



**HSE Global Scholarship Competition – 2020**

**Task 2.** (*maximum grade - 15 points*)

In 2005, Russia carried out a reform known as «Монетизация льгот» ("Monetization of Non-monetary Benefits"). Under this reform, the goods and services, which had been provided to retired and disabled people, and other groups of population free of charge, were replaced with equivalent cash payments.

Ivan Ivanovich is a disabled person who used to spend certain periods of time at a sanatorium (Russian spa resort with medical services) free of charge every year. However, after the Monetization of Non-monetary Benefits reform, he didn't receive a sanatorium voucher, but was paid enough money to purchase such voucher on his own. Alternatively, he had the option to spend this money for any other purpose. Hearing this news, Ivan Ivanovich got furious, persistently demanded a free sanatorium voucher and rejected the money offered to him.

**How can you explain this person's behaviour? Why do you think cash can not serve as the exact equivalent of a free voucher? What is the underlying value of free vouchers versus cash payments?**

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