU

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Introduction

- The paper investigates whether local institutions (like home-ownership associations, HOAs) are more efficient at managing common resources than centralized systems, focusing on heating consumption in multi-apartment buildings in Kyiv, Ukraine.

- The model captures the dynamics of heating consumption and the impact of local governance through HOAs, incorporating utility maximization, the principal-agent problem, from Ostrom's theory.

Key Findings

- Buildings with HOAs reduced their heating consumption, especially during warmer months, by eliminating the principal-agent problem.
  - Learning effect: older HOAs achieve greater reductions in heating consumption.
- Investments made through co-finance programs where HOAs co-fund the improvements significantly reduce heating consumption.
  - Unconditional investments from the city budget (manna-from-heaven) do not have a significant effect due to principal-agent and free-riding problems.

Key Findings (2)

- Economic variables such as income and subsidy levels influence the formation of HOAs and their effectiveness.
- Political factors, like the timing of investments relative to election cycles, also play a role (e.g., increased investments before elections).

The findings support Elinor Ostroms theory that local institutions are more efficient in managing common resources due to reduced principal-agent problems and increased local accountability.

What I liked

- This is a nice exercise and it combines both theory and empirics.
- Use of local data to address a relevant policy question.
- Combination of quantitative analysis with qualitative interviews adds an additional layer to the findings.

What to Improve

- Paper structure: Clarify the main focus. Is it theory or empirics? Streamline the introduction to get to the main point quicker.
- Improve the link between the theory and the empirical part. For instance, explicitly connect model predictions with empirical findings in the results section.
- Some tables should be moved to the appendix to improve readability of the main text.

What to Improve (2)

- Acknowledge and address the limitations of the data and empirical work. Use the data as motivating evidence rather than an empirical test to the theory.

- Discuss the generalizability of the findings. How should these results inform the centralization versus decentralization debate? For example, in a forthcoming paper at AEJ: Policy (Lotti, Muço, Spagnolo, Valletti), we show that centralization, hybrid approaches, can be beneficial by allowing information spillovers for independent purchasers. (In our case, common resources are tax payers money that go into public procurement.)

- Consider applicability to other sectors such as energy and heating. Discuss why the findings might or might not be generalizable.