

Example of whisky taxation essay

[Business](#), [Marketing](#)



President Alexander Hamilton while serving as the president of the United States imposed taxes on whisky that was used to pay for debts incurred during the war. The principle of benefits in taxation requires the government to tax businesses in order to cater for other government expenditures. The move was met with uproar and opposition from different from different angles. This move can however not be justified by the benefits principle. If it was really done based on principle of benefits, the president would have sort the opinion of different market players in the business. The president directed for the increment of import duty on imported distilled spirits. He also went ahead and increased the tax on whisky that was distilled locally. If the intention was to pay the debts based on principle of benefits, he would have imposed on the imported whiskies and not the locally produced ones. (Burman, Leonard & Joel 124). The benefits principle cannot therefore be used to justify this move. The principle states that stakeholders who benefit from the government's expenditure should pay more taxes. The whisky industry does not have any benefits from the government expenditure, therefore principle benefits does not fit to explain the idea. Commodities that can be taxed on the benefits principle approach include gasoline since the revenue is used in the construction and maintenance of roads. The whisky industry did not in way benefit from the war. maybe pther imports should have been taxed since their trade benefited after the war stopped.

The taxes imposed on the whisky had effects on demand and supply in the United States. The demand decreased compared to the demand before the taxes were imposed. This was due to the increase in prices that saw people opting to take other alcoholic drinks and not whisky. The company

manufacturing the drink shifted the cost to the customers which led to reduction in number of people consuming the whisky. In the frontier region, the demand was not affected since the demand was inelastic. The consumption did not change even after the taxes were imposed, even though the new price was shifted to the consumers, its effect did not affect their demand. In this other factors as introduction of new whisky in the market would have affected the demand but not increase in prices of the existing one.

Work Cited

Adams, Charles. *Those dirty rotten taxes: the tax revolts that built America*.

New York: Free Press, 2000. Print.

Burman, Leonard, and Joel Slemrod. *Taxes in America: what everyone needs to know*. Oxford: Oxford University Press, 2013. Print.

" The Whiskey Rebellion - YouTube." YouTube. N. p., n. d. Web. 8 Oct. 2013. .