Consequences of Taxes: The Whiskey Rebellion

**Due via NetTutor (**<http://www.nettutor.com/worth/econ/wsu>) **by Friday, February 27 by 11:00 pm (PST).**

Events and circumstances surrounding the whiskey rebellion are described in the video produced by Historical Spotlight <http://historicalspotlight.com/the-whiskey-rebellion-video/> or <http://www.youtube.com/watch?v=hX9gKS7uMZY>.

In Chapter 7, Paul Krugman and Robin Wells present the economic analysis of excise taxes and discuss various issues surrounding excise taxes. Two issues discussed are the incidence of taxes, i.e. who really bears the cost of taxes, and principles of tax fairness including the benefits principle.

1. From the historic information presented in the video, discuss whether you believe that the excise tax placed on whiskey to pay for the national debt incurred during the U.S. Revolutionary War can be justified by the benefits principle or if some other explanation seems more appropriate. In addressing this question, be sure to define what is meant by the benefits principle.
2. Based on the economics of tax incidence, discuss how the intensity of protest over imposition of the excise tax on whiskey to pay for the national debt incurred during the U.S. Revolutionary War may be related to the supply and demand elasticities of whiskey during the late 1700’s. Assume that the demand for whiskey was elastic during the late 1700’s and that the supply of whiskey produced in the frontier regions of the country was inelastic during this time period.

**Grading Rubric**

Your essay must not exceed two double-spaced and 12-point-font pages. **Please include your name, instructor’s name (Dr. Prera), course and section number (i.e. EconS 101.01** [MWF *9:10-10 am*] **or 101.03** [TTh *10:35-11:50 am*]**), and writing assignment (Assignment 2) on the top of your assignment.**

Your essay will be assessed as either “Meets Expectations” or “Needs Improvement.” If your essay meets expectations in both areas, your score will be 100%. A score of *meets expectations* in **Economic analysis** alone will result in a score of 50%. *Needs improvement* in both areas will result in a score of 0%. If your essay needs improvement, you will be given feedback from NetTutor to help you revise it. You can then re-submit the essay to NetTutor for another try, but you only get one second chance. If you take materials or quotes from sources, you must provide citations/references in a standard citation/reference format.

Here are the criteria your essay will be judged against:

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| **Criteria** | **Needs Improvement** | **Meets Expectations** |
| **Writing** | The writing is difficult to follow and/or poorly organized. Transition sentences are absent or ineffective. Typos and/or grammatical errors distract the reader. Source material citations/references needed, but are missing or incorrect. | Ideas are well-organized. Transition sentences effectively connect one idea to the next. The essay is free of typos and grammatical errors. Sources properly cited and referenced. |
| **Economic analysis** | Explanation of the benefit principle is incorrect or interpreted incorrectly as it applies to the historic facts. Lack of a reasonable alternative explanation for the tax.  Explanation of how demand elasticity and supply elasticity are related to excise tax incidence and how this affects who actually paid the tax is insufficiently explained or unclear. | Explanation of the benefit principle is correct and discussion of how it applies to the historic facts is correct. A reasonable alternative explanation for the tax is presented.  Explanation of how demand elasticity and supply elasticity are related to excise tax incidence and how this affects who actually paid the tax is clearly explained and interpreted. |