Referee report on
"The Impact of Tax, Product and Labour Market Distortions
on the Phillips Curve and the Natural Rate of Unemployment"

This paper heavily draws on Blanchard and Giavazzi QJE 2003, who were the first to model explicitly the differences between short run partial equilibrium, short run general equilibrium and long run general equilibrium. Until page 10 this paper follows BG closely. With BG it shares the main weakness of assuming an exogenous relationship between the elasticity of substitution and the variety of commodity $\delta = f(m)$.
The main innovation is the introduction of the public budget equation (10), which however is rateher ad hoc. The aim of the authors is to make the budget proportional to the worker surplus, but if workers pay contributions only when employed, it should read $B = (t_w + t_p)w_j N_j + P w_r(u)[1 - N_j]$.
The other innovation is the microfoundation of the relationship between the reservation wage and the aggregate unemployment rate, but this is not essentail for the development of the results.
With these caveats in mind, the results are reasonable.
When going to simulations, values of $\beta = 0.25$ are rather irrealistic, especially in the European context, where the bargaining power of unions is much higher.