

THE OPTIMAL BUNDLE



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THE OPTIMAL BUNDLE

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How to Survive the Holiday Shopping Season with Your Christmas Cheer Intact

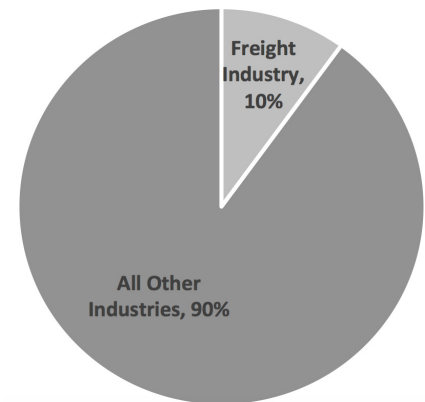
Not all who wander are lost – except when it comes to shoppers during the holiday season. Between Black Friday and Christmas, it's easy to lose sight of what makes the holidays such a magical time of year in the first place: holiday cheer. Here are a few tips to keep that cheer intact during your shopping experience:

- 1) AVOID shopping online.** The internet is one of the lamest inventions in recent history because it subtracts from the fun of Black Friday shopping. When else is it acceptable to punch someone in the face because you saw the last Tickle-Me-Elmo first? Trends show that in-store foot traffic fell 8% in 2014 over the previous year, while online sales are predicted to increase 15% for 2015. If you want to maintain your holiday cheer, don't be an online shopper who contributes to these trends.
- 2) In store pickup is a BAD idea.** If you didn't listen to tip #1 and chose to shop online because you're lazy, why would you go into the store to pick up your purchase? This year, firms like Wal-Mart and Target are luring customers into their stores to pick up their purchases just hours after they've completed their on-line transaction. This is obviously a marketing scheme to get you to buy more things you don't want. Instead, opt to have your order delivered using standard ground shipping.
- 3) DON'T collect free shipping opportunities.** Free shipping is a heinous idea. If you listened to tip #2, be aware that many stores are offering free shipping. There are no businesses that will carefully ship your product for free, which is why you should always pay for standard ground shipping. Otherwise you can expect something like that scene from Ace Ventura: Pet Detective. Look for this free shipping trickery from Best Buy and Target at least through December 25th. Remember, you get what you pay for.

The holiday season comes but once a year, and by following these three tips you can rest assured that your Christmas cheer is safe. For maximum effect, listen to Christmas music as much as possible, and make sure you don't buy those energy efficient LED Christmas lights that never burn out. Those things are terrible. – SL



There's a New Grinch In Town: The ECB's Lump of Coal



Investors expecting a holiday present last week were surprised to find a lump of coal in their stockings. European Central Bank (ECB) President Mario Draghi had been hinting of an aggressive economic stimulus program, but investors' wish lists were not satisfied following the release of an official statement on December 3rd. The stimulus plan would extend the ECB's program of buying bonds and other assets by six months but would not increase the amount of monthly purchases. Additionally, the ECB cut an interest rate that encourages banks to lend, but they left important borrowing rates untouched. According to Mutjaba Rahman of Eurasia Group, Draghi typically under-promises and over-delivers, but this was not the case this time around. A stock sell-off from Frankfurt to Rome ensued as traders expressed disappointment in the ECB's lack of stronger action towards boosting the European economy. Perhaps investors will be happier with what they in their stockings next Christmas. – OA

Ask the Economist: Efficient Gift-Giving

December marks the beginning of an annual consumer frenzy as shoppers search for the “perfect” holiday gifts. But the gift-giving season presents a special conundrum for the economist: how could you possibly know what someone else wants better than they do? It’s hard to forget the fundamental assumption of economics, which says utility is maximized when individuals act in their own self-interest. Indeed, in a paper called “The Deadweight Loss of Christmas,” Joel Waldfogel of the University of Minnesota estimated that in the United States, the mismatch between gifts and preferences results in up to \$13 billion of “wasteful spending” (or deadweight loss) each year! But don’t despair – with a few economic insights, you can avoid the worst inefficiencies of gift-giving:

1) Give them something they didn’t know they wanted. Keep an eye out for special items that relate to their interests that they might not seek out themselves. This strategy not only introduces novelty into their preference set; it also shows you’re always keeping them in mind.

2) When in doubt, cash is king. Economists recommend exchanging gifts among close family and friends whose revealed preferences you know best. This minimizes the risk of the recipient valuing the gift less than you think they will. However, if you don’t

know the recipient very well, a gift card or a charitable donation in their name is a safe bet because both hold their objective value. And if you still choose to

UN Climate Change Summit Gives Santa the “Green” Light

Holiday shoppers have been shifting away from brick and mortar stores for several years as online shopping has become

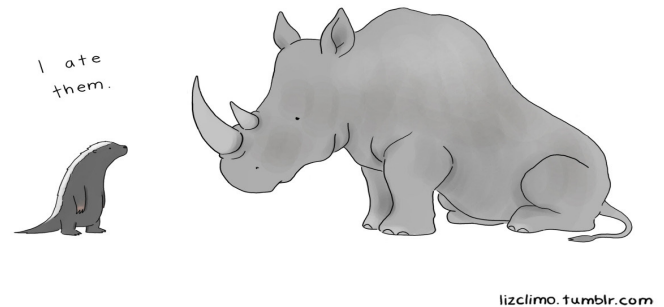
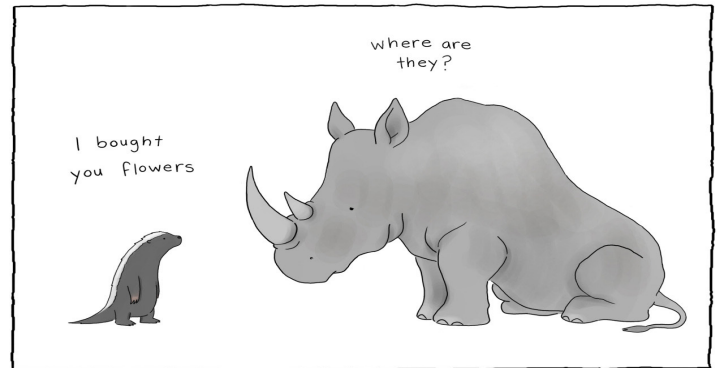
cheaper and more convenient. Though the trend will likely continue, all is not lost for traditional retailers. Affordable shipping costs, a critical component of online retail, could be threatened by carbon emissions reduction initiatives such as those proposed at the UN Climate Change Conference in Paris this week. Ideas discussed at the summit included increasing fuel efficiency and the use of electric vehicles internationally, as well as independent domestic programs aimed at reducing pollutants. Government regulations are nothing new for the industry, but as corporations enact their own “green business” programs, they are pressuring downstream

shipping firms to adapt. In fact, a total of 154 major American companies such as Apple, Facebook, GE, and UPS, have signed on to the White House’s “Act on Climate Pledge,” promising to reduce carbon emissions by up to 50%. As freight and parcel delivery companies improve their services to meet new environmental standards, the additional cost will inevitably be passed on to consumers. Assuming these initiatives gain momentum, it will be interesting to see whether certain products are deemed “not worth shipping,” or if the decline in physical stores continues. – FK

give an item, don’t forget a gift receipt!

3) Remember: it’s the thought that counts. Gifts are a signal you care about someone enough to spend time and effort finding and preparing something for them. Even if they aren’t perfectly satisfied with the gift itself, chances are they’ll value your good intentions. Economists have a simple piece of advice for making your sincerity clear – be sure to wrap your gifts.

Gift-giving doesn’t have to lead to deadweight loss. By thinking like an economist, you could make everyone on your list happy this holiday season. – ET



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