


ajc.com contests *is online!*

ajc.com
The Atlanta Journal-Constitution

 PRINT THIS

 Click to Print

[EMAIL THIS](#) | [Close](#)

[ajc.com](#) > [Business](#)

Consumers look to each other for subtle signs of recovery or decline

By [Michael E. Kanell](#)

The Atlanta Journal-Constitution

Tuesday, June 16, 2009

Seeing a neighbor's house abandoned and then torched — that was the moment when Emory professor Gregory Berns felt a shudder: Something had changed.

That North Fulton arson added nothing to the unemployment rate. It didn't move the meter on home prices or add to the federal deficit. Yet it was a psychological shock, said Berns, director of the Center for Neuropolicy and holder of a distinguished chair in neuroeconomics.

And in an economy dominated by consumers, psychology is critical. "For the economy to improve, people have to have hope in the future," Berns said. "Ultimately, all economic growth is based on hope."

Economists often discount consumer confidence surveys, but economists don't end recessions; consumers and businesses do. And in the depths of this downturn, many see their own subtle signs of recovery or decline. For Berns, it was the gutted house. For David Herold, it was one of the well-to-do customers at Home TheaterWorks, his store in Alpharetta.

The man had a high-end job and was looking at a high-end system — in the \$40,000-plus range — so his question caught Herold by surprise.

"He asked me, 'Do you finance?'" said Herold, who is also an emeritus professor of organizational behavior at Georgia Tech. "We don't get that question often. People who buy expensive toys are not into financing. You'd be shocked at the checks that people are able to write."

Later, Herold read that the bonuses were cut from the company where the man worked.

So the difference might have been the man's finances. But it might just as easily have been his coworkers' outlook bleeding into his, Herold said.

“People look to the right and the left to see how they should feel. People will be more confident if their neighbor feels more confident.”

Those of us looking right and left have seen some disturbing things in both directions. Unemployment in Georgia began rising steadily about a year ago and has climbed past 9 percent. Last month, more than 75,000 Georgians filed first-time jobless claims.

Those numbers are enough to rattle anyone’s confidence, but the big economic trends are not the only indicators that catch people’s attention. Sometimes it’s a little surprise that changes the big picture.

Joe Ranney, co-owner of the Wild Birds Unlimited store in Marietta, recalls that moment last year. It wasn’t business — sales at the store were fine. But he and relatives wanted to celebrate a family member’s birthday at a Perimeter Mall restaurant.

“Usually there was a long wait at the Cheesecake Factory, and this was a Friday or Saturday night,” he said. “The point is, we went in and just sat down.”

Suddenly, he knew that the economy was in trouble.

That worry filters consumer decisions and lengthens negotiations, said Glenn Goad, chief strategy officer at Atlanta-based Allconnect, which will talk to about 5 million consumers this year in the effort to sell a range of communications services. The average call is eight minutes long — a half-minute longer than last year. Consumers are searching for the best deal, not the hottest technology, he said.

Goad is not immune, he said. “I know someone who made a decision not to go on vacation. They never said it was about the money, but they never said anything to make me think that it wasn’t about the money. This was a smart person and they were worried.”

That shook his own confidence. “I know of two or three things I did differently after that,” Goad said. “I wasn’t concerned, but I thought that if he is concerned then I should be.”

Many experts argue that attitudes are important, but behavior is what really counts: It’s not what consumers think; it’s what they do.

“In the end, confidence in itself cannot make the economy better or worse,” said economist Michael Reksulak of Georgia Southern University. “Confidence plays a role at the margin.”

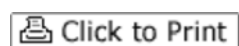
But in times of uncertainty, the margins can loom large in Georgia’s \$400 billion-a-year economy. And those making decisions about buying an item of choice — home theater equipment, say — may be looking for reasons to feel confident.

“People may latch on to isolated signals that offer that hope,” said Emory’s Gregory Berns.

And for him, a sign of improvement can come close to home, at what is now a vacant lot. “A positive sign would be for someone to rebuild that house.”

Find this article at:

http://www.ajc.com/business/content/business/stories/2009/06/16/psychology_consumer_confidence.html



[EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.

ajc.com *contests* **is online!**