

This paper presents a theoretical model on the optimal choice concerning tourism investment plans when interests among the agents involved are clashing.

In this model two agents are considered: the Destination manager, as the public agent, and the private firms, as private agents. The conflict arises as the two agents maximize their objectives pursuing two different allocations of limited resources available: land and capital. The alternative choices are building hotels and/or building second homes. According to the assumptions introduced in the model, public agents maximize their objective allocating the limited financial resources in building hotels. From a political economy point of view, building hotels should allow the public agents to gain citizens consensus because the local community benefits more from the investment in hotels than in second homes (i.e., the local tourism multiplier is higher). It is also assumed that the local community would benefit more if the use of the land is increased and no available land remains unused for any kind of building. Moreover, the crucial assumption is that the two agents have linear preferences: therefore, in two out of the three policies considered (i.e. laissez faire, taxation and de-taxation) they obtain a corner solution. As the authors clearly show in the analytical part of the paper, the only compromised solution is the de-taxation policy that allows not only to maximize the objective functions of the two agents but also to maximize the use of the land available.

The theoretical model has been explained very clearly and synthesized in an elegant way: the Figures help to make the different solutions easily comparable.

A few remarks on the analytical part:

- (iii) page 12: “de-taxation policy, consisting of taxation of investment in hotels (??) together with a temporary tax exemption...”. Is it correct?
- Page 15: Even if the tax levied on the profits of private investments in second homes is an instrument of indirect control and it has not the primary scope to increase the fiscal revenues, is it reasonable the assumption not to enter explicitly the tax in the objective function of the public actor?
- If the tax would have been introduced in the Destination manager objective function, the taxation policy and the direct control regulation could have been no longer equivalent, as the authors radically say. If the revenues would have been allocated by the public agent to reduce her financial constraint and to carry on the tourism investment on her own, which would have been the optimal choice?
- Page 11: The assumption that the agents share the common interest to minimize the unutilized land that is relevant to design the compromised solution can suffer from an environmental critique that is also briefly considered at page 7: investments in second houses can cause a net negative externality. Are we really sure that the political consensus increase if all the land available is built?
- In the three solutions proposed, the compatibility constraints have been graphically represented. This is the only clear remind to the theoretical framework on which the model is founded. However, it is not clear to which extent the model is a principal-agent model as the other characteristics typical of a principal-agent model are not explained.

This last remark lets me to go through the main comments to the article that concerns mainly the first part where the authors introduce the topics and give the reference literature:

- It is not clear, on the one hand, if and what are the relations between the conflict economics and the principal-agent model and, on the other hand, the relations of these two lines of the literature and the model presented;
- It is not clear what is the relation between the case history that inspired the model, that concerns Sardinia and the firm “Chia Invest s.p.a.”, and the problem of FDI in less developed tourism destinations: first, it is hard to consider Sardinia a less developed country and secondly, the authors do not say where the “Chia Invest s.p.a” stock capital comes from. For what they say “Chia invest s.p.a.” could be a local firm. Moreover, how is it relevant the assumption that the firm is not local? Could not the model work even without this assumption?
- The authors also distinguish FDI from Technological Transfers: how is it relevant this well-known difference in the model? If they think that making this difference is useful for their model they should give an example of what they mean for technological transfers in tourism; otherwise they could totally neglect this difference.

Very final remarks:

- In the conclusions the authors quote as an example an Italian Law mentioned also in the introduction. As they consider an international journal as the outlet of the article, they should remind very briefly in the conclusion what is the issue of the Italian Law 383/2001.
- A final check of the English language by a mother-tongue is suggested.

I think that after revisions the paper can be seriously considered for the publication, as it presents original and innovative contents.