

Referee Report on

Private and Public Incentive to Reduce Seasonality: A Theoretical Model

The paper analyzes the seasonality, one of the most important topics in the economics of tourism. The major point of the paper is that addressing efficiently the seasonality issue is a difficult task, because of the misalignment of the public and private goals. The argument is neatly and convincingly developed, but some points deserve further attention.

In the paper the welfare criterion to be maximized by the policy maker is the sum of the firms profit and the tourists consumer surplus, whereas the domestic households consumer surplus is neglected. However, such a policy maker is extremely altruistic as he cares about the non-domestic but not about the domestic household welfare.

If the criterion is instead the maximization of the welfare of all the actors, the role of the domestic household is overlooked and must be considered, possibly distinguishing between the domestic households and the tourists preference structures. If the criterion is the maximization of the domestic welfare, domestic households are again overlooked, whereas tourists' welfare is superimposed.

Another point concerns the interpretation of the parameter θ in equation (1), which measures the consumer θ appreciation of the low- and high-season characteristics of the destination. With $\theta=0$ the consumer has no preference toward the high season. As the empirical evidence suggests that most tourists prefer a holiday in high season, the uniform distribution for θ considered in the paper requires some explanation.

A final remark concerns the modelling of the deseasonalization effort, e . In equation (8) this "effort" is, in effect, a price cut. The price cut affects the level of utility of all tourists in the same way ($U_0 + \theta u_L + (p_H - e)$), whereas a genuine deseasonalization effort is expected to change some of the characteristic of the destination, making more appealing the low-season holiday to high θ tourists ($U_0 + \theta(u_L + e) + p_L$). This latter specification might be more in line with the introduction of quadratic costs for e in equation (23).

In conclusion, whereas the paper analyzes the important point of the deseasonalization, some analytical issues must be clarified before the acceptance of the paper.