

The background is a dark, almost black, abstract composition of overlapping geometric shapes and lines. Several thin, glowing golden-yellow lines intersect to form various polygons and triangles. The lighting is dramatic, with the glowing lines creating a sense of depth and movement against the dark backdrop.

# **Direct provision of goods and services**

A further way of reducing inequalities in society is:

- For the government to provide certain important services **free of charge** to the user.



Such services are financed through the **tax system**.

- If such services are used equally by all citizens, then those on **lowest incomes gain most** as a percentage of their income



e.g. MERIT GOODS

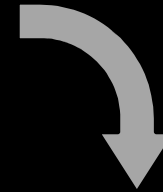
These markets are subject to various market failures.  
However, these failures do not justify free provision to the consumer.

- The view is that **everyone** should have access to a certain level of health care and education regardless of income.
- The justification must be on the grounds of equity



As with transfer payments, there are substantial **differences** in the direct provision of goods and services between economies.

- ❑ Health care provision is particularly variable. (e.g. UK and USA)
- ❑ In most low-income countries, a **charge** is usually made for most types of health care provision.
  - insurance
  - only a very basic system of health care is provided free of charge.



These differences are seen between developed economies as well as between developed and developing economies.

The direct provision of goods and services is also a **controversial/argumentative issue**.

- The main argument is that the market overprovides especially where no direct charge is made.
- Resources are not allocated efficiently.
- If a charge is made or introduced, demand is likely to fall.

#### **ARGUMENT**

Many consumers could afford to pay a charge, so reducing the tax burden or allowing the funding saved in this way to be put to alternative uses.