

Answer on Question #60789 - Economics - Microeconomics

Economic goods are goods that have an opportunity cost. Their main characteristic is scarcity. This feature determines the possibility to evaluate the particular goods, for which price is established according to the law of supply and demand.

We call the good that have no opportunity cost a “free goods”. They are not scarce and need zero efforts for a production.

For instance, air and sea water are free goods. But sometimes free goods can be converted to economic goods. Few centuries ago, water also was a free good. A smaller number of people living on the Earth could meet their needs in drinking water without paying for it. Today large corporations clean water and then sell it.

Interesting example of converting a free good into an economic good shows us Chinese millionaire. Chen Guangbiao sells fresh air in cans. The main idea of such activity is to attract an attention to the problem of air pollution in China. The part of the money Mr. Guangbiao is going to give to charity. At the same time, the fact is that air is converting from a free to the economic good in this case. You should pay 5 Yuan to breathe it. As a result, this money is your opportunity cost. And obviously we can illustrate supply and demand curves. Moreover, Mr. Guangbiao stresses that environmental pollution can make clean air scarce. Obviously, Tibetan air has all characteristics of the economic good in this situation. However, immediate actions can provide it still stay free.

Actually, the problem of the air pollution is a burning topic for the whole humanity. In case we do not join together our efforts, in the future we will buy fresh air exactly as we now are purchasing clean water.