

Supply and demand - tax incidence

Business



The paper " Supply And Demand - Tax Incidence" is a worthy example of a business book review.

The two articles illustrate the effects of tax incidence on people. Both articles assumed tax incidence is a situation wherein people are the most affected.

Comments on the post of W. Williams entitled " Ignorance Exploited".

Williams discussed in his article the burden of the tax, and who gets the most of it. I agree with the author since it is my view that any tax shifts result in a spiral effect on the economy. Whenever a higher corporate tax is slapped to manufacturers, it is not the corporation who bears it fully, but part of it, if not fully, is shouldered by the ultimate consumers. He argued that raising corporate taxes is not justified since it will necessarily raise the price of the commodity as they will have to increase also the price of a good to recover the cost. So in this situation, the consumers are the most affected because the burden is passed on to them. Say, if a corporate tax is imposed on imported goods, importers will necessarily increase the price of the good so they can recover expenses so that not all taxes are shouldered by the importer. The title is apt for the article because consumers unknowingly share the burden of taxes of corporations. We are being exploited since in everything that we do or buy, we pay taxes, aside from our personal taxes. Comments on the second article which was posted by someone. The article also discussed tax incidence wherein the tax burden is not fairly distributed and consumers are the ones who carry the load. I have the same opinion that I would illustrate. Let us imagine that the government raised taxes for the sale of milk. Despite the changes in price, people still buy and the demand did not change, so the seller can charge the whole amount of tax to the buyer. In this case, tax incidence fell entirely to the buyers. This means <https://assignbuster.com/supply-and-demand-tax-incidence/>

excess burden that must be shouldered by consumers. It is a waste because it distorts the purchasing ability of the consumer. Supposing that because of increase of milk price from \$1 to \$1.50 per box, buyer sacrifices \$0.50 that could be spent on other productive good.