Name:

Instructor:

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**DB 3: Demand Supply and Market Equilibrium**

1. **Briefly explain the situation**

According to Hollander, (par. 1), the demand for refurbished phones continues to increase, while that of the new phones decrease. The refurbished mobile phone represents 1 out of every 10 gadgets sold accounting for the fastest developing segment of the international market for smartphones.

1. **1 determinant of demand (supply) and direction demand (supply) will shift**

Eastin and Arbogast (10), there exist various determinants of demand, including expectations, customer preferences, prices of complementary products, the income of the purchasers and the price of the products. From the articles, one of the determinants of demand includes the price of complementary products (phones). Hollander, (par. 2) highlights that the selling price of smartphones has risen and most consumers prefer to buy the refurbished smartphones, which cost less and possess most of the features that meet their mobile phone needs.

Therefore, the demand for the refurbished mobile phone will shift to the right because the refurbished phones act as a compliment for the new smartphones and cost less. However, the demand for the new smartphones will shift to the left because the demand will decrease due to the high cost associated with them. In contrast, the supply for the refurbished devices will increase shifting the supply to the right, while the supply of the new devices will decrease shifting the supply to the left as discussed by Eastin and Arbogast (10-11).

1. **As an economist, what impact do you predict this change will have on equilibrium price and quantity?**

Due to the increasing demand in refurbished mobile phones, the supply may be more leading to an increase in both equilibrium prices and equilibrium quantity. More so, the demand for the new gadgets decrease and the supply may be more. Therefore, the equilibrium quantity will increase and the equilibrium price may fall as noted by (Golsbee, Levitt and Syberson, 90-110).

Works Cited

Eastin, R and G Arbogast. "*Demand and Supply Analysis: Introduction."* CFA Institute.2011. Web Accessed: 2 March 2019.

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Hollander, R. "*Demand for Older-generation Phones is Spiking."* Business Insider. 2018. Web Accessed: 2 March 2019 <https://www.businessinsider.com/demand-for-older-phones-spikes-2018-3?IR=T>.