

For Christmas, give cash, not Chia Pets

BY FERGUS CULLEN

If you haven't wrapped up your holiday shopping yet, consider picking up a copy of Wharton economist Joel Waldfoegel's countercultural new book, "Scrooge-nomics: Why You Shouldn't Buy Presents for the Holidays," before you spend another dollar.

Waldfoegel observes there is a big gap between what a giver pays for a gift and what the receiver would pay for the same item. You smile and reassure mom it's a lovely sweater, but inside you're thinking it's not the design or color or size you would have chosen yourself. The recipient might only value the gift at 50 percent or 25 percent of the purchase price.

Often a recipient wouldn't pay anything at all for the gift because the item has zero value to her.

Somewhere on a beach, a millionaire is sipping a fruity drink with an umbrella because he invented the Billy Bass singing fish and, as P. F. Barnum observed, plenty of suckers bought one. You wouldn't buy yourself a Chia

Pet, yet perhaps hundreds of thousands of people will inexplicably buy them as gifts for others. They can't all be for Yankee swaps.

Thus the holidays cause billions of dollars of what economists call "dead-weight loss," an inefficient transfer of wealth generating little or no value. Humbug!

Those of us who take a conservative view of spending understand this. You get the most satisfaction when you spend your own money on what you want. You get less satisfaction when someone else spends their money to get you something they think you want. You get the least satisfaction when a government bureaucrat spends someone else's money to get you something the government thinks you should want if you only knew what's good for you.

At least Chia Pets don't cost as much. Using your credit card to do your holiday shopping adds more dead-weight loss. A General Accounting Office report released last month concludes the average household paid an estimated \$427 in higher prices last year because of "swipe" charges. It's a

great racket: The card company charges you 2 percent to use its card, gives you 1 percent cash back, and you feel happy instead of ripped off.

Admittedly, it would take some of the magic out of Christmas morning if one were to announce what one would have paid for each gift and compared it to the actual purchase price. (A Snug-gle! You shouldn't have.) But there is another way to maximize value, Waldfoegel says. We should all just give each other cash.

He observes it's socially acceptable for older people — grandparents, aunts and uncles, etc. — to give cash to younger people, but not the other way around. Wedding registries, in which couples specify exactly what the bride wants, allow guests to give cash equivalents. Everyone's happy.

But most of the time it's considered tacky to give or ask for cash, so instead 55 percent of us hope for gift cards, according to the Retail Federation.

Until recently, the state really wanted you to give gift cards, too, provided they got lost in that drawer by your phone and you never got around to us-

ing them. That's because after three years, the state considered unused gift cards to be abandoned property and claimed 60 percent of their value from retailers. Fortunately, the law was changed in 2004 and today, gift cards in Connecticut never expire and do not escheat to the state.

Instead, retailers get to keep the extra money from the roughly 10 percent of gift cards that go unredeemed. It adds up to millions.

That's the way it works in Rhode Island and Massachusetts, too, but New York claims the unused portion after five years. Maine will claim your L.L. Bean card after two, even if you live in another state, because the company is headquartered there.

If you still want to do some last-minute shopping after reading this, Rhode Island lets you bid for unclaimed property on eBay. Just don't look for any gift cards there.

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