

# Consumer Decision Making (HACE 3150)

Department of Housing and Consumer Economics, University of Georgia

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	<b>Summer Semester</b>	<b>Fall Semester</b>
<b>Dr. Nielsen's Office hours:</b>	<b>Tues 11:30 AM-12:30 and by appt.</b>	<b>Mon 10:00-11:00 AM and by appt.</b>
	AIM and GMail Videochat (office hr and more) is <a href="mailto:prof.nielsen.class@gmail.com">prof.nielsen.class@gmail.com</a>	
<b>Graduate TA:</b>	Pamela Outlaw	Michal Polanowski
<b>Office:</b>	212 Dawson Hall	101 Consumer Research Ctr (House C)
<b>Phone:</b>	(706) 542-4874	(706) 542-4936
<b>Email:</b>	Poutlaw (use eLC for course mail)	Michalp (use eLC for course mail)
<b>Graduate TA Office hours:</b>	Announced	Announced
<b>Class time:</b>	9:15-11:30 AM	11:15 AM - 12:05 PM
<b>Location:</b>	110 Dawson	B-2 Main Library

<b>Catalog Description:</b>	Theories of consumer and household decision making. Applications of economic theories to basic issues confronting consumers in the marketplace. Family economic models and theories of household time allocation.
<b>Prerequisite:</b>	ECON 2106: Principles of microeconomics

<b>Required textbook:</b>	<p><b>Consumer Decisions: Home and Market. John Wiley &amp; Sons, Inc. ISBN: 9780470731659.</b> This is a custom text available at the UGA bookstore. It was created from Browning, E. K. &amp; Zupan, M. A. (2009). <i>Microeconomics: Theory and Applications</i> (10<sup>th</sup> Ed.). The ISBN is 9780470731659. At the time I wrote this syllabus the regular version of this book cost \$134 new and \$106 used. My HACE 3150 custom text costs <i>approximately</i> \$48 new!</p> <p>An eBook version of our custom text is available from Wiley at <a href="http://he-cda.wiley.com/WileyCDA/Section/id-390278.html">http://he-cda.wiley.com/WileyCDA/Section/id-390278.html</a> A direct link is also available in eLC. The ISBN is 9780470731673 (<i>only</i> \$24!).</p> <p>A student companion site with PowerPoints and practice quizzes is available via a link in the HACE 3150 eLC</p>
<b>Required course packet:</b>	<p>A course packet is available at Bel-Jean Copy Center at 163 E. Broad Street. It costs <i>approximately</i> \$20 and includes:</p> <p><b>Bryant, K. &amp; Zick, C. (2006). <i>The Economic Organization of the Household</i>.</b> New York: Cambridge University Press. Chapter 4.</p> <p><b>Blau, F. D., Ferber, M. A., &amp; Winkler, A. E. (2006). <i>The Economics of Women, Men, and Work</i> (5<sup>th</sup> Ed.).</b> Upper Saddle River, NJ: Pearson, Prentice Hall. Chapters 3, 4.</p>

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## Course Description

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This course focuses on microeconomic theories and models of consumer and household decision making. An emphasis is placed on the development of the analytical reasoning and economic tools used by consumer economists to model various economic decisions, and the market forces that influence these decisions. Students in this course develop the skills necessary to 1) recognize economic decisions relevant to individuals, families, and households, 2) identify alternative ways to understand the decision(s) to be made, and 3) assess the theories and models used by consumer economists to predict or explain these decisions, 4) model these decisions using the most common economic models currently used. Mastery of these theories and models is critical for students advancing to upper division consumer economics courses.

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## Assignments, Exams, Attendance, Grading

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### Assignments:

There are approximately 5 assignments worth 20 points each. One purpose of the assignments is to challenge you to learn concepts not yet discussed in class by engaging in independent or small-group study of course materials outside of the classroom. Toward this goal, *you may work with others to complete most of these assignments but you must make sure the final work that you turn in is your own*. Occasionally, an assignment will require independent work—this will be clearly noted on the assignment. Please remember that regardless of whether working with a small group or independently, copying or plagiarizing a peer's answers always constitutes unauthorized assistance.

#### To receive full credit on an assignment you must do the following:

1. Complete more than 95% of the assignment before coming to class on the day that it is due. If more than 95% of the assignment is not done then your assignment will score a maximum of 15 points.
2. Hand it in on time, in class, the day that it is due. (It will be returned to you immediately so we can review the assignment in class.)
3. Work through the answers with the class and mark on your assignment how to correctly work the problem/graph/short answer. You may only correct and turn in your own assignment.
4. Turn in your assignment (and only your assignment) at the end of the class period with all corrections made. Any remaining incorrect or incomplete answers will result in point deductions.
  - a. If an assignment is not submitted when it is due I'll accept it through the end of the day (in 205 Dawson Hall—get a time stamp and signature) for a 3 point reduction.
  - b. Each calendar day that passes will result in an additional 3 point reduction.

### Exams:

Preliminary exams are not comprehensive. The final exam is comprehensive. I attempt to discuss each concept in class, but students may be tested on all material in assigned readings whether discussed in class or not. At my discretion, I will reschedule exams when serious and documented events beyond your control (death of a family member, vehicle accident, hospitalization, and similar events of similar magnitude) arise, contingent on proper third-party documentation. The third-party documentation (on official letterhead from hospital, law enforcement, funeral home, etc. with signature and contact information) must indicate that you could not be present at the exam for reasons entirely beyond your control. If you miss an exam for any reason that is not properly documented to be out of your control, no makeup exam will be provided. Rather, your final exam will be weighted to account for the missed exam (instead of 150 points the final would be worth 250). If two exams are missed you will receive a failing grade for the course. All students must take the final exam.

As noted in the UGA Bulletin, if you have three final examinations scheduled the same day or two examinations at the same time you may petition to reschedule one exam. The form for this is available at <http://www.curriculumsystems.uga.edu/FinalExamConflicts/FinalExamConflicts.html>

**Pop quizzes:**

There are approximately 10 quizzes worth 5 points each. The lowest two quiz scores will be replaced with 5 points. In other words, you can miss two pop quizzes (or blow two quizzes) and come out unscathed. These are intended to encourage you to read the assigned material, which will in turn improve class participation and your learning. Even with the two missed or botched quizzes, 40 points are on the line, so come to each class prepared as if there is a quiz. I recommend reviewing the assigned reading and the previous day's notes before class.

**Grading scale:**

Grade	%	Grade	%	Grade	%	Grade	%
A	93.0 - 100	B+	87.0 - 89.9	C+	77.0 - 79.9	D	60.0 - 69.9
A-	90.0 - 92.9	B	83.0 - 86.9	C	73.0 - 76.9	F	< 60
		B-	80.0 - 82.9	C-	70.0 - 72.9		

**Tentative point summary and exam dates:**

Class component	Points	Summer Semester	Fall Semester
1. Homework (≈5)	100	As announced	As announced
2. Preliminary exam 1	100	Tue, July 14	Wed, Sept. 23
3. Preliminary exam 2	100	Thu, July 23	Wed, Oct. 28
4. Comprehensive final exam	150	Fri, July 31 @ 9:15 AM	Dec. 10 @ Noon
5. Pop quizzes (≈10)	50	Unannounced	Unannounced
	500		

**Attendance policy:**

No points are awarded for attendance and no attendance roll will be distributed. However, you will not succeed in this course if you are not in class every day. Keep in mind there are approximately 10 unannounced quizzes (each 5 points) based on the assigned material and the previous day's lecture.

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## Things to Know

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**Academic honesty:**

First, the University's required statement: *As a University of Georgia student, you have agreed to abide by the University's academic honesty policy, "A Culture of Honesty," and the Student Honor Code. All academic work must meet the standards described in "A Culture of Honesty" found at: [www.uga.edu/honesty](http://www.uga.edu/honesty). Lack of knowledge of the academic honesty policy is not a reasonable explanation for a violation. Questions related to course assignments and the academic honesty policy should be directed to the instructor.*

In short, if you work with others be certain that the work you eventually turn in reflects only your contribution, learn what plagiarism is and then don't do it, and make every effort to be so well prepared in this course that you aren't even tempted to take shortcuts. In this course you may work with others to complete most of these assignments but you must make sure the final work that you turn in is your own. Occasionally, an assignment will require completely independent work—this will be clearly noted on the assignment. Please remember that regardless of whether working with a small group or independently, copying or plagiarizing a peer's work always constitutes unauthorized assistance. I am obliged to report all possible violations.

**Late adds:**

Per College policy, late adds will not be approved except under exceptional circumstances.

**Withdrawals:**

If you withdraw from this course prior to the University's midpoint withdrawal date you may be assigned a WP (if passing at the point of the withdrawal) or a WF (if not passing at the point of withdrawal). If you withdraw from this course after the University's midpoint withdrawal data I am only allowed to assign a WF. Exceptions are made only with documentation of a hardship from the Associate Dean for Student Support.

**Accommodations due to disability:**

Students who seek special accommodations due to a disability should contact me during the first week of the semester or as soon as the need for the accommodation is discovered. I will work with the Disability Resource Center (706-542-8719, <http://www.dissvcs.uga.edu/>) to provide appropriate accommodations.

**Electronics in the classroom:**

Unless we are using electronic equipment for a class activity, please refrain from using any electronics. Turn phones off, use laptops only for note-taking, and use recording/photo/video equipment only with my consent.

**FERPA Notice:**

The Federal Family Educational Rights and Privacy Act (FERPA) grants you certain information privacy rights. See the registrar's explanation at <http://www.reg.uga.edu/or.nsf/html/ferpa>. Be aware that FERPA allows disclosure of your directory information (name, address, telephone, email, date of birth, place of birth, major, activities, degrees, awards, prior schools, and more) unless you request, in a written letter to the registrar, that directory information not be disclosed. If you have completed the registrar's form, please let me know. Regardless, I will err on the side of privacy and will not communicate with your parents, friends, relatives, academic advisors, or others about your grades, progress, assignments, etc. without proper documentation.

**Grading challenges:**

Grading challenges will be considered for two weeks after the exam or assignment has been returned and only when accompanied with a written explanation of what you believe to be the correct answer or grading error. After two weeks the grading will stand and no challenges will be considered.

**Accommodations due to official university events:**

Students who are members of UGA athletic teams, bands, clubs, or other officially sanctioned groups will receive special accommodations as long as university procedures are followed. If you expect to request an accommodation due to an officially sanctioned event, please let me know by providing an official university accommodation request no later than the second week of class (by second day if Summer semester).

**UGA calendar reminders:**

<b>Event/Deadline</b>	<b>Summer, 2009</b>	<b>Fall, 2009</b>
Advisement		August 13
Classes begin	July 6	August 17
Undergrad Course Drop	July 6-7	August 17-20
Undergrad Course Add	July 6-8	August 17-21
Labor Day Holiday (no classes)		September 7
Midpoint withdrawal deadline	July 21	October 22
Fall Break (no classes)		October 30
Thanksgiving Break (no classes)		November 23-27
Friday Schedule in Effect		December 8
Classes end	July 30	December 8
Reading Day		December 9
Final exam	July 31 @ 9:15 AM	December 10 @ Noon
Commencement	August 1	December 18
Grades due	August 3	December 18

From <http://bulletin.uga.edu/bulletin/univ/calendar.html>

**On personal and electronic interaction:**

Email and ELC interactions are an extension of the course and I expect each of us to maintain high standards. Whether interacting in person or electronically, please conduct yourself in a way that shows respect for others and allows your fellow students to fully participate in class.

**V-HACE Notice:**

All HACE majors are encouraged to sign up for the V-HACE electronic email list to receive information about

advising, student organizations, scholarships, course offerings, job opportunities, and more. Instructions are at <http://www.fcs.uga.edu/mailman/listinfo/vhace>

### **On classroom courtesy:**

If you must leave early, please let me know and sit near the door. If you arrive late, enter quietly and take the first available seat. If you must talk/chat/twitter/"what's on your mind" with your friend (whether a friend in the class or your BFF outside of this class), I will (at minimum) invite you to have the conversation outside.

### **On being a rational actor:**

By earning your way to the University of Georgia and this 3000-level consumer economics course, you have already proven that you are a goal-oriented, rational actor. As discussed the first week of this course, William T. Bianco provides an excellent discussion of rationality in *American Politics* (2001). "Simply put, a rational actor always makes decisions that are consistent with his or her goals." (p. 3) This view, which is fundamental in neoclassical economics, assumes that each of us

- 1) is goal oriented and purposive
- 2) can identify the alternatives that further our progress toward our (sometimes competing) goals
- 3) will select the alternative that maximizes our utility/well-being/happiness.

What does this have to do with this course? I assume that each of you has many goals, and one of your goals (hopefully) is to do well in this course. I understand that we all face decisions about which goal is most important at any given time. For some, the primary goal will be to earn an A in this course. For others, the primary goal will be to attend a family function, participate in a special event, or travel for business or pleasure. I respect your decisions to pursue all of your goals, however you rank them. But, know that I will not make special accommodations based on your decisions. At the beginning of the semester I urge you to verify the dates of your outside activities and cross-reference the exam dates, then carefully consider how you rank your alternatives.

### **Is this class a lot of work?**

A full course load is 15 credit hours. National accreditation committees—the committees whose stamp of approval gives meaning to a university degree—base the full course load on the expectation that students study at least two hours outside of class for every hour that they are in class. Thus, for this 3-credit hour class you should expect to work at least 9 hours each week (3 hours in class, 6 hours outside of class) during a regular semester. Notice that a person who takes a full 15-hour course load should expect to be actively involved in school 45 hours each week. That's a full-time job plus overtime. With this in mind, you are more likely to be successful in this course if you:

1. Read the assigned section before we discuss it in class. This way, you can ask questions when we are talking about the material. If you are unsure where we are, please ask. The course schedule also has check-boxes to help you keep track of class progress.
2. Come to class every day, sit close to the front (we use the whiteboard extensively and it's very difficult to see from the back), be attentive, and ask for clarifications when needed.
3. Review the material after class. This will help you improve your understanding of nuances you may have missed earlier. This is especially important for the slight—but significant—differences that occur when minor changes in prices, income, time, assumptions, etc. occur when graphing the economic models.
4. Spend at least 6 hours studying for this class and completing homework assignments each week. Students who do this are much more likely to succeed than students who do not do this! During Summer semester the 281 pages of reading works out to 70.3 pages per week, or 12 pages per day. During Fall semester the 281 pages of reading can be completed in a very manageable 16.5 pages per week, or 2.4 pages per day.
5. Study consistently. Don't rely on cramming to get you through the class. You will recall the material better if you study every day.
6. Remember that you are extremely fortunate to attend this resource-rich university. Please make the most of the opportunities afforded you that billions of others around the world do not have.

## Course Reading Outline<sup>a,b</sup>

<p><b>1. Review price and cost concepts, simple production</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Pp. 08-09 Types of prices (1.2)</li> <li><input type="checkbox"/> Pp. 10-10 Positive v. normative analysis (1.3)</li> <li><input type="checkbox"/> Pp. 11-12 Types of prices—real and nominal (1.4)</li> <li><input type="checkbox"/> Pp. 12-13 Basic assumptions about market participants (1.5)</li> <li><input type="checkbox"/> Pp. 13-16 Types of costs (1.6)</li> <li><input type="checkbox"/> Pp. 16-18 Production possibility frontier (1.7)</li> </ul>	<p>Consumer Decisions Ch. 1<sup>a</sup></p>
<p><b>2. Supply and demand:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Pp. 21-29 Supply, demand curves (2.1)</li> <li><input type="checkbox"/> Pp. 29-31 Equilibrium (2.2)</li> <li><input type="checkbox"/> Pp. 31-35 Adjustments to changing supply or demand (2.3)</li> <li><input type="checkbox"/> Pp. 35-40 Government intervention in markets: Price controls (2.4)</li> <li><input type="checkbox"/> Pp. 40-49 Elasticity (2.5)</li> </ul>	<p>Consumer Decisions Ch. 2<sup>a</sup></p>
<p><b>3. Theory of consumer choice:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Pp. 54-64 Consumer preferences indifference curves, marginal rate of substitution (3.1)</li> <li><input type="checkbox"/> Pp. 64-69 Budget constraint (3.2)</li> <li><input type="checkbox"/> Pp. 69-73 Consumer choice (corner solutions; composite good convention) (3.3)</li> <li><input type="checkbox"/> Pp. 73-80 Changes in income and consumption choices (normal and inferior goods) (3.4)</li> <li><input type="checkbox"/> Pp. 83-86 Utility approach to consumer choice (utility maximization) (3.6)</li> <li><input type="checkbox"/> Pp. 86-88 The mathematics behind consumer choice (3.7)</li> </ul>	<p>Consumer Decisions Ch. 3<sup>a</sup></p>
<p><b>4. Individual and market demand, Consumer behavior:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Pp. 92-96 Price changes and consumption choices (4.1)</li> <li><input type="checkbox"/> Pp. 96-102 Income and substitution effects of a price change (4.2)</li> <li><input type="checkbox"/> Pp. 102-105 Income and substitution effects: Inferior goods (4.3)</li> <li><input type="checkbox"/> Pp. 105-107 From individual to market demand (4.4)</li> <li><input type="checkbox"/> Pp. 107-112 Consumer surplus, producer surplus (plus notes) (4.5)</li> <li><input type="checkbox"/> Pp. 113-115 Price elasticity and the price-consumption curve (4.6)</li> <li><input type="checkbox"/> Pp. 119-123 Basics of estimating demand via experiment, survey, regression analysis (4.8)</li> </ul>	<p>Consumer Decisions Ch. 4<sup>a</sup></p>
<p><b>5. Two consumer choice theory applications:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Pp. 128-133 Excise subsidies, health care, consumer welfare using consumer surplus (5.1)</li> <li><input type="checkbox"/> Pp. 134-138 Public schools and the voucher proposal using consumer choice theory (5.2)</li> </ul>	<p>Consumer Decisions Ch. 5<sup>a</sup></p>
<p><b>6. Consumption and saving: An intertemporal model</b> (Chapter 4 of Bryant and Zick)</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> BJ 1-3 Consumption, saving, dissaving</li> <li><input type="checkbox"/> BJ 3-7 Intertemporal model</li> <li><input type="checkbox"/> BJ 7-9 Intertemporal satisfaction maximization; resource-consumption-saving relation</li> <li><input type="checkbox"/> BJ 9-15 Keynes' AIH, Friedman's PIH, Ando &amp; Modigliani's Life-Cycle Hypothesis</li> </ul>	<p>Bel-Jean Packet<sup>b</sup></p>
<p><b>7. Family as economic unit (household production)</b> (Chapter 3 of Blau et al.)</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> BJ 23-72 Neoclassical model of specialization and exchange, comparative and absolute advantage, non-market work</li> </ul>	<p>Bel-Jean Packet<sup>b</sup></p>
<p><b>8. Allocation of time between household and market labor</b> (Chapter 4 of Blau et al.)</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> BJ 73-123 Labor supply decision, labor force trends, income/leisure labor supply model</li> </ul>	<p>Bel-Jean Packet<sup>b</sup></p>
<p><b>9. The economics of information:</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Pp. 175-179 Asymmetric information (14.4)</li> <li><input type="checkbox"/> Pp. 179-184 Adverse selection and moral hazard (14.5)</li> <li><input type="checkbox"/> Pp. 184-189 Limited price info (14.6)</li> </ul>	<p>Consumer Decisions Ch. 6<sup>a</sup></p>
<p><b>10. Further application as progress permits:</b></p> <p>Policy responses and applications, including earned income tax credit, general and specific income transfers, asymmetric information, expected value and expected utility</p>	

<sup>a</sup> "Pp." page numbers refer to the page numbers on the bottom center of the textbook. "(#. #)" refers to the original Browning and Zupan chapter and section numbers.

<sup>b</sup> "BJ" page numbers refer to the page numbers on the bottom center of the Bel-Jean course packet pages.

*Please note that this course syllabus is a general plan for the course; deviations announced to the class may be necessary. Such deviations will be announced in class and/or E-Learning Commons.*