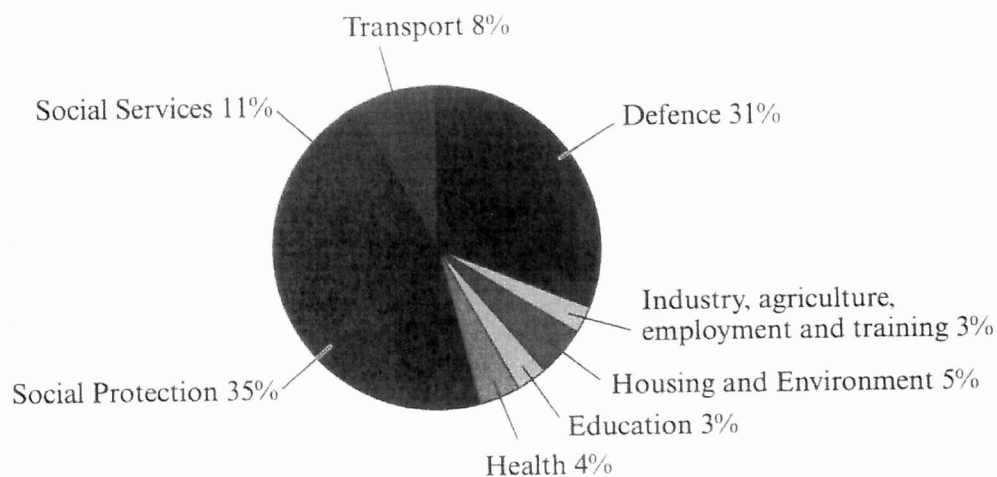


4. As a result of the financial crisis, there is little doubt that severe cut-backs in public spending will be necessary to balance the nation's book. A poll run on the internet from 4 August to 10 August 2009 asked people "If you were Prime Minister in charge of the public sector, where would you cut back on public sector spending?"

People were given one vote as to which of the following they would like to see cut.

- Defence
- Education
- Housing and the Environment
- Industry, agriculture, employment and training
- Health
- Social Protection (police, street lighting, etc.)
- Social Services
- Transport

The results of the poll are given in the pie chart below.



The results seem to imply that people care far more about **merit goods** than **public goods**.

- (a) Using the information above, distinguish between *merit goods* and *public goods*. [4]