

## [The economics of Christmas](#) [1]

Written by [Chris Snowdon](#) [2] | Tuesday 18 December 2012



George Monbiot has cannily [saved himself a few quid](#) [3] by flagging up his intention to scrimp on Christmas presents this year. Conveniently dropping the narrative of Austerity Britain for a moment, Monbiot has gone back to his [?Bring on the Recession](#) [4]? phase, complaining that since our [?every conceivable want and need has been met?](#) we shouldn't waste our money buying our nearest and dearest Terry the Swearing Turtle for Christmas. [?Bake them a cake,?](#) he suggests, [?write them a poem, give them a kiss, tell them a joke, but for God's sake stop trashing the planet to tell someone you care.?](#)

So it's a satsuma in a stocking for poor Mrs Monbiot and all the little Monbiots, as they gather environmentally sustainable winter fuel for their socialist household. But perhaps the anti-consumerism miserablists have a point. Christmas is a time when resources are misallocated and unwanted tat is exchanged. [According to one study](#) [5], the average recipient values their gifts at ten per cent less than their market price. That may be an underestimate. Of the [roughly £8.5 billion](#) [6] spent on yuletide gifts in Britain last year, £2.4 billion's worth [more than a quarter](#) [7]?were unwanted.

In strict economic terms, the most efficient gift is cold, hard cash, but exchanging equivalent sums of money lacks festive spirit and so people take their chance on the high street. This is where the market fails. Buyers have sub-optimal information about your wants and less incentive than you to maximise utility. They cannot always be sure that you do not already have the gift they have in mind, nor do they know if someone else is planning to give you the same thing. And since the joy is in the giving, they might be more interested in eliciting a fleeting sense of amusement when the present is opened than in providing lasting satisfaction. This is where Billy Bass comes in.

But note the reason for this inefficient spending. Resources are misallocated because one person has to decide what someone else wants without having the knowledge or incentive to spend as carefully as they would if buying for themselves. The market failure of Christmas is therefore an example of what happens when other people spend money on our behalf. The best person to buy things for you is you. Your friends and family might make a decent stab at it. Distant bureaucrats who have never met us - and who are spending other people's money - perhaps can't.

So when you open your presents next week and find yourself with another garish tie or an awful bottle of perfume, consider this: If your loved ones don't know you well enough to make spending choices for you,

what chance does the government have?

[blog comments powered by Disqus](#) <sup>[9]</sup>

---

**Source URL:** <http://www.adamsmith.org/blog/economics/the-economics-of-christmas>

**Links:**

[1] <http://www.adamsmith.org/blog/economics/the-economics-of-christmas>

[2] <http://www.adamsmith.org/authors/chris-snowdon>

[3] <http://www.guardian.co.uk/commentisfree/2012/dec/10/on-12th-day-christmas-present-junk>

[4] <http://www.monbiot.com/2007/10/09/bring-on-the-recession/>

[5] <http://graphics8.nytimes.com/images/blogs/freakonomics/pdf/WaldfoegelDeadweightLossXmas.pdf>

[6] <http://www.prnewswire.co.uk/news-releases/brits-plan-to-spend-85billion-on-christmas-presents-181134011.html>

[7] <http://www.thisismoney.co.uk/money/news/article-2078516/Britons-spent-2-4bn-unwanted-Christmas-presents-year.html>

[8] [http://disqus.com/?ref\\_noscript](http://disqus.com/?ref_noscript)

[9] <http://disqus.com>