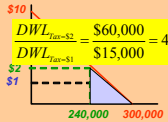
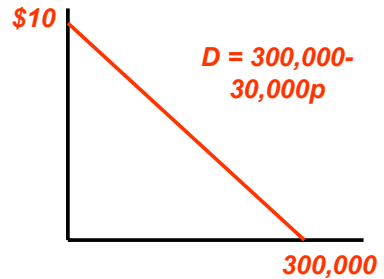


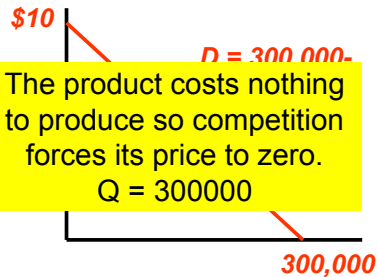
Tax Rates and DWL



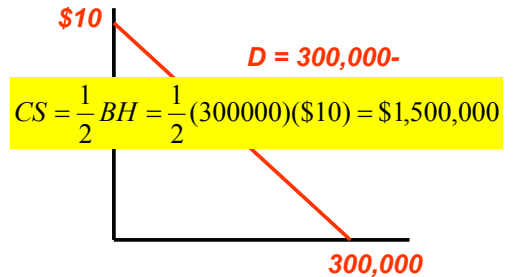
A Simple Product



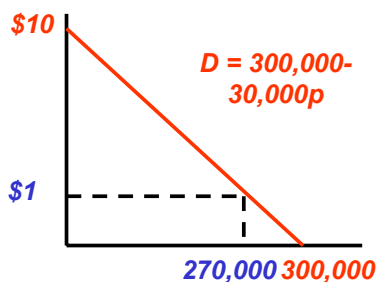
A Simple Product



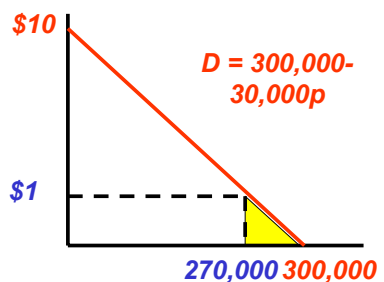
A Simple Product



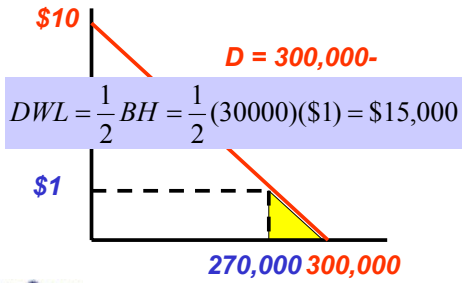
A \$1 tax



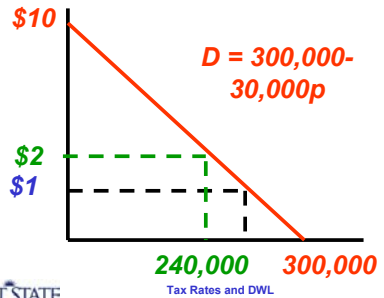
The DWL



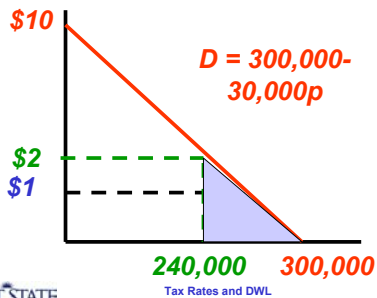
The DWL



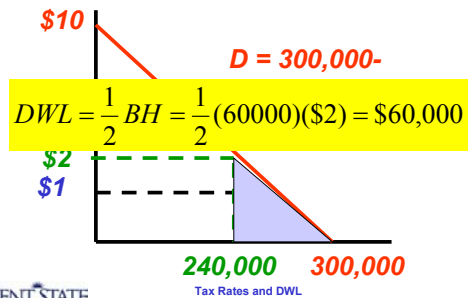
A \$2 tax



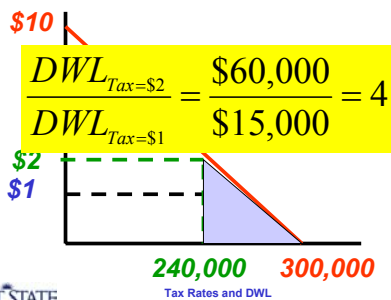
A \$2 tax



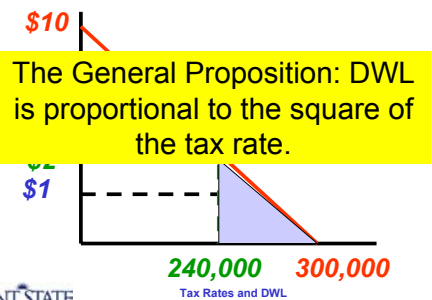
A \$2 tax



A \$2 tax



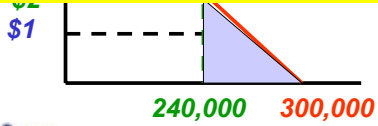
A \$2 tax



A \$2 tax

$$DWL_{Tax=\$3} = 9DWL_{Tax=\$1} = \$135,000$$

The General Proposition: DWL is proportional to the square of the tax rate.



End

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