

Use precise definitions and test the policy after the headline

Consolidate the glossary into a working analytical toolkit, then apply the postscript's demand for testable mechanisms. Produce a policy comparison that handles resources, behaviour, administration, distribution and uncertainty together.

3 lessons · approximately 8 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.

- Distinguish definitions from the policy arguments embedded in the glossary.
- Use stock, flow, liquidity, price, cost and value consistently.
- Trace incentives, incidence, rationing and administrative responses under explicit assumptions.
- Evaluate both market and policy failures using feasible alternatives.
- Design review criteria that could change an initial recommendation.

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

Lesson sequence

1. A glossary is a set of distinctions, not a verdict
2. Trace the burden through incentives, time and rationing
3. Make the policy an empirical wager

A glossary is a set of distinctions, not a verdict

Allow approximately 150 minutes, plus any continuing activity.

Learning objectives

- Separate a term's definition from its proposed consequences.
- Keep stocks, flows and liquidity measures in compatible units.
- Build a resource account that avoids double counting opportunity costs and transfers.

Assigned source readings

Glossary: administrative burden through fixed supply

Full-book PDF pages 259–265. Section links open the chapter at the relevant page.

Develop the argument

Read each entry in two layers

The glossary is unusually argumentative. An entry often begins by defining a term and then moves into a mechanism, a policy criticism or a recommendation. Treat those layers separately. Administrative burden names time and procedural effort; a claim about who bears it requires attention to circumstances. Capture names influence over rules; a costly requirement does not by itself prove capture. Adverse selection concerns sorting under unequal information, while an assertion about its size needs a particular market and evidence. This method lets you use the vocabulary without importing every conclusion as part of the definition.

The opening entries connect scarcity and allocation with assets, capital, credit and investment opportunities. They also introduce behavioural response, bottlenecks, compliance fixed costs, demand, elasticity and dispersed costs. Read these as a network of questions. What resource is constrained? What changes in the payoff? Who can respond? Which costs are visible and which are spread across people or time? A term earns its place when it makes the mechanism clearer. Adding technical vocabulary to an unchanged assertion does not improve the analysis.

Keep the accounts in compatible units

A stock is measured at a point in time; a flow is measured over a period. An asset valuation, annual income and immediately available cash answer different questions. The source's repeated phrase that wealth is not cash should be understood as a warning against treating all wealth as spendable cash, not as a claim that cash can never form part of wealth. Specify whether a wealth figure is gross assets or net of liabilities. State whether a cash-flow figure is monthly or annual and whether it is before or after expenses.

Liquidity concerns the terms on which an asset can become cash, including time and possible loss. A quoted value does not guarantee that a large holding can be sold at that price. Conversely, a cash obligation does not automatically force an asset sale if sufficient cash or another feasible payment source is available. The outcome depends on the balance sheet, timing and options. The glossary's broad use of asset includes skills and reputation; do not silently assume that every such item is legally transferable, recorded in accounts or included in a real tax base. Define the scope of the fictional case before calculating.

Use cost and response concepts carefully

Cost includes resources and alternatives sacrificed; price is an exchange amount; value concerns usefulness to a chooser. Opportunity cost is the best feasible forgone alternative, not the sum of every imaginable alternative. A transfer can change distribution without itself being a resource destroyed. Administrative work, lost output and a change in risk may add further costs, but identify them separately to avoid counting the same burden twice. The glossary's deadweight-loss discussion concerns forgone beneficial exchanges. A complete welfare comparison must also consider any harm the intervention prevents.

Elasticity and fixed supply explain why the same payment can have different effects in different settings. If capacity cannot expand over the chosen period, extra purchasing power may chiefly alter prices and allocation. If capacity responds, quantity can change too. Define the time horizon and the relevant response instead of labelling an entire market permanently fixed. Similarly, capital gains lock-in, base erosion and avoidance are mechanisms to examine, not universal numerical constants. The glossary is most useful when it directs you toward the missing condition in a claim and the evidence needed to assess it.

Original course example: valuable assets and a small cash obligation

Invented for this course.

A fictional organisation holds equipment valued at 100 units and cash of 5 units, with liabilities of 40 units. Annual net operating inflow is 10 units. A hypothetical obligation of 2 units is due immediately.

1. State the date of the balance sheet. Gross listed assets are 105 units and net listed assets are 65 units.
2. Keep the annual inflow separate from the current cash balance; it may not arrive before the due date.
3. In the first scenario, the 5 units of current cash cover the 2-unit obligation without an equipment sale.
4. In a second scenario with only 1 unit of cash, identify a 1-unit funding gap and examine timing, borrowing or sale options without assuming their availability or cost.
5. Do not treat the 100-unit equipment valuation as a promise that a quick sale will realise that amount.

Valuation, net wealth, cash and cash flow are distinct measures. A liquidity problem is conditional on timing and available resources, not established by a large asset value alone.

Practice and evidence

1. Audit the first glossary cluster

Review every glossary entry from administrative burden through fixed supply.

Deliverable: An annotated list separating each entry's definition from any policy inference, plus six detailed notes.

1. Use the source wording or a faithful paraphrase.
2. For six entries, name a condition under which the proposed effect could differ.
3. Identify one pair of terms often confused and explain the difference.

Coverage · 3 points

Accounts for every entry in the assigned cluster.

Distinctions · 4 points

Separates definitions, mechanisms and conclusions accurately.

Conditions · 3 points

Gives meaningful assumptions rather than generic uncertainty.

2. Repair a mixed-unit argument

Create a fictional balance sheet and cash-flow schedule, then correct the claim that its entire asset value is immediately spendable.

Deliverable: A dated numerical account and a 400-word explanation.

1. Specify gross and net figures, liabilities and period units.
2. Include two liquidity scenarios.
3. Explain one uncertainty in valuation and one forgone alternative.

Arithmetic · 4 points

Calculations and units are correct and reproducible.

Liquidity · 3 points

Distinguishes current resources from future flows.

Interpretation · 3 points

States conditional conclusions and avoids double counting.

Reflection

Which definition in this cluster is most likely to be used as a hidden argument, and how would you make the argument explicit?

Formative self-check

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

1. An organisation has assets of 105 and liabilities of 40. What is its net asset figure?

- A. 145
- B. 105

- C. 65
- D. 40

2. What does “wealth is not cash” most usefully warn against?

- A. Including any cash in a wealth measure.
- B. Treating the entire value of assets as immediately spendable money.
- C. Measuring assets at all.
- D. Distinguishing liabilities from income.

3. What is the opportunity cost of choosing one feasible use of a resource?

- A. The sum of all possible alternatives.
- B. Only the cheque written.
- C. The value of the best feasible alternative forgone.
- D. Always zero if the choice has a public purpose.

Answer explanations

1. C — 65

Net assets are assets less liabilities: $105 - 40 = 65$. This does not establish how much cash is available now.

2. B — Treating the entire value of assets as immediately spendable money.

The distinction concerns liquidity. Cash can be an asset, but other assets need not be convertible quickly at their stated values.

3. C — The value of the best feasible alternative forgone.

Opportunity cost concerns the best forgone alternative. Adding mutually exclusive alternatives would overstate what could actually have been obtained.

Trace the burden through incentives, time and rationing

Allow approximately 165 minutes, plus any continuing activity.

Learning objectives

- Explain why a legal payer and an ultimate burden bearer may differ.
- Compare monetary and non-monetary allocation methods.
- Use the source's special terms without confusing them with broader meanings.

Assigned source readings

Glossary: [free at the point of use through redistribution](#)

Full-book PDF pages 266–273. Section links open the chapter at the relevant page.

Develop the argument

Follow responses rather than labels

The middle glossary cluster connects incentives, incidence, pass-through and liquidity with investment and the ladder into opportunity. Incidence asks where a burden ultimately falls after responses; pass-through describes channels through prices, wages or returns. Naming a company, landlord or buyer in a rule does not finish the analysis. Nor should the analyst assume complete shifting in a preferred direction. The glossary itself notes that pass-through can be limited or substantial depending on market conditions. Specify alternatives, bargaining conditions, competition and time.

Marginal tax rates concern an additional unit of the relevant base, while an average rate concerns total liability relative to a stated total. Lock-in concerns an incentive to postpone a change because it triggers a cost. Moral hazard concerns changed risk-taking under protection; it is not simply an insult to recipients. Human capital concerns productive capacities, while signalling concerns what others infer. These distinctions help separate the formation of competence from the information used to identify it. They also prevent a policy discussion from treating a label as a full explanation of behaviour.

Scarcity does not disappear when payment changes form

The entries on zero monetary prices, queues, price caps, rationing and redistribution ask how scarce capacity is allocated. A service can charge nothing at the moment of use while still consuming staff time, facilities and other resources. Waiting, eligibility and triage may then matter. But the same fairness test must be applied to price allocation: ability to pay is not identical to need or benefit. The glossary explicitly acknowledges that different allocation methods favour different groups and that none is automatically morally pure.

A complete comparison therefore states the objective and the allocation rule. It asks about availability, quality, waiting, financial burden and distribution, rather than treating a low posted price as the whole outcome. A binding price cap and a cap above the relevant market price are not the same intervention. A queue caused by a temporary shock differs from one caused by a permanent capacity constraint. Income support, pooled risk or a subsidy may have defensible aims, and supply response remains relevant to evaluating their design. Count both benefits and

burdens instead of assuming that identifying one mechanism resolves the choice.

Keep book-specific language and conditional claims visible

The glossary explicitly uses liquidity trap for a wealth-tax setting in which recurring cash obligations interact with illiquid assets. It says this is not its central-banking meaning. When using the phrase in this course, state that book-specific sense. The label does not remove the need to show the cash shortfall, payment timing, available options and consequences. Likewise, ladder and levelling express the author's way of framing opportunity and outcomes. Explain those frames while recognising that a policy can affect entry, distribution and security at the same time.

Inflation, indexation, real wages, productivity and investment connect nominal amounts to what resources can actually buy or produce. A rise in nominal pay is not the same as a rise in purchasing power. A model linking investment to productivity is not an unconditional statement that every investment benefits every worker equally. The glossary often compresses these steps. Re-expand them in your answer: state the mechanism, the necessary conditions and a possible competing effect. This habit preserves the force of the source's questions while keeping the analysis proportionate to what the evidence can support.

Original course example: three ways to allocate twenty workshop places

Invented for this course.

A fictional training centre has twenty places and forty applicants. It considers a fee, a first-come queue or a needs-and-readiness process. No immediate expansion is possible.

1. State the objective: access to useful training, including applicants with limited resources.
2. Under a fee, examine ability to pay and whether financial support changes access. Do not assume willingness to pay perfectly measures benefit.
3. Under a queue, examine time flexibility and how applicants learn when registration opens.
4. Under needs-and-readiness selection, examine criteria, administrative effort, error and appeal.
5. Compare feasible expansion later and make the trade-offs explicit instead of describing any method as costless.

All three methods allocate scarce places and distribute burdens differently. The preferred design depends on the objective, evidence and constraints.

Practice and evidence

1. Audit the middle glossary cluster

Review every entry from free at the point of use through redistribution.

Deliverable: An annotated glossary with six mechanism chains and two important ambiguities.

1. Distinguish a legal label from an economic outcome.
2. Identify the book-specific use of liquidity trap.

3. Include at least one case where distribution changes the policy comparison.

Coverage · 3 points

Accounts for every entry in the assigned cluster.

Mechanisms · 4 points

Connects conditions, behaviour and outcomes without automatic pass-through assumptions.

Precision · 3 points

Identifies special meanings and relevant ambiguities.

2. Compare allocation methods

Extend the fictional training-centre case with an explicit funding and expansion assumption.

Deliverable: A three-option comparison and a 600-word recommendation.

1. Include financial, time and administrative costs.
2. Name groups advantaged or excluded by each rule.
3. Specify what evidence would change your recommendation.

Comparison · 4 points

Uses the same objective and capacity constraint across options.

Distribution · 3 points

Examines different burdens rather than only averages.

Review · 3 points

Makes the recommendation conditional and testable.

Reflection

Which burden would be easiest to miss if you evaluated a policy only from the perspective of its advertised beneficiary?

Formative self-check

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

1. What establishes ultimate incidence?

- A. The name on the tax form alone.
- B. A mechanism analysis of responses and constraints.
- C. The intention of the proposer alone.
- D. The assumption that firms always pass everything to customers.

2. The glossary's liquidity trap refers specifically to what?

- A. Any low interest rate.
- B. Recurring cash demands interacting with illiquid wealth in the book's tax discussion.
- C. A guarantee that all asset owners lack cash.
- D. A prohibition on measuring liquidity.

3. A free training programme has a long queue. Which comparison is most complete?

- A. Only the zero fee matters.
- B. Only the waiting time matters.
- C. Compare financial, time and administrative burdens, quality and access under feasible alternatives.
- D. Assume a fee would remove every inequity.

Answer explanations

1. B — A mechanism analysis of responses and constraints.

Incidence depends on responses and conditions. Neither legal liability nor a universal pass-through assumption is sufficient.

2. B — Recurring cash demands interacting with illiquid wealth in the book's tax discussion.

The source explicitly gives the phrase a book-specific wealth-tax meaning. The actual funding constraint still has to be demonstrated.

3. C — Compare financial, time and administrative burdens, quality and access under feasible alternatives.

Allocation methods impose different burdens. A fair comparison considers the objective, distribution and available capacity rather than idealising one method.

Make the policy an empirical wager

Allow approximately 165 minutes, plus any continuing activity.

Learning objectives

- Turn the postscript's tests into observable review criteria.
- Compare administration, entry, social capital and spillover effects.
- Defend a recommendation while stating the evidence that could change it.

Assigned source readings

Glossary: regulation through the better test

Full-book PDF pages 273–280. Section links open the chapter at the relevant page.

Postscript: the habit that survives the headlines

Full-book PDF pages 256–258. Section links open the chapter at the relevant page.

Index heading in the supplied manuscript

Full-book PDF pages 281–281. Section links open the chapter at the relevant page.

Develop the argument

The postscript changes the question from applause to prediction

The postscript returns to incentives, delayed effects and administration. It proposes treating a policy as an empirical wager: what must be true for the promised outcome to occur? This is a useful discipline even when the reader disputes the author's policy preferences. Translate the promise into outcomes, a time horizon, affected groups and a comparison. A prediction that cannot fail under any imaginable observation is not doing the work the postscript asks of it.

Its example tests concern housing units and quality, labour-market entry and training, revenue after behavioural response, and harm reduced relative to regulatory cost. Each needs operational detail. A rise in housing units may coexist with displacement or lower quality. Increased entry may involve firms that quickly fail. Revenue may vary with a wider economic change unrelated to the policy. Specify more than one relevant outcome and avoid declaring success from a convenient single measure. The source calls its recurring observations descriptive, but that description does not exempt broad claims from evidence or eliminate disagreement about values.

Complete the institutional and welfare account

The final glossary cluster includes regulation, economic rent, rent control, risk pricing, scarcity, social capital, spillovers, subsidies, supply, tax bases and wedges, throughput, transaction costs and valuation. These terms connect private decisions with institutions and people outside a transaction. Regulation can protect safety, prevent fraud or address an information problem; it can also impose excessive costs or protect incumbents. The glossary itself asks whether a clear harm is addressed proportionately. Apply that criterion rather than beginning with an abstract verdict that every rule is either good or bad.

Spillover benefits and costs require a defined channel and affected group. A subsidy may change demand, production or risk depending on its design; distinguish a buyer grant from support that

relaxes a production constraint. Social capital concerns norms, networks and trust, but a close network can also exclude outsiders. Time as tax and throughput focus attention on delays and capacity. Not every delay is waste: some checks prevent a specific harm. Compare that benefit with its cost and examine a faster feasible design. The strongest account keeps both the institutional purpose and the opportunity cost visible.

End with a recommendation that can be revised

Use the glossary's better-test idea to write a review plan. State the baseline, intervention, comparator, outcomes, data needs, time horizon and decision rules. Distinguish measurement from causal attribution: observing a change after a policy is not enough to show the policy caused it. Ask what else changed and what comparison would help separate explanations. Include uncertainty about response size, administration and who gains or loses. Where values conflict, say how they were weighed instead of hiding that choice inside a technical term.

A strong capstone does not need to endorse the author's conclusion. It needs to reconstruct relevant mechanisms, perform correct arithmetic, test alternatives and explain its limits. It should also identify implementation risks and a proportionate plan for revision if the expected benefits fail to appear. The manuscript's index contains only a heading, so no missing index entries have been invented; use the course's chapter and term navigation instead. The postscript's final habit is to keep tracing the bill. In this course that includes tracing benefits, testing assumptions and recognising when the available evidence supports a narrower conclusion than the rhetoric suggests.

Original course example: a permit reform with a testable promise

Invented for this course.

A fictional town proposes replacing a twelve-week workshop permit process with a four-week process while retaining specified safety checks. It predicts more new providers and unchanged safety outcomes.

1. Specify which steps change and which remain, including staffing and appeal arrangements.
2. Measure baseline waiting times, applicant costs, entry, survival, service quality and relevant safety incidents.
3. Choose a feasible comparator or phased introduction that helps distinguish the reform from a wider demand increase.
4. Track outcomes over a period long enough for entry and possible harms to appear, with subgroup reporting.
5. State revision criteria: unexpected safety deterioration, unequal access or failure to reduce actual waiting time should trigger investigation and redesign.

The reform is an examinable proposal with possible benefits and risks. A shorter announced deadline alone does not establish success.

Practice and evidence

1. Audit the final glossary cluster

Review every entry from regulation through the better test.

Deliverable: An annotated list plus a one-page concept map linking entry, spillovers, risk and administration.

1. Separate definitions from the author's policy inferences.
2. Include a legitimate protective function and a possible exclusion mechanism.
3. Connect six terms to one fictional policy without using them as unexplained labels.

Coverage · 3 points

Accounts for every entry in the assigned cluster.

Conceptual links · 4 points

Shows accurate mechanisms and important distinctions.

Fairness · 3 points

Considers benefits, burdens and competing explanations.

2. Write a review protocol

Design an evaluation for the fictional permit reform or another clearly specified hypothetical policy.

Deliverable: A two-page protocol with baseline, comparator, outcomes and revision rules.

1. State the causal question and what data are required.
2. Include time, quality, distribution and administration.
3. Explain how an apparent success could be misleading.

Design · 4 points

Connects the comparison to the causal question.

Outcome completeness · 3 points

Includes material benefits, risks and distribution.

Revision · 3 points

States observable conditions for investigation or redesign.

Reflection

Which result would make you change your recommendation, and have you designed the evaluation to notice it?

Formative self-check

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

1. Entry increased after a reform. What follows immediately?

- A. The reform definitely caused all of the increase.
- B. The observed increase is relevant, but attribution requires examining other changes and a comparator.
- C. The reform had no effect.
- D. Safety outcomes no longer matter.

2. Which best fits the glossary's account of regulation?

- A. Every rule is capture.
- B. Every rule is justified by its stated aim.
- C. A rule should address a clear harm proportionately while limiting exclusion and capture.
- D. Compliance cost is always zero.

3. What makes a better test useful?

- A. It guarantees agreement with the author.
- B. It replaces evidence with a memorable phrase.
- C. It states measurable outcomes and mechanisms that can challenge the initial judgment.
- D. It counts only the first budget year.

Answer explanations

1. B — The observed increase is relevant, but attribution requires examining other changes and a comparator.

A before-and-after change is an observation. A causal conclusion requires attention to competing explanations and an appropriate comparison.

2. C — A rule should address a clear harm proportionately while limiting exclusion and capture.

The glossary recognises protective functions and exclusion risks. A specific harm, design and cost comparison is needed.

3. C — It states measurable outcomes and mechanisms that can challenge the initial judgment.

A better test makes disagreement examinable. It does not remove value judgments or guarantee a predetermined conclusion.

Module assessment

A policy comparison that survives its own tests

A fictional authority proposes subsidising training places while imposing a new provider credential and promising a fixed maximum fee. Capacity is initially limited. Compare this package with the status quo and one feasible alternative, using the glossary and postscript without treating any mechanism as an automatic verdict.

Required evidence

- A defined objective, stakeholder map and two time horizons.
- A numerical baseline and two sensitivity scenarios with explicit units.
- A mechanism account covering supply, incentives, incidence, administrative burden and quality.
- A 1,200-word recommendation with a strong counterargument and evaluation protocol.

Assessment criteria

Definitions and arithmetic · 5 points

Uses terms consistently, distinguishes stocks and flows and provides reproducible calculations.

Mechanisms and alternatives · 5 points

Compares feasible designs with conditional responses and no double counting.

Distribution and evidence · 5 points

Includes affected groups, benefits, costs and uncertainty.

Evaluation and revision · 5 points

States testable outcomes, a comparator and conditions that could change the recommendation.

Model response: consult after your attempt

A strong response first identifies the binding capacity constraint and the quality problem the credential is meant to address. It examines whether the subsidy raises places, prices or both under different response assumptions, and whether the fee cap is binding. It includes applicants unable to wait, small providers facing fixed costs, taxpayers and people exposed to poor-quality training. A feasible alternative could target a specified bottleneck while using a proportionate competence assessment. The recommendation is conditional, acknowledges the strongest case for the original package and sets review criteria. A different conclusion can earn full credit if supported by accurate concepts, fair comparisons and transparent evidence.

Source cautions and interpretation

- The glossary combines definitions with policy arguments; the course distinguishes them and makes conclusions conditional.

- Cash may be a component of wealth. The source's contrast warns against treating all wealth as immediately spendable cash. Gross and net wealth must be specified.
- Liquidity trap is explicitly used in a book-specific wealth-tax sense, not as an interchangeable label for central-banking analysis.
- A legal payer does not determine final incidence, and neither full pass-through nor universal forced sale is assumed.
- Price caps, subsidies and regulations require design, market conditions, time horizons and benefits to be specified before a welfare conclusion follows.
- The manuscript's index contains only its heading. No missing index content has been reconstructed.

Source coverage

Postscript — The Habit That Survives the Headlines

Empirical-wager method, administration, delayed effects and explicit policy tests.

[Read source section: full-book PDF page 256](#)

Glossary of key terms

Every entry is read and annotated in three consecutive glossary labs.

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Index

The supplied index is only a heading; course navigation supplies no invented source entries.

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Administrative burden

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Adverse selection

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Allocation

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Appraisal bureaucracy

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Asset

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Avoidance

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Base erosion

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Behavioural response

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Bottleneck

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Burden bearer

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Capital

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Capital formation

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Deadweight loss

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Demand

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Dispersed costs

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Elasticity

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Entry rung

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Equity

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Fiscal illusion

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Fixed supply

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Free at the point of use

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Human capital

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Liquidity

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Liquidity trap

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Lock-in

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Marginal tax rate

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Misallocation

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Moral hazard

Assigned glossary entry, definition-versus-inference annotation and mechanism practice.

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Price discovery

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Productivity

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Queue as price

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Supply

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Tax wedge

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Throughput

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Time as tax

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Transaction cost

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Two-tier system

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Unintended incidence

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“Better test”

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