

READER'S REPORT

"Private and Public Incentive to Reduce Seasonality: A Theoretical Model"

This article proposes a theoretical model exploring the convenience to invest money in order to reduce seasonality. At this end, a market where consumers strongly prefer consuming in one of two stylised moments is considered. Accordingly, the model builds on seminal work of Gabszewicz and Thisse (1979) and Shaked and Sutton (1982) regarding (vertical) product differentiation. The authors claim that, according to their model, the policy maker finds it optimal to make more effort to reduce seasonality as compared to private producers. This result holds for a wide set of parameter configurations. Further, they assert that their theoretical model is consistent with empirical and anecdotal evidence.

In my opinion the most significant contribution of the paper consists in providing a rigorous formal theoretical framework supporting a well-know general argument that the public decision-maker – acting as a “benevolent dictator” – finds it more profitable making investment in order to increase social welfare as compared to private firms taking into account only individual profits.

I recommend publication with minor revisions. These include:

- Since it is assumed there is only one (monopolistic) firm operating in the market, I would not use the expression “equilibrium price” taken from the duopolistic models of product differentiation (e.g. p. 6). On the conceptual grounds, the expression “optimal prices” used at page 4 might be more appropriate. In any case, I would suggest adopting a consistent term over the whole paper.
- As a reader I would appreciate a higher effort in providing economic interpretation relative to parameters conditions, where possible.
- Although stated in the abstract, it seems to me that the paper does not take seriously into account any empirical evidence regarding the higher willingness of policy-maker to reduce seasonality w.r.t. private sector. I suggest modifying the abstract accordingly.

Finally, I would stress that, as stated by the authors, one of major contribution of the paper consists in providing stimulus for further research on the strategic interaction between public and private subjects in reducing seasonality, which represents a crucial point not addressed in this occasion. In light of this, the paper has to be considered as an exploratory analysis with a high potential for future contributions.