Marginal Excess Burden

The graph illustrates the marginal excess burden caused by a tax. The curve represents the demand (D) and supply (S) of a market. The price before the tax is $P^*$, and after the tax, the price is $P^* + t$. The tax revenue previously collected under the lower tax now becomes part of the deadweight loss (DWL), as the extent of the market drops further to $Q_{2t}$. The revised graph highlights the impact of the tax on market equilibrium and the associated losses.