Review of: "A Dynamic Model for an Optimal Consumption Tax Rate"

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Potential competing interests: No potential competing interests to declare.

Comments

1. The paper is very well developed in a sequential, chronological manner, giving concrete reference to Ramsey's solution to the problem of efficiency loss in the post-policy tax increase implementation. However, the carbon emissions abatement tax has not been given a precise linkage to the problem at hand.
2. The assumption of linearity along the supply curve is justified. However, it should be quantified in terms of some proportion of movement. The authors have already patched up a good piece to neglect this bit, which would greatly increase the value of the paper.
3. Under the section 2.1.2 Dynamic problem, the opening sentence is improper. Though proper discounting has been done (in continuous time), the words "… with zero time value…" are totally misleading. Clarify that it's the total future profits discounted to the present time (time zero) that are being maximized. Moreover, the discount rate is not specified. Is it the middleman's subjective rate, or is it the risk-free ruling rate? Clarify. Under section 2.2 Producer, the same wordings as in 2.1.2 have been used. The authors could also explain why the statements imply a single cash flow has been discounted. If more than one cash flow was envisaged, then more than one term would have been included at varying time periods. Similarly, the same wordings have been used in section 2.3 Consumer. An equivalent remedy is required.
4. Why is the discount rate for the consumer different from that used in sections 2.1.2 and 2.2? How is it chosen?
5. The authors have concluded by showing how the proposed solution works using numerical examples, which is commendable.