



TRANSFER PAYMENTS



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- A hand-out or payment made by the government to certain members of the community. Their function is to provide a more equitable distribution of income.



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- Transfer payments are payments from tax revenue that are received by certain members of the community. They are not made through the market. Like progressive taxation system, their goal to provide a more equitable distribution of income. Main target is vulnerable groups such as, disabled, elderly, unemployed and very poor. Payments tend to transfer income from those able to work and pay taxes to unable to work and need assistance.



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- It's depended on how much tax is collected and how many people paid tax. In developing countries, this is affected by all sort of problems.
- The effect of transfer payments on market is controversial issue. The counter argument is that unemployment benefits and benefits to the poor can act as disincentive to accepting work, so the increasing the unemployment rate.