

Follow the full chain of consequences

Learn the book's basic policy test and practice separating visible gains from later adjustment. The chapter introduces a value-laden argument for open opportunity; the course makes its mechanisms, assumptions, and evidence testable.

2 lessons · approximately 5 hours, plus multi-day practice

How to use this workbook

Read the assigned manuscript first. This workbook contains accompanying teaching and invented cases, not a revision of the source. Attempt exercises before consulting the rubrics and explanations. Written work is self-assessed or discussed with a tutor; no secure examination, academic credit or certificate is implied. Use a clearly labelled fictional case when live practice or personal disclosure would be unsuitable. Links use the course's intended publication address; for offline review, open the supplied source PDF at the full-book page numbers shown.

- Construct a complete causal policy ledger.
- Distinguish legal payment from economic incidence.
- Compare money, time, quality, and access costs.
- Apply the six-part test to four policy domains.
- Evaluate source claims without treating agreement as evidence.

[Open the module and source reading links](#)

Lesson sequence

1. Trace adjustment before judging a policy
2. Apply the six-part test without assuming the verdict

Trace adjustment before judging a policy

Allow approximately 100 minutes, plus any continuing activity.

Learning objectives

- Distinguish primary effects, secondary responses, and counterfactual outcomes.
- Build a time-and-group incidence map with explicit assumptions.
- Explain how substitution can turn a money price into another cost.

Assigned source readings

Complete consecutive source range, including its arguments and examples

Full-book PDF pages 32–37. Section links open the chapter at the relevant page.

Develop the argument

From an announcement to a causal model

Chapter 1 updates Hazlitt's instruction to follow a policy beyond its immediate beneficiaries. Its opening contrast between a photograph and a changing system is methodological: a visible payment or posted price is an observation, not a complete welfare assessment. First specify the policy, the problem it is intended to solve, and the comparison against which success will be judged. Then identify who changes what behavior, when, and why. A secondary effect is not simply something undesirable that happens afterward. It must be connected to the intervention through a plausible mechanism and distinguished from events that would have happened anyway. This distinction protects the book's method from becoming a catalogue of imagined costs. The same discipline must include unseen benefits and harms of inaction, even where the chapter's rhetoric concentrates on government failure.

Time horizons and incentives

The chapter separates an initial transfer from the system's adjustment. A rent cap may immediately reduce payments for a protected tenant; investment, maintenance, conversion, and mobility responses can take longer. A homebuyer grant expands purchasing capacity immediately, while construction may respond slowly. These are hypotheses whose size depends on policy design and local constraints. The author's broad statements that taxes reduce activity or subsidies expand it are useful prompts, not universal estimates. Ask whether the affected margin is responsive, whether alternatives exist, whether the rule is binding, and whether enforcement changes behavior. A tax on a fixed resource can behave differently from one on a mobile activity. An evaluation should therefore use several horizons and record which mechanisms are already observable and which remain forecasts. Short-run relief can matter greatly even when longer-run costs also matter.

Substitution and the full price

Substitution means choosing another route when relative costs change. The chapter describes waiting, grey markets, relocation, asset restructuring, and deferred investment. When a monetary price is constrained, rationing does not necessarily disappear: time, eligibility, search, connections, or quality can become important. Calculate a full cost rather than comparing posted prices alone. A four-hour queue may be cheap for one person and prohibitive for someone unable to leave work or arrange care. However, do not assume every queue is more regressive than every market price. Access depends on allocation rules and the distribution of money, time, and need. Treat the chapter's claim about regressive waiting as a question for evidence. A useful causal map includes legal substitution, unintended circumvention, and the possibility that a well-designed alternative allocation rule limits both.

Incidence and missing people

Incidence asks who ultimately bears a burden, rather than who submits a payment. Firms, owners, workers, consumers, and suppliers may share a tax through changes in prices, returns, employment, or investment. The relevant mechanism is adjustment under constraints; the chapter's shorthand about weak bargaining power does not replace analysis of elasticities, competition, or time. Its tariff and corporate-tax examples introduce this distinction without establishing a universal percentage. Include prospective entrants as well as current participants: an unbuilt apartment and an unrealized job are counterfactual outcomes that require evidence, not direct observation. Finally connect the opening political argument to measurement. Concentrated benefits may be easy to display while dispersed consequences are hard to identify. That visibility asymmetry explains why an evaluation needs deliberate sampling of absent and future groups. It does not itself prove that the advertised policy fails. A defensible conclusion states a mechanism, the assumptions necessary for it, and observations that could change the judgment.

The discounted workshop permit

Invented for this course.

An invented city cuts the posted annual permit for small repair shops from 600 to 100 currency units but adds an in-person renewal requiring six hours. A shop owner values lost work at 40 per hour; a second owner must also pay 180 for replacement childcare.

1. The visible saving is 500 for each owner. Treat this as an initial accounting change, before predicting entry or exit.
2. The first owner incurs 240 in lost work, giving a net saving of 260. The second incurs 420, giving a net saving of 80. These are stipulated costs, not population estimates.
3. Ask whether appointments, online renewal, or intermediaries become substitutes. If slots are scarce, waiting may increase beyond six hours.
4. Assess new applicants separately: a cheaper permit does not guarantee access if renewal crowds out appointments. Compare with an online-renewal alternative and include administrative costs.

The fee reduction helps these two existing owners under the stated assumptions, but its distribution and entry effects cannot be inferred from the posted fee alone.

Practice and evidence

1. Construct the second-effects ledger

Use the permit case to identify at least four groups, three horizons, and two possible beneficial and harmful behavioral responses. Cite two chapter blocks.

Deliverable: A 12-cell group-by-time ledger and a 150-word uncertainty statement.

1. Name the baseline.
2. Separate stipulated numbers from predicted behavior.
3. Give one observable indicator for each important predicted effect.

Causal distinction · 3 points

Connects each response to an incentive rather than mere sequence.

Coverage · 3 points

Includes applicants, administrators, and people unable to attend.

Uncertainty · 3 points

Specifies a competing explanation and evidence that could overturn a prediction.

2. Measure a full access cost

Design a comparison between a monetary fee and a time-based eligibility process without assuming that either is universally fairer.

Deliverable: Two household profiles, transparent arithmetic, and a proposed data collection plan.

1. State income, time, care, and accessibility assumptions.
2. Compute money and nonmoney costs separately.
3. Explain whose needs your profiles omit.

Transparent calculation · 3 points

Costs and units are explicit and correct.

Distribution · 3 points

Shows how the ranking can change across people.

Evidence · 3 points

Identifies actual wait-time and access data needed beyond the example.

Reflection

Which group is easiest to omit from a policy you care about, and how could you make its experience observable?

Formative self-check

Choose an answer before looking at the answer key. These questions are open practice, not a secure assessment.

1. A new tax is legally remitted by delivery firms. What is needed to identify its economic incidence?

- A. Only the name on the tax return
- B. Evidence about adjustment in prices, pay, returns, and activity
- C. A statement that all firms are greedy
- D. The first month of revenue only

2. A capped price lowers bills for current users. Which finding most directly tests the chapter's secondary-effects concern?

- A. Users like lower bills
- B. The policy has a memorable name
- C. Entry, quality, and availability change relative to a credible comparison
- D. The cap was passed unanimously

3. Waiting replaces a monetary charge. Which conclusion is justified before distributional data are collected?

- A. Access is automatically equal
- B. The poor necessarily lose more in every case
- C. Rationing has disappeared
- D. Time and accessibility costs belong in the comparison

Answer explanations

1. B — Evidence about adjustment in prices, pay, returns, and activity

Remittance identifies a legal obligation. Incidence requires tracing adjustment and its constraints; a revenue total alone cannot identify the ultimate burden.

2. C — Entry, quality, and availability change relative to a credible comparison

Entry, quality, and availability test proposed adjustment channels. Approval and satisfaction describe politics or immediate benefits without measuring later effects.

3. D — Time and accessibility costs belong in the comparison

The method requires counting nonmoney costs. Their distribution must be measured; neither equality nor universal regressivity follows from the presence of a queue alone.

Apply the six-part test without assuming the verdict

Allow approximately 100 minutes, plus any continuing activity.

Learning objectives

- Apply claim, assumption, response, second effects, incidence, and alternative tests.
- Compare four source policy examples while identifying conditional claims.
- Audit a source citation without treating a footnote as verification.

Assigned source readings

Complete consecutive source range, including its arguments and examples

Full-book PDF pages 37–42. Section links open the chapter at the relevant page.

Develop the argument

Demand support and supply conditions

The four compact examples turn the opening concepts into a repeatable procedure: identify the claim, expose a hidden assumption, predict behavioral response, trace later effects, locate incidence, and test a better design. In the homebuyer example the crucial assumption is supply responsiveness. A grant can increase bids; if new homes cannot be supplied, sellers may capture much of the benefit. If supply expands, part of the response may instead be additional housing. Timing, eligibility, credit conditions, and anticipation also matter. The course therefore asks for a conditional conclusion rather than the slogan that all grants inflate prices. Compare a grant with feasible supply reform, and compare both with doing nothing. The source's proposal to reduce zoning and permitting constraints deserves the same scrutiny: identify actual bottlenecks, construction lags, infrastructure needs, and who can benefit during the transition.

Inflation and wealth: identify the missing mechanism

The inflation example challenges an explanation based on an unexplained, economy-wide increase in greed. A stable motive cannot by itself explain a changing outcome; an analyst must identify what changed in demand, supply, monetary conditions, competition, or pricing opportunities. The book strongly favors monetary and supply explanations. That stance should not be taught as proving that margins or market power never matter. Distinguish a relative-price increase, a one-time level change, and continuing broad inflation, and ask what evidence separates explanations. The wealth-tax example makes a different category correction: an asset valuation is not cash available for payment. Owners may sell, borrow, use income, or restructure. These responses have distinct costs and distributional implications. The chapter opens a forced-selling argument but does not quantify its market-wide magnitude. Do not assume every liability forces liquidation, every sale destroys productive capacity, or every tax design has the same consequences.

Rent control, entry, and the book's normative goal

The rent-control example contrasts incumbent tenants with excluded seekers and connects price limits to conversion, maintenance, investment, and mobility. Preserve both parts: protection can be real for existing tenants, and losses can emerge elsewhere. Evidence from a particular jurisdiction should not be silently generalized to every form of rent stabilization. Exemptions, vacancy rules, enforcement, new construction, and alternative tenant protections may change the result. The final sections state the author's moral priority: protect wealth creation while keeping entry and competition open. They distinguish inequality from immiseration and portray closed pathways as a central wrong. This is a normative framework rather than a neutral definition of all social objectives. A learner may also value security, bargaining fairness, or relative equality. Strong analysis makes those values explicit and tests whether the proposed means achieve them instead of grading agreement with the author.

Use notes as leads, then state a bounded conclusion

Chapter notes and linked footnotes supply references for rationing, housing subsidies, rent control, tax incidence, inflation, and wealth taxes. They are part of the required reading, but their presence is not independent verification. The housing-subsidy citation names a paper about second-home investment restrictions; the claimed connection to Help to Buy needs checking against the actual research. Broad summaries of the IMF, OECD, and tax-incidence studies also require examination of scope, methods, and dates before reuse as settled evidence. In this course, label these as claims reported by the book. A complete policy memo can still be written responsibly: distinguish theoretical channels from measured estimates, state what the source supplies, identify missing evidence, and give conditions under which your recommendation would change. The lesson line urges attention to consequences rather than intentions. Its best analytical use is a discipline of symmetric scrutiny: evaluate the proposed reform, the author's preferred alternative, and the status quo with the same ledger.

A tool-library voucher

Invented for this course.

An invented town proposes a 50-unit voucher for renting construction tools. Only one shop operates, rental stock is fixed for six months, and a second supplier could enter after a permit change.

1. State the goal as usable tool-hours for low-income residents, rather than voucher redemption alone.
2. Trace two possible responses: higher rental charges with fixed stock, and additional inventory when supply becomes responsive. Neither response has a stipulated size.
3. Include nonrecipients, current users, the shop, taxpayers, and a potential entrant. Separate transfers from real resource costs.
4. Compare vouchers alone, permit reform alone, and a time-limited combined design. Measure prices, stock, waiting, and access for intended beneficiaries.

The chapter's method flags capitalization risk but does not establish that the voucher is worthless. A recommendation depends on capacity, targeting, and feasible alternatives.

Practice and evidence

1. Four-case mechanism comparison

For homebuyer grants, inflation explanations, wealth taxes, and rent control, reconstruct the source's six-part test and add one condition that could weaken its prediction.

Deliverable: Four concise case cards with block references and a cross-case conclusion.

1. State the author's conclusion accurately.
2. Identify one empirical and one normative premise per case.
3. Specify a missing measurement rather than inventing an estimate.

Fidelity · 3 points

Preserves each source argument without caricature.

Conditional reasoning · 3 points

Names a relevant boundary condition for every case.

Comparability · 3 points

Uses the same evaluative criteria for policies and alternatives.

2. Audit a footnote-to-claim chain

Select one chapter note and its corresponding body claim. Determine what the supplied text establishes and what requires inspection of the original study.

Deliverable: A 250-word evidence audit with citation details and a verification checklist.

1. Copy only the short claim needed to identify it.
2. Separate the book's summary from the underlying research you have actually consulted.
3. Record scope, identification method, population, and missing bibliographic details.

Source honesty · 3 points

Does not claim to have verified an unread reference.

Claim fit · 3 points

Identifies whether the cited topic matches the asserted result.

Relevance · 3 points

Explains why external validity affects the policy conclusion.

Reflection

What evidence would make you revise a policy preference rather than merely change the story used to defend it?

Formative self-check

Choose an answer before looking at the answer key. These questions are open practice, not a secure assessment.

1. A homebuyer grant raises purchasing power while housing supply can expand quickly. Which interpretation best follows the method?

- A. All of the grant must reach sellers
- B. The grant has no effect on prices
- C. Price and quantity responses both require analysis
- D. The supply question is irrelevant

2. An asset owner owes a tax but has little cash. What follows directly?

- A. All productive assets disappear
- B. A financing or disposal decision is required unless payment rules provide another route
- C. Every pension loses the full tax amount
- D. The valuation must be fraudulent

3. A learner supports rent stabilization but accurately identifies incumbent gains, entry risks, design conditions, and conflicting evidence. How should the work be assessed?

- A. Fail it for disagreement
- B. Ignore the evidence because values differ
- C. Give full marks automatically for compassion
- D. Assess the quality of causal reasoning and evidence

Answer explanations

1. C — Price and quantity responses both require analysis

The source's capitalization concern is strongest under constrained supply. Responsive supply makes a quantity response plausible, without guaranteeing zero price effect.

2. B — A financing or disposal decision is required unless payment rules provide another route

A mismatch between liquidity and liability creates a financing problem. Its resolution and broader consequences depend on income, borrowing, sale conditions, and tax design.

3. D — Assess the quality of causal reasoning and evidence

The course tests the method, not ideological agreement. A contrary recommendation can be strong when it fairly represents the source and supports its conclusion.

Module assessment

Evaluate a repair subsidy

A town proposes a 30% repair voucher, a ceiling on repair prices, and a permit requirement for new repair firms. Draft an evaluation before implementation. All numerical outcomes are unknown.

Required evidence

- A six-part causal analysis covering at least five groups and three horizons.
- Comparison with two feasible alternatives and the status quo.
- An evidence plan and a conditional recommendation.

Assessment criteria

Mechanism · 5 points

Traces how each instrument interacts with supply, demand, and entry.

Incidence · 5 points

Counts current users, excluded applicants, workers, taxpayers, and entrants.

Evidence · 5 points

Separates claims, hypotheses, and verified findings; includes disconfirming tests.

Judgment · 5 points

States values and conditions under which the recommendation changes.

Model response: consult after your attempt

A strong response notices that demand support and price limits can intensify rationing if entry remains restricted, while acknowledging that targeted relief may produce real short-run benefits. It does not invent elasticities or assume that removing permits solves every safety or capacity problem. It compares access, quality, timing, and public cost across designs, proposes measurements before and after a credible comparison, and leaves room for a different recommendation if evidence shows responsive supply or successful protections.

Source cautions and interpretation

- Source conclusions about housing, inflation, wealth taxes, and incidence are attributed arguments, not independently verified universal results.
- The homebuyer-support reference's title concerns second-home investment constraints; its match to the stated Help to Buy claim requires verification.
- All six mapped footnotes (2–7) and seven chapter-end notes were read. No figures occur in this source group.

- Teaching material is original accompaniment; the authored chapter is unchanged.

Source coverage

Chapter 1: The One Lesson, Updated

The complete opening quotation and chapter introduction establish the problem and author's governing position; the first teaching section reconstructs the argument and separates its assumptions from evidence.

[Read source section: full-book PDF page 32](#)

The One Lesson

Introduces the complete-consequences rule and the need to include unseen benefits as well as costs; applied in the second-effects ledger.

[Read source section: full-book PDF page 33](#)

Secondary Effects: The World After the Press Conference

Distinguishes causally connected adjustment from events merely occurring later; tests entry, quality, and availability.

[Read source section: full-book PDF page 33](#)

Time Horizons: The Tyranny of “Now”

Uses immediate and later horizons and identifies forecast uncertainty in investment and housing responses.

[Read source section: full-book PDF page 34](#)

Incentives: The Invisible Handcuffs

Treats payoff changes as conditional hypotheses and requires elasticity, binding-rule, and alternative-action assumptions.

[Read source section: full-book PDF page 35](#)

Substitution: The World Moves Sideways

Compares monetary prices with queues, search, quality, and informal alternatives in the full-access-cost exercise.

[Read source section: full-book PDF page 35](#)

Incidence: The Bill Never Stays Where You Put It

Distinguishes remittance from ultimate burdens and tests responses in prices, pay, returns, and activity.

[Read source section: full-book PDF page 36](#)

Politics Loves Visible Winners

Explains visibility bias and includes entrants, absent participants, and dispersed consequences in the ledger.

[Read source section: full-book PDF page 37](#)

Example 1: Subsidise Demand, Inflate Price (Homebuyer Grants)

Tests housing-grant capitalization under constrained versus responsive supply and compares supply reform.

[Read source section: full-book PDF page 37](#)

Example 2: Inflation Is Not a Personality Trait

Separates motives from changing monetary, supply, demand, and market-power mechanisms; avoids a universal greedflation verdict.

[Read source section: full-book PDF page 38](#)

Example 3: Wealth Is Not a Vault of Cash

Distinguishes asset valuation from cash and compares sales, borrowing, distributions, and design-dependent spillovers.

[Read source section: full-book PDF page 39](#)

Example 4: Rent Control and the Cruelty of Shortages

Preserves incumbent benefits while testing maintenance, conversion, investment, access, and rule-design differences.

[Read source section: full-book PDF page 40](#)

What This Book Will Do

Explains the six-part method, the inequality/immiseration distinction, and the author's open-entry moral priority.

[Read source section: full-book PDF page 40](#)

The Lesson Line

Translates consequence-focused rhetoric into symmetric scrutiny of proposals, alternatives, and the status quo.

[Read source section: full-book PDF page 41](#)

Chapter 1 Notes

Uses the evidence-audit exercise to check citation fit, methods, scope, and the unverified housing-reference match.

[Read source section: full-book PDF page 42](#)