

Introduction 1 From need to demand – Solutions

1

a

Need	Examples
Existence need	Clothing, medical care, warmth, sexuality
Safety need	Protection against threats, stability
Social need	Belonging to groups (family, friends)
Esteem need	Reputation, prestige, respect
Self-actualization need	Development of one's personality

b

Maslow's hierarchy of needs illustrates the interconnection among the various needs. Thus, in order for a higher-level need, such as the need for luxury products, to arise, lower-level needs, such as existence and safety needs, must first be satisfied.

In societies where these needs are not satisfied to a certain extent, it follows that there will be little or no demand for luxury products.

c

1 Friendscout24 is an Internet site designed to facilitate connections between life partners. Consequently, it satisfies primarily social needs, like the need for partnership and love. Such needs are classified in the third level of Maslow's hierarchy of needs.

2 Ostensibly, it deals with satisfying the existence need to "not freeze to death." You could, however, buy a cheaper jacket that would satisfy this need almost or just as well. In fact, the purchase of the Nike jacket also involves social and esteem needs. If you are honest with yourself, you will probably admit that it involves – along with any possible increase in quality – being respected by your colleagues.

d

Possible criticisms of Maslow's hierarchy of needs:

- The satisfaction of needs cannot be empirically detected.
- The hierarchy of the individual thresholds cannot be confirmed.
- The consumption of certain products may cover several needs at the same time.
- The hierarchy is aimed primarily at Western, industrialized values. In Asia and Africa, the order and the importance of individual needs can differ from the Maslow's.

2

	Existence needs	Elective needs	Individual needs	Collective needs
a. Florian would like a PlayStation.		X	X	
b. Sabine loves movies more than anything. She looks forward to the new multiplex cinema in their town.		X		X
c. Politicians call for a second highway tunnel through the Gotthard.		X		X
d. Ursi from Graz spends almost every other weekend at her vacation home.		X	X	
e. Luca attended the second year of primary school.		X		X
f. In addition to her schoolwork, Corina goes to a private Spanish tutor two hours a week.		X	X	
g. Kevin trains four times a week at the gym.		X		X
h. A refugee family is supplied with essential clothing at a detention center.	X			X

3

a

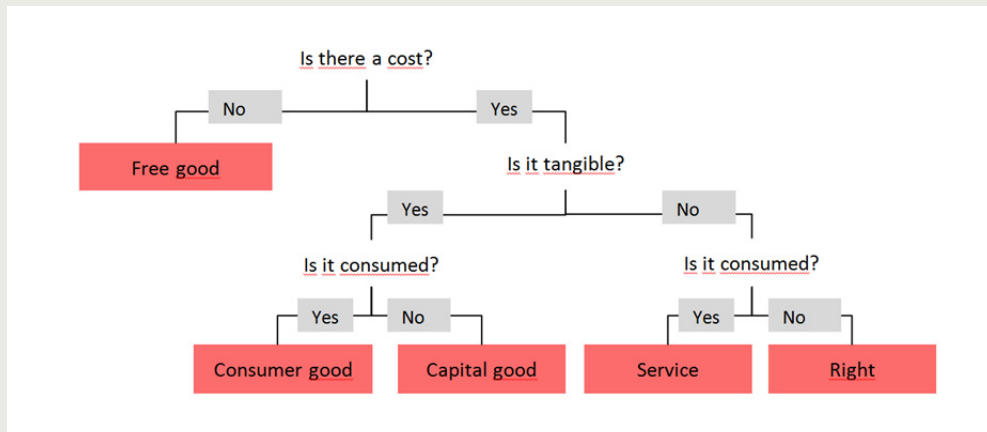
The need is perceived as a deficiency – in this case, a lack of or a need for entertainment. This deficiency can be satisfied with a visit to the cinema. The need to go to the cinema, when aligned with purchasing power, corresponds to the want. The want then operationalized on the market through the selling of a cinema ticket meets the demand.

b

The term disposable income is generally understood as the amount of income that remains available for spending and saving, after direct taxes and social security contributions are deducted. Disposable income is thus a key factor in purchasing power.

c

Apart from disposable income, other factors affect an individual's purchasing power. Examples are income level, accumulated wealth, currency differences (for example, when importing goods or shopping in neighboring countries), the absolute price level (monopolistic markets vs. perfectly competitive markets) and the price level over time (inflation causes prices for products to rise, meaning the consumer can buy less with the same amount of money).

4
a

b

	Consumer good	Capital good	Service	Right
1. A printer buys powerful new printing presses.		X		
2. Fritz buys heating oil for his home.	X			
3. Karl wants to go on holiday to Mallorca. He goes to a travel agency for a consultation.			X	
4. The Kauer family buys a table in a furniture store for the living room.	X			
5. A printing facility buys black ink for newspaper production.		X		
6. A bank manages Vera's personal assets.			X	
7. Stefan buys a new pencil for school.	X			
8. Mr. Müller, an architect, buys a new pencil for drawing his plans.		X		

c Services of doctors, civil servants, teachers, banks, restaurants, insurance companies, travel agencies, lawyers

d

1. The possible arguments arise primarily from the delineation of the actual product of a safari:
 - If the viewing of animals alone is considered the product, it can be argued that the core service is still free and open. The economic, non-free good, however, is the guided tour, the vehicle, the ride, the knowledge and experience of the tour guides to quickly and accurately point out the best views.
 - If the safari as a whole is considered the product, it could be argued that people have long undertaken their own journeys of discovery through the African wilderness. The safari was then, consequently, a free good. Only with the increased needs of society, such as the desire for comfort on such a trip or the increased need for security, has the safari been turned into an economic good.

2. There are also several aspects of water as a product that can be brought up in the argument for or against its development into an economic good:
 - Delineation of the product: In the case of tap water, customers are primarily charged for the connection and maintenance of the water lines, not for the water itself.
 - National differences: In most African countries, water is largely an economic good because drought and water shortage are the norm. In most Western countries, however, sufficient water supplies are still available.
 - Distinction among types of water: Treated water is mostly an economic good, while lake, river and rainwater are usually free, subject to certain restrictions, such as low levels in reservoirs or the use of public water in times of drought.

5

	Action	Solution / reasoning
a	A service enterprise wants to fulfill all customer orders but also save on labor costs.	Minimum principle: Given result: fulfill all customer orders Lowest possible use of resources: low wage expense
b	Petra wants to buy a pair of tennis shoes, so she goes to different stores in search of the best deal.	Minimum principle: Given result: buy a pair of shoes Lowest possible use of resources: low price
c	A truck driver wants to travel as far as possible on one tank of diesel.	Maximum principle: Given allocation of resources: one tank of diesel Greatest possible result: longest distance
d	A pizza delivery service wants to keep the driving distance for all ordered pizzas as short as possible.	Minimum principle: Given result: deliver pizzas ordered Lowest possible use of resources: shortest driving distance
e	A transport company would like to achieve maximum utilization of its available vans.	Maximum principle: Given allocation of resources: stock of vans Greatest possible result: maximum turnover
f	Tina wants to get home from her vacation in Ticino as quickly as possible.	Minimum principle: Given result: Distance to cover Lowest possible use of resources: shortest amount of time
g	Roland uses his free time for studying in order to achieve the best possible grades.	Maximum principle: Given allocation of resources: existing free time Greatest possible result: good GPA
h	Sophia tries to do as much laundry as possible with 100g of detergent.	Maximum principle: Given allocation of resources: 100g of detergent Greatest possible result: maximum number of washes

6

Minimum principle: A cell phone manufacturer wants to produce 50 phones per hour (given result) and employ as few workers as possible (lowest possible use of resources).

Maximum principle: The cell phone manufacturer has five workers available for production (given allocation of resources) and wants them to manufacture as many mobile phones as possible (greatest possible result).