

Good example of essay on econo101 writing assignment

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Answer 1

Imposing a heavy tax on e-cigarettes is not a good idea. This is due to the fact that it leads to tax inefficiency. Taxing the e-cigarettes at a higher rate than the other alternative small businesses in the same field will lead to loss of equity in the tax system, hence the tax inefficiency. This taxation will result to a deadweight loss that will cause the demand of cigarettes to lower and also raise the price. Similarly, the consumers and the producer's surplus will be reduced. The consumers will shift to other alternative products hence reduce the demand of the cigarettes. This is not the only option for the government to raise revenue. It is supposed to outsource other possible areas to tax and not over tax e-cigarettes in which case the burden of the tax is transferred to the consumers. Answer 2

I agree with this prediction that small businesses will bear the burden since consumers will purchase less product quantities than usual due to the price increase of the cigarettes. This is translated to the business in the level of production because the demand will lower. Secondly, decrease in sales will cause the increase in cross border tax leakage. This will lead to tax evasion. In so doing, the small business at Washington will continue to face high taxation while there will be those enjoying low taxes in the market through the tax evasion. Finally, smuggling will take its course in the market. This will lead to loss of tens of thousands of dollars that would be earned by the small business in the Washington. This will make the owners of these small businesses continue suffering due to the high taxation.