**Merit and Non Merit Goods**

The concept of merit goods in economics was introduced by an American economist Richard A. Musgrave. Merit goods and services are those goods which are promoted by the government. Government wants to promote the consumption of these goods to increase the welfare of the society.  If these goods & services are costly then government gives subsidy to promote consumption or sometimes provides free of cost to the poor.

**Features of Merit Goods;**

1. Merit goods are not provided on the basis of consumer’s preference. Rather, they are given by the government on its own preferences.
2. Merit goods are given by the government for a particular section of the society. But ion the case of public goods, they are provided to all sections of the society.
3. Merit goods produces social benefit by directly benefiting the sections that receive those goods. When primary education is provided to poor sections, it benefits the nation.
4. Merit goods produces positive externalities. This means that as a result of merit goods supply, the receivers give backs some related benefits to the society.
5. Merit goods are aimed for personal consumption and not for the consumption of all.

**Examples for merit goods**

Merit goods include primary education, basic health care, life insurance to poor people etc. The report by the National Institute of Public Finance and Policy titled “Central Government Subsidies in India” (2004), classifies merit goods under two categories- Merit I and Merit II, in terms of their priority.

**Merit I –**Elementary education, primary healthcare, prevention and control of diseases, social welfare and nutrition, soil and water conservation, ecology, and environment.

**Merit II –**Education (other than elementary), sports and youth services, family welfare, urban development, forestry, agricultural research and education, other agricultural programmes, special programmes for rural development, land reforms, other rural development programmes, special programmes for north-eastern areas, flood control and drainage, non-convention energy, village and small industries, ports and light houses, roads and bridges, inland water transport, atomic energy research, space research, oceanographic research, other scientific research, census surveys and statistics, and meteorology.

**Definition of Non Merit Goods**

A demerit good is a good whose consumption leaves a negative impact on its consumer and on others in the society. An example for demerit good is alcohol. Consumption of alcohol can cause health problems for the drinker. Besides this personal cost, it also leads to external costs as the taxpayer may have to pay for the drunkard consumer’s healthcare as a result. If it is over consumed the marginal social costs exceed marginal private (drunkard’s) costs, due to the external costs imposed on society. Hence a high tax should be imposed on de-merit goods.

**Properties of Non-Merit Goods**

**1.** These goods have negative externalities because they affect others without compensating them. A smoker not only affects his/her health but also peoples standing surroundings him/her.

**2.**  Generally these goods are too costly. Government imposes higher taxes on non-merit goods to curb the consumption of these goods. You must have observed that government imposes very high rate of taxes on the cigarettes, liquor and other intoxicating items every year.

**3.** These goods can also be private.

**Examples of Non-Merit Goods**

**1.** Liquor, high caffeine energy drinks, Drugs, Opium and cigarettes

**2.** Violence promoting movies and games like the **government banned the PUBG and blue whale games.**

**3.**  Hands free mobile phones in vehicles

**4.** High fat, salt and sugar containing foods (Government has banned the sale of pizza, burger, pastries and other fat oriented foods)

**Difference between merit goods and public goods**

Public goods are provided to the entire society. Merit goods are provided to targeted individuals. Hence in the case of merit goods, there is exclusion. On the other goods, there is no exclusion under public goods.