REVIEW REVIEW OF
“INDIRECT TAXATION, PUBLIC PRICING AND PRICE CAP REGULATION: A SYNTHESIS”
by EDILIO VALENTINI

The paper summarizes some already known results in the theory of optimal commodity taxation and the theory of optimal monopoly price regulation, emphasizing the strict parallelism between the two strands of economic literature.

The analysis is correct and the paper is well written, and I could find no noticeable error (however, see my “minor comments” below). I think the paper can be a useful summary for scholars and researchers who approach this field of research.

My main concern is that most of the paper lingers too much on explaining in detail something which can be easily made clear, once and for all, by showing that the problem of finding optimal commodity taxes raising a given amount of revenue is formally equivalent to the problem of finding optimal prices securing a given level of profits. On the other hand, this formal equivalence is well known to everybody who is familiar with this literature. The result is that the paper appears to be quite repetitive and redundant, especially in its section 2.

I found section 3 more interesting, as it shows something which is possibly less widely known, namely the relation between price caps mechanisms and optimal prices, a relation which carries on even when we allow for distributional concern.

As a final remark, I think that the survey could have been more interesting if, together with the similarities between the two problems of optimal taxation and optimal pricing, it had discussed why should monopoly regulation be concerned with distributional issues once the latter can be addressed by commodity taxes or other (optimal) tax instruments.

Minor comments
p. 7, line 3: rather than “distance” it would be more appropriate to say “relative distance”
p. 7, first paragraph of section 2.3: I would not say that the assumption of quasi-linear indirect utility functions is equivalent to assuming “that the demand side can be treated as if they were just one representative household”. The formes is at most a sufficient condition for the latter, but they are not the same thing
p. 18, paragraph starting with “Price cap regulation...”: I do not agree with the claim that price cap is able to bypass the problem of asymmetric information. Non-bayesian mechanisms make no use of information but they do so at the price of being vulnerable to strategic behavior by the parties; moreover, their “optimality” properties apply only as time goes to infinity