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EC 202

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Current Events 2 - Better Businesses from Dumpster Diving

BioHighTech is a company which makes various machines. One of them convert food waste into sewage using bacteria stored in the machines. The company is finding out that there is a high demand for these machines, especially because 1/3 of all food produced end up in landfills which produces greenhouse gas and methane and contributes to climate change. The company believes that the market for these digesters could expand to more than 250,000 units for use by businesses domestically, and the goal of the BioHighTech is to produce and market to these companies while there is still demand for these machines. This machine converts up to 2400 pounds of food waste into sewage waste per day. The Environmental Protection Agency and US Department of Agriculture wants to reduce food waste by half by 2030. With that said, BioHighTech sees an opportunity and wants grasp it. They want to produce this machine for the UK then eventually expand to the rest of this world.

This article relates to the economic concepts in aggregate supply and demand. When a product is in high demand, the cost of the product will go up, and vice versa, when the product is in low demand, the cost will go down. An example of this model can be derived from the graph where SRAS and AD intersect (short-run macroeconomic equilibrium). This food digesting machine that BioHightech produced is currently below short-run macroeconomic equilibrium, therefore the firm must increase prices and production to reach macroeconomic equilibrium.

In chapter 2-3, a concept we learned is that population growth, greater capital, and new technology causes the economy to grow. In this case, there is an improvement in technology, which can cause economic growth and shift the PPF frontier out. The reason for this is because, older technology could have probably done the same thing as this machine, but the old technology probably could not have churned out 800-2400 pounds of sewage waste in a day. This machine is the best at what it does, and is the most cost-effective. You can compare this to when we went from using typewriters to Microsoft word on the computer. You are far more efficient, and produce more in a shorter amount of time with the Microsoft word. When technology is more productive, potential GDP increases, PPF curve shifts out, and in the end, contributes to economic growth.

Discussion questions:

What markets would benefit the most from these machines?

Do you think the government should fund these machine in companies, because it does reduce greenhouse emissions, and methane gas? Or should they make it mandatory for companies who throw out a lot of food to have one of these machines?

Sources:

Kharif, Olga. "Better Businesses from Dumpster Diving." 26 May 2016:*Bloomberg*. Web. 26 May 2016. <http://www.bloomberg.com/news/articles/2016-05-26/better-business-from-dumpster-diving>.