



Public Finance Great Festive Debate

THIS HOUSE BELIEVES THE
CHRISTMAS EXTRAVAGANZA IS A
WASTE OF TIME AND MONEY

Thank you for coming to our Festive Debate:

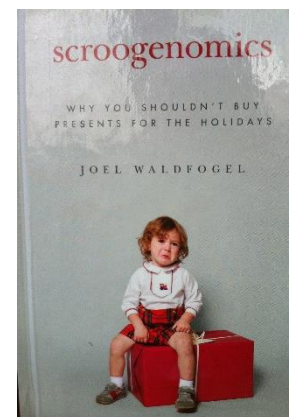
THIS HOUSE BELIEVES THE CHRISTMAS EXTRAVAGANZA IS A WASTE OF TIME AND MONEY

With a note of acknowledgement to: Prof Joel Waldfogel ... (University of Minnesota)

“The deadweight loss
of Christmas”, *American
Economic Review* (1993)



Scroogenomics (2009)



The deadweight loss ... *of taxes*

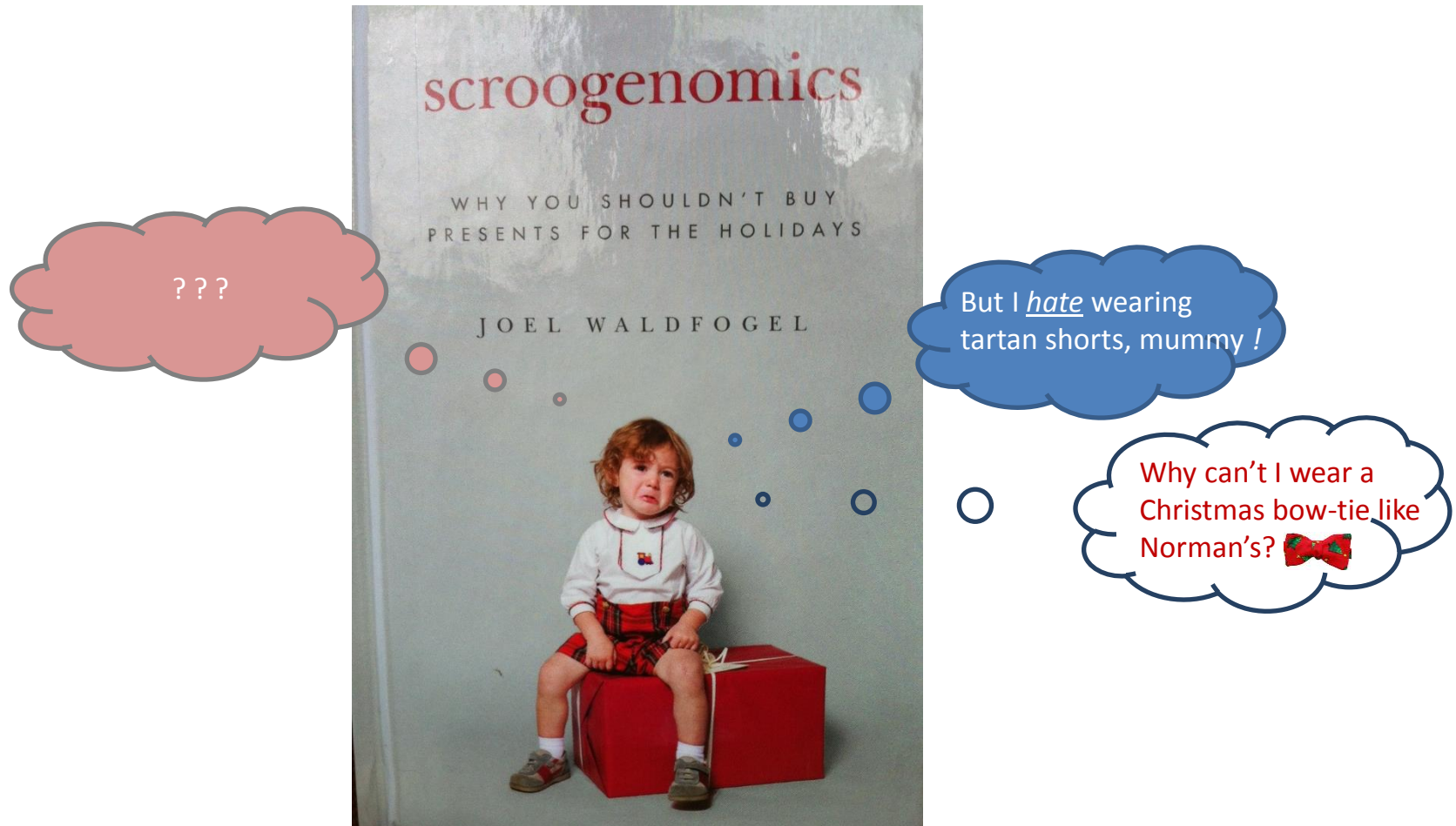


Amsterdam's
narrow houses

Salt-less Tuscan bread



Scroogenomics caption competition





**Eric Crampton,
Head of Research,
New Zealand Initiative**



FOR THE MOTION



Chair in Public Finance
Victoria Business School

The argument against Christmas

- Christmas gift exchanges waste time, money and effort relative to very feasible alternatives.
- While economists love voluntary exchange, is Christmas *really* voluntary? Really?
- In whose fevered imagination does it make sense to have everybody schedule their holidays at the same time?

My best case for Christmas

- We should be reluctant to claim that voluntary interactions are inefficient.
- The giver's joy counts too.

A voluntary Yuletide?

- Go home tonight and try it!
- Christmas gifts aren't about giving, they're about signalling.
- Economists know that social conventions around sending costly signals can be harmful.

Gifts as Signal



Silly season losses

- The business rush in advance of everyone disappearing;
- Congestion in vacation destinations;
- Seasonality losses in schooling and elsewhere

A Festivus for the Rest of us

FESTIVUS

The Origins of festivus



Many Christmases ago, I went to buy a doll for my son. I reached for the last one they had, but so did another man. As I rained blows upon him, I realized there had to be another way...

happy festivus from festivusweb.com



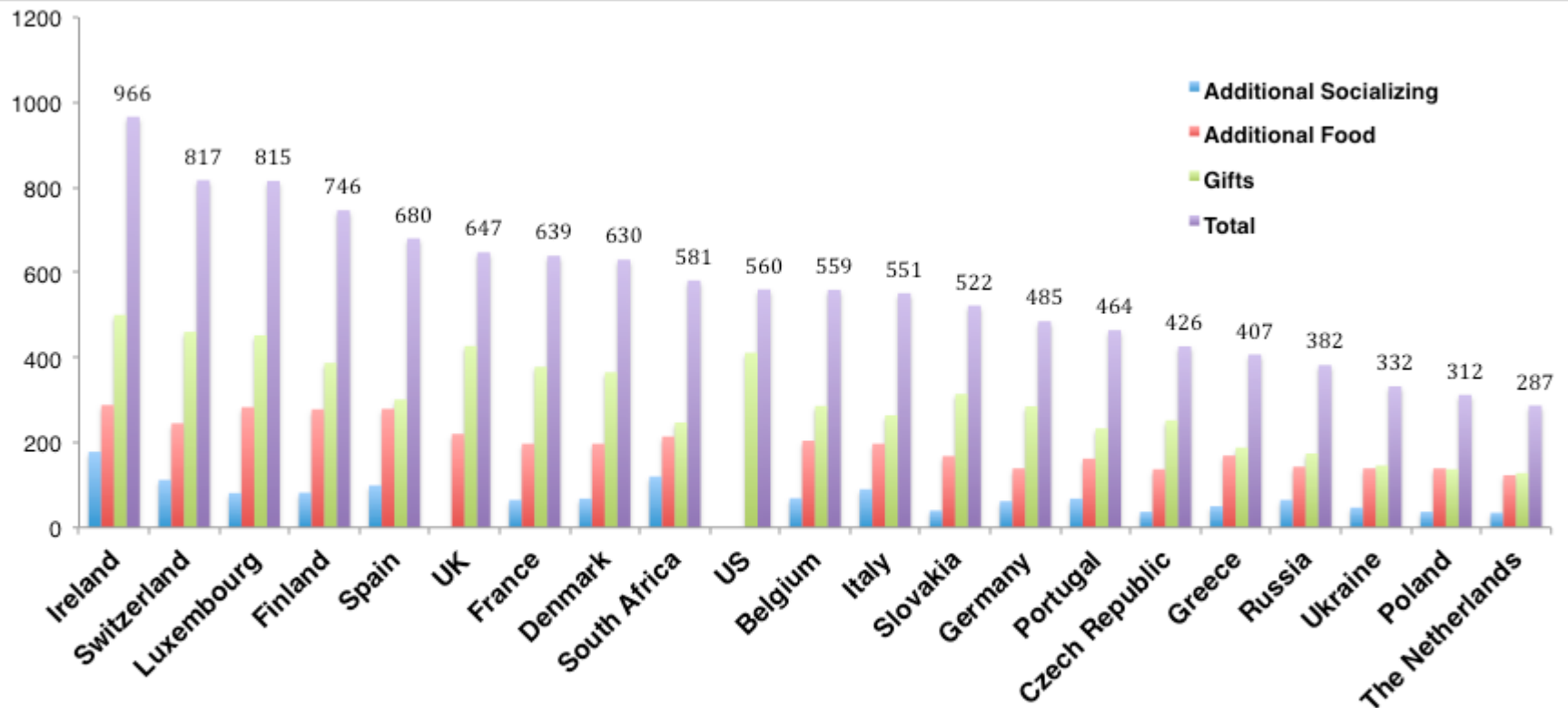
**Bronwyn Croxson,
Chief Economist,
Ministry of Health**



AGAINST THE MOTION

Nominal expected expenditure by country, Euro per household, 2012 (Source: Deloitte's Spending Survey 2012)

Christmas Spending by Country (euro, per household)



John Lewis Partnership (UK), nominal weekly sales, to 28 December 2013



John Lewis

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Christmas | Home & Garden | Electricals | Women | Men | Beauty | Baby & Child | Toys | Sport & Leisure | Gifts | Special Offers

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Highlights

- Best of British
- Somerset by Alice Temperley

Womenswear

- Coats & Jackets
- Dresses
- Knitwear
- Tops
- Skirts
- Jeans
- Trousers
- Lingerie
- Nightwear
- Plus Size
- Shoes
- Handbags
- Jewellery

Menswear

- Shirts
- Polo Shirts
- T-shirts
- Tops & Hoodies
- Knitwear
- Jackets & Coats

International Shopping and Delivery

Merry messages

Send seasonal cheer to loved ones near and far – we've cards for good causes too

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<http://hayekcenter.org/?p=5596>

Deck the Halls with Macro Follies — Merry Christmas!

Posted on December 20, 2013 by Greg Ransom



insight into the limitations of the possibilities of successful action which often will tell us only what to do."

— F. A.

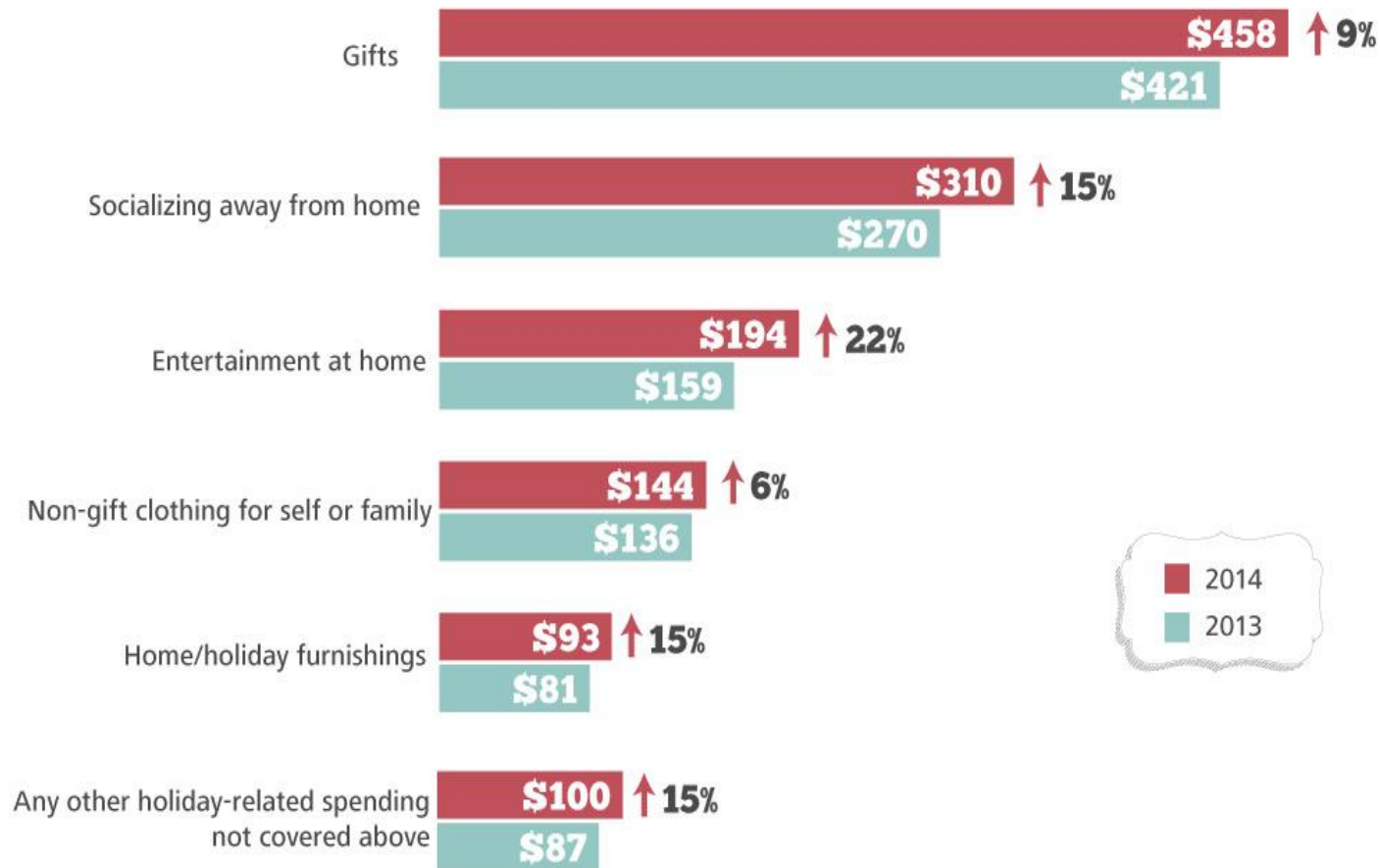
Next quote »

Categories

- 1932
- 1945
- academia
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- Adam Smith
- Africa
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- Alfred Marshall
- Amazon
- America
- American economic collapse
- announcements

Nominal expected expenditure, US \$ per household, 2014 (source Deloitte)

Figure 4. Spending will likely increase across all holiday-related categories



Source: Deloitte holiday survey 2014.

Graphic: Deloitte University Press | DUPress.com

Nominal expected expenditure , NZ \$NZ, 2014 (source: Mastercard)

The image is a screenshot of a web browser displaying a press release from Mastercard's Asia-Pacific region. The browser's address bar shows the URL <http://newsroom.mastercard.com/asia-pacific/press-releases/kiwis>. The page has a navigation menu on the left with links to 'Content', 'Briefs', 'Press Releases', 'Digital Press Kits', and 'Images & Infographics'. The main content area is titled 'Press Releases' and 'Kiwis Embrace the Spirit of Giving this Christmas'. It includes social media sharing buttons for Google+, Weibo, Twitter, LinkedIn, Pinterest, and Tumblr. The article text discusses a survey by Mastercard revealing that 54% of New Zealanders plan to buy gifts for six or more people this Christmas, and that 1/4 of households plan to spend more than \$200 on gifts. The article also mentions that children are likely to take the biggest bite out of Christmas budgets, with parents expecting to spend an average of \$140 on gifts for each of their kids. Partners are the second highest priority for gift-giving, with an average spend of \$136. Parents and in-laws follow at \$80, extended family at \$65, siblings at \$59, and friends at \$52. Overall, most Kiwis expect their Christmas expenses to cost more than \$500, including around a quarter (24%) who expect to spend in excess of \$1,000 on items such as gifts, food, travel and decorations.

54% NZers plan to buy gifts for >6 people

1/4 NZ households plan to spend > \$200 on gifts

Home » Engagement Bureau » Press Releases » Kiwis Embrace the Spirit of Giving this Christmas

Content

- Briefs
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Press Releases

Kiwis Embrace the Spirit of Giving this Christmas

To tweet this news, copy and paste <http://mstr.cd/1te5vqQ> to your Twitter handle with hashtag #MasterCardNZ

Auckland, New Zealand – November 25, 2014 – Kiwis are embracing the spirit of giving this Christmas, with new research revealing that a majority of us will be looking to purchase gifts for six or more people this festive season.

Commissioned by [MasterCard](#), the study revealed that more than half of New Zealanders (54%) planned to be buying gifts for six or more friends and family this Christmas, whilst nearly 1 in 5 looked to buy gifts for more than 11 people. Women are the biggest givers in terms of the number of stockings they'll be filling, being more than twice as likely as men to purchase gifts for six or more people, and three times more likely to be on the hunt for more than 16.

In terms of gift buying, children are likely to take the biggest bite out of Christmas budgets, with parents expecting to spend an average of \$140 on gifts for each of their kids – although a quarter of households plan to spend \$200 or more.

Partners come in a close second in terms of priorities, with Kiwis planning to spend on average \$136 on their significant others' gift. Third are parents and in-laws at \$80, followed by extended family (\$65), siblings (\$59) and friends (\$52).

Overall, most Kiwis expected their Christmas expenses to cost more than \$500, including around a quarter (24%) who expect to spend in excess of \$1,000 on items such as gifts, food, travel and decorations.

Cookie Consent

3:18 p.m. 9/12/2014





**“I have never met an
economist who mistakes
Christmas gifts for an
inefficient attempt to
maximise consumer surplus”**
(Kristian Niemietz)



**Patrick Nolan,
Principal Adviser,
New Zealand Productivity
Commission**



FOR THE MOTION



Chair in Public Finance
Victoria Business School

The Christmas rush



More efficiency, less sentiment

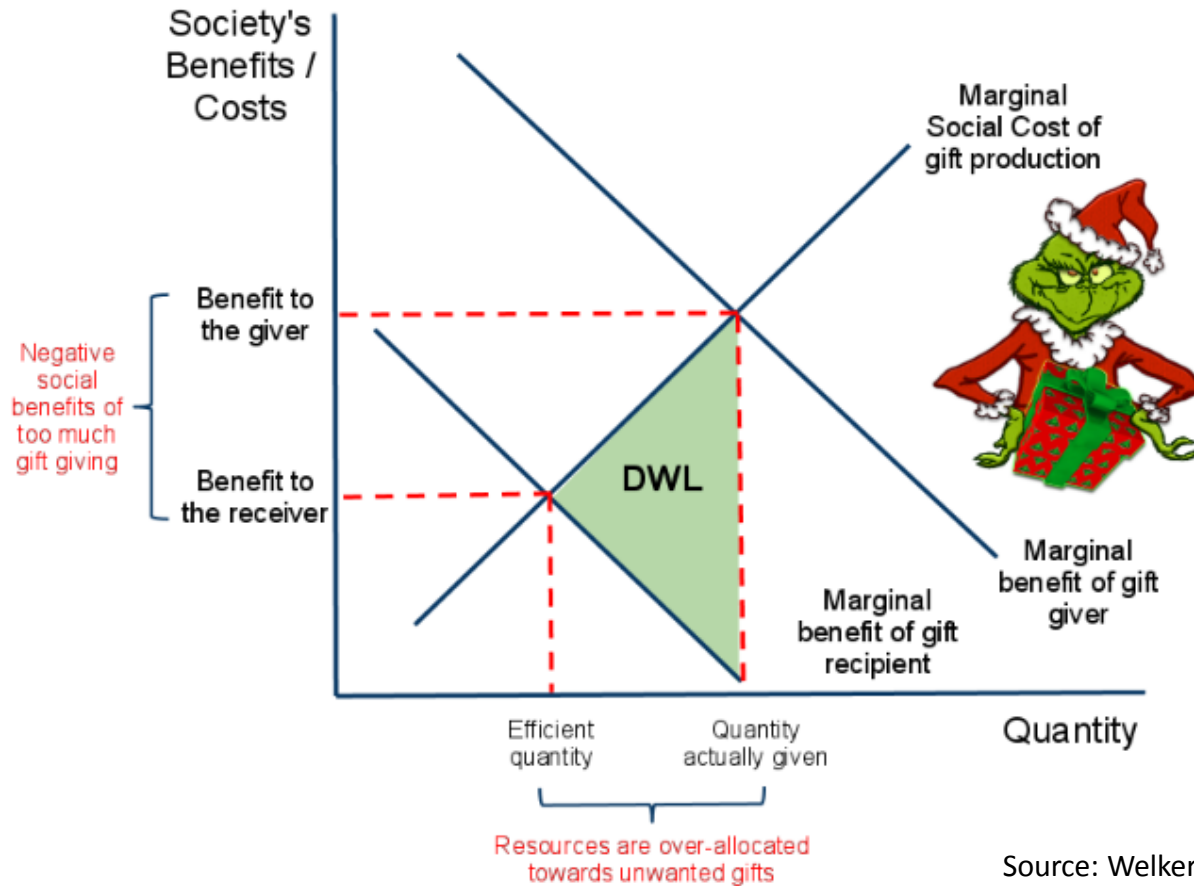
- Paul Samuelson: economics is the “study of how societies use scarce resources to produce valuable commodities and distribute them among different people”
- The Christmas extravaganza falls within this definition. It is about “how people use resources”
 - From feast of St Nicholas
 - To Haddon Sunblom and Coca Cola (1931)
 - And on and on ...

More efficiency, less sentiment



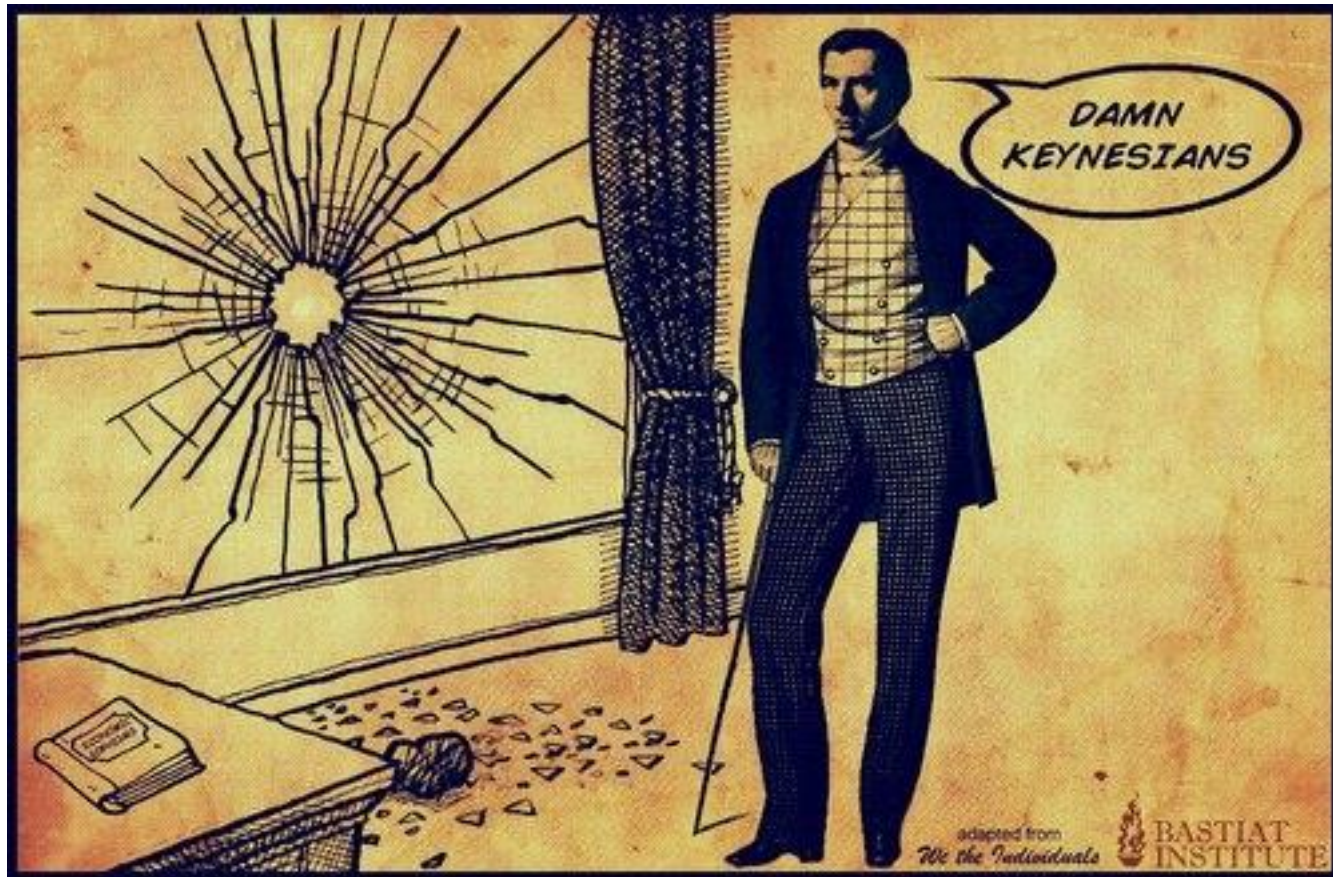
You shouldn't have ...

The Deadweight Loss of Christmas



Source: Welker's Wikinomics

Broken window fallacy



Let's see the back of the Christmas extravaganza





**Anne-Marie Brook,
Principal Adviser,
The Treasury**



AGAINST THE MOTION



Chair in Public Finance
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HUMBUG!









A photograph of a human skeleton standing in a closet, surrounded by hanging coats. The skeleton is positioned centrally, facing forward. To its left and right are several coats hanging on hangers. The lighting is dim, creating a somber and eerie atmosphere. Overlaid on the lower-left portion of the image is a white text quote.

“If you cannot
get rid of the
family skeleton,
you may as well
make it dance.” —
George Bernard
Shaw

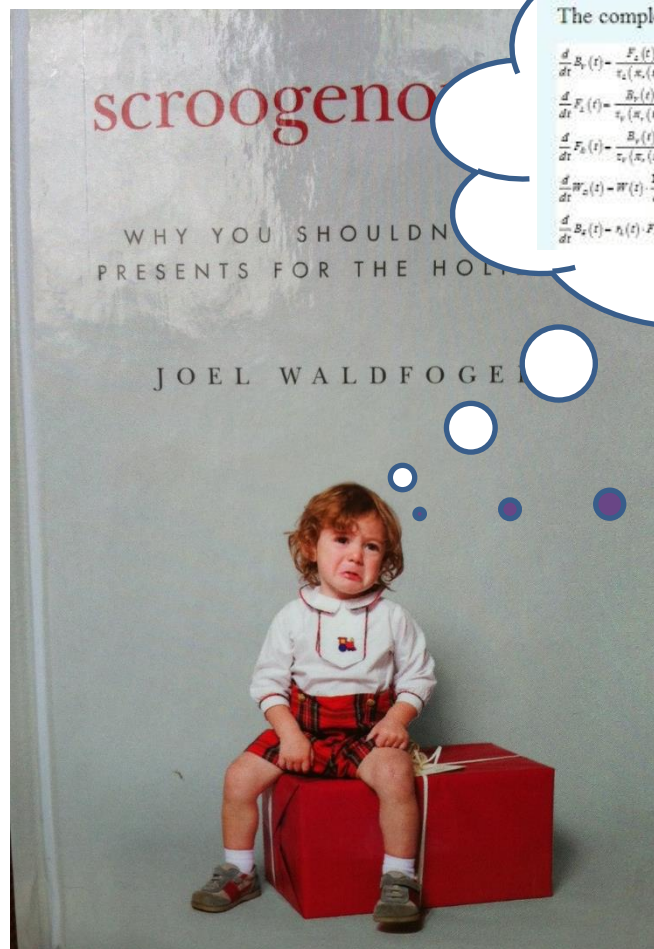




Questions and Comments



Scroogenomics Caption Competition

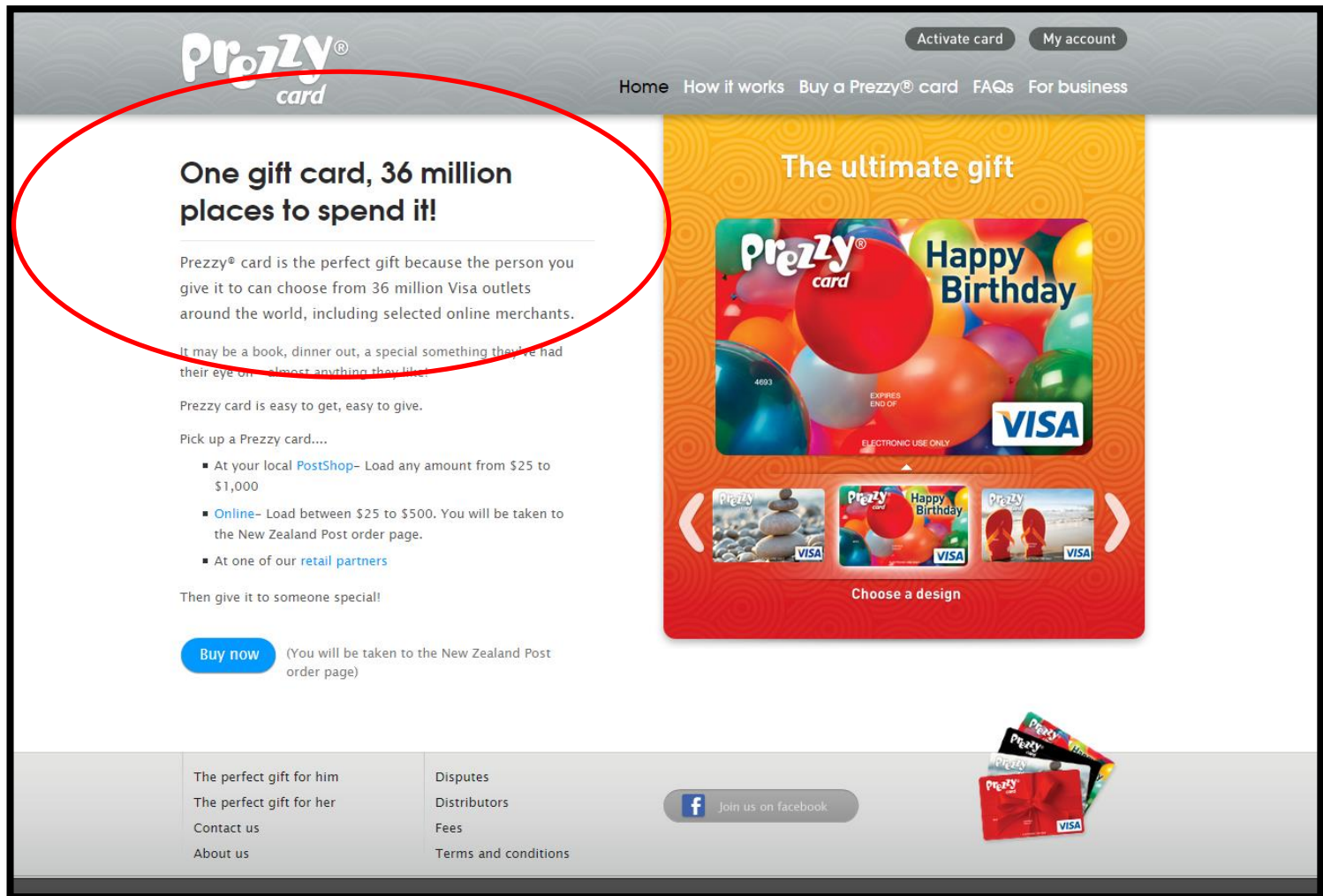


The complete model is described by a set of ten differential equations:

$$\begin{aligned} \frac{d}{dt} B_y(t) &= \frac{F_y(t)}{\tau_y(n(t))} - \frac{B_y(t)}{\tau_y(n(t))} \\ \frac{d}{dt} F_y(t) &= \frac{B_y(t)}{\tau_y(n(t))} - \frac{F_y(t)}{\tau_y(n(t))} + \text{Dom}(n(t)) \cdot P(t) \cdot Y_h(t) \\ \frac{d}{dt} F_h(t) &= \frac{B_h(t)}{\tau_h(n(t))} - \frac{F_h(t)}{\tau_h(n(t))} - r_h(t) \cdot F_h(t) + \text{Dom}(n(t)) \cdot P(t) \cdot Y_h(t) - W(t) \cdot \frac{Y_h(t)}{a(t)} + r_h(t) \cdot F_h(t) - \frac{W(t)}{\tau_w} - \frac{B_h(t)}{\tau_h} \\ \frac{d}{dt} W(t) &= W(t) \cdot \frac{Y_h(t)}{a(t)} + r_w(t) \cdot W(t) - \frac{W(t)}{\tau_w} \\ \frac{d}{dt} B_h(t) &= r_h(t) \cdot F_h(t) - r_h(t) \cdot F_h(t) - r_h(t) \cdot W(t) - \frac{B_h(t)}{\tau_h} \end{aligned}$$

I wanted a purple towel !!

The winning team will receive...



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