




CIE Economics AS-level

Topic 3: Government Microeconomic Intervention e) **Direct provision of goods and services**




Notes



State provision of public goods:

-  The government could provide public goods which are underprovided in the free market, such as education and healthcare. These have external benefits.
-  This makes merit goods more accessible, which might increase their consumption and yield positive externalities.
-  It could be expensive for governments to provide education, and the government will incur an opportunity cost of spending their revenue.

Provision of information:

-  By providing information, governments can ensure there is no information failure, so consumers and firms can make informed economic decisions.
-  For example, governments might make it illegal for second-hand car dealers not to reveal the entire history of a car, so consumers know exactly what they are buying.
-  This could be expensive to police.

