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## **HOLIDAY GIFT-GIVING - IS THERE A DEADWEIGHT LOSS OR A WELFARE GAIN?**

### **Abstract:**

For macro-economists, the importance of holiday gift-giving is the effect of spending on the macro economy. However, for micro-economists, gift-giving has a different important aspect. The choices of purchasing are made by someone other than the recipient, the final consumer. Recipients sometimes receive gifts they do not like because the giver does not really know with any degree of accuracy the recipients' preferences. Such gifts are welfare reducing (deadweight loss) compared to giving cash. The cost of the gift is higher than its value to the recipient. In this study, we examine whether purchasing holiday gifts in Israel leads to welfare gains or deadweight losses. We also explored how the relationship type (family, social, workplace) affects the difference between the costs and values of gifts.

### **Keywords:**

Deadweight loss; Gift giving; Market failure

**JEL Classification:** D12, Z13, A13