

Referee Report on the article “INDIRECT TAXATION, PUBLIC PRICING AND PRICE CAP REGULATION: A SYNTHESIS” by Edilio Valentini

Overall Summary:

The article provides a survey on the seminal contributions on optimal pricing structures for three different problems: indirect taxation, public pricing and regulatory price-cap adjustment processes (as proposed by Vogelsang and Finsinger (1992)). It provides a unified notational framework which allows to easily identify the differences and most importantly the parallels of the three different problems and their solutions.

General assessment:

The article does not provide any new insights or findings on the problems under study but provides a well-structured and clearly written survey on already know and well established contributions to the literature. The author introduces a clear and unified notation for presenting the central results which allows for an easily accessible comparison of the different findings. Usually such thorough and well written organization of already established results is found in textbooks which provide access to established bodies of the literature.

This being said, there is not much to be added or criticized about the submitted article, as already mentioned above the writing is very clear and polished, the unified notation is very helpful for the comprehensive understanding of the summarized contributions. Let me thus just add some minor observations:

1) The reference to “price cap” regulation throughout the article might be somewhat misleading. Indeed the author only discusses a very specific adjustment process first proposed by Vogelsang and Finsinger (1992), which relies on several rather strong assumptions (such as myopic decision making of monopolists). The general reference to “price caps” in the title and throughout the article might misguide expectations of the reader.

2) There is a small typo on page 6: “simple sum the quasi-linear” – there should be an “of”