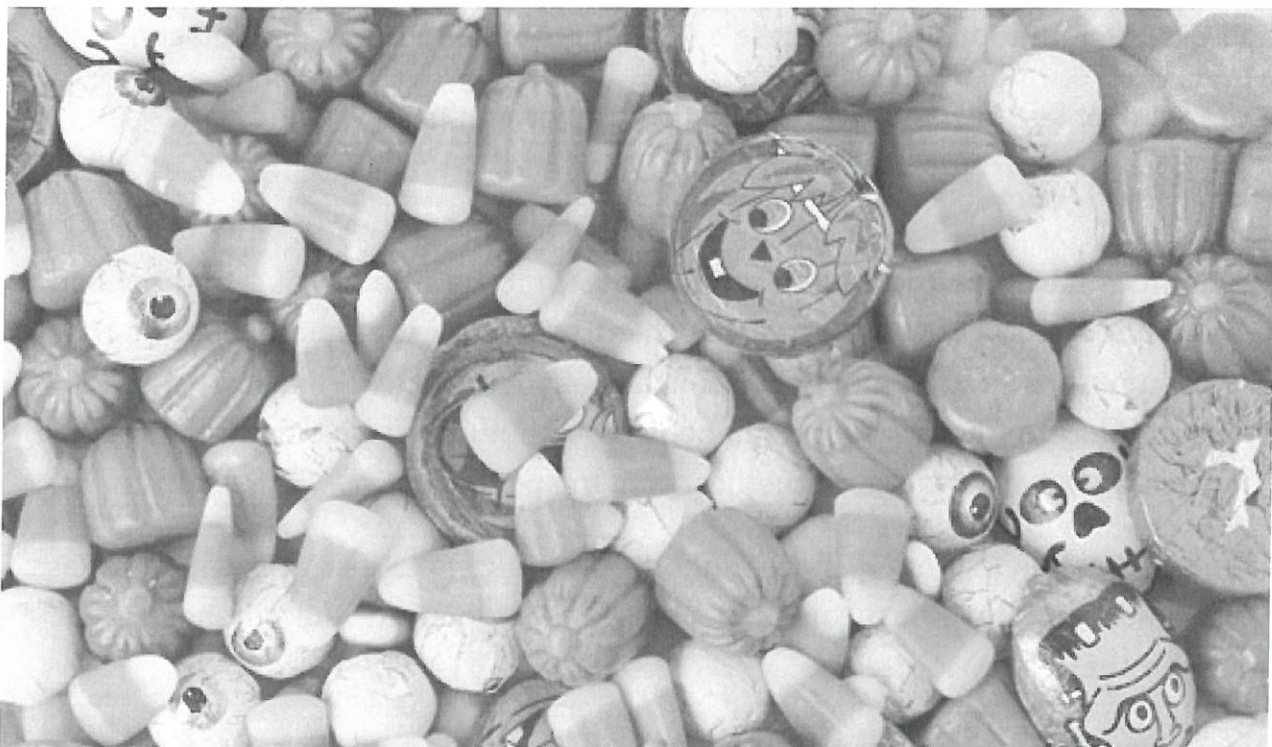




Halloween is an economist's biggest nightmare

Kevin A. Hassett

October 30, 2006 12:00 am | *Bloomberg.com*



Holidays are a time when Americans kick back and engage in activities that make no economic sense whatsoever. Of all the terrors lurking in the streets and alleys across the U.S. tomorrow night, the economics of Halloween may be the most horrific.

When my kids get back from trick-or-treating, you can bet they will have countless candy bars of a variety that they never choose to consume on their

own. For my money, the worst of these is the Charleston Chew. While Tootsie Roll Industries Inc., the company that makes this confectionary abomination, produces many delights and is a model American business, their Charleston Chew is a crime against dentistry.

I have never willingly purchased a Charleston Chew, and I'm not aware of ever observing anyone buying one for their own consumption. But rest assured, folks across America will be shoveling them into trick-or-treaters' bags.

Perhaps, you might say, it is just that people are taking the opportunity that Halloween offers to dispose of a menace. Rather than consume the Chews themselves, individuals foist them on unsuspecting youngsters.

But no, the Charleston Chew isn't the only problem. For every Chew my sons find in their trick-or-treat bags, there will be handfuls of tongue-slicing hard candies and bizarre mutations of the Reese's Peanut Butter Cup never before seen.

The real problem is that the economics of Halloween is all wrong.

Give Them Money

Economists haven't adopted the vainglorious practice of physicists and applied numbers to their laws, but if they did, the first law of economics would be that lump-sum transfers are more economically efficient than in-kind transfers. If you are going to give a gift to somebody, you should just give them the money. They will be a better judge of the best way to spend it.

If instead, you give them a specific good, then you make them worse off, unless you somehow miraculously anticipate what the recipient would purchase if he received the money instead.

Now if you know someone well, perhaps you can anticipate the type of gift they might like. But Halloween is no time for thoughtful, targeted gift-giving. At Halloween, each house on a typical American block picks out one type of candy, and they give that exact same candy willy-nilly to everyone who shows up at the door. It's an economic nightmare.

Dead-Weight Loss

This is no laughing matter. The scale of the problem is immense. The National

Confectioners Association estimates that 2005 Halloween sales were \$2.1 billion, easily making Halloween the biggest candy season. This year, sales will certainly be higher.

What percentage of those sales end up providing candy that individuals don't really like? If my own careful scientific study of Halloween bags is any guide, perhaps about 75 percent.

It's not the dead that concern me about Halloween. And it is not the impact of all that sugar on the weight of our kids. No, it's the dead-weight loss, or pointless lost utility of the entire enterprise. That likely has a dollar value that exceeds \$1.5 billion annually. American citizens squander more than a billion and a half dollars a year on an economically inefficient holiday.

So let's do something to reform Halloween. The first step would be for Halloween donors to give kids money instead of candy. Kids could then go to the supermarket the next day and binge on the candies they really like. That solution would get an A-plus in economics.

Bring It To School

I am not optimistic that Americans would be so enlightened. So other solutions should be sought. Many schools prohibit children from taking Halloween candy onto the premises. That is exactly the wrong policy. Schools should encourage all children to bring their entire haul to school, and allow them a lengthy period to trade candies among themselves. That way, the Take 5s and the 100 Grand bars will find their way to individuals who cherish them.

Of course, nobody will take the Charleston Chews, so we should also consider a federal block grant to local school districts to support environmentally friendly disposal of the candy.

A final measure would be to take on inefficient candy-giving at the source. As a conservative, I usually oppose heavy-handed regulation, but in this case, the stakes are too high. Perhaps confectioners should be required to only sell their Halloween candy in bags that mix many different types. That way, when families put the candy out for the trick-or-treaters, bowls will be filled with a wide variety of different types of candy, and each new child will be able to pick the confection that suits his or her fancy. The late-comers, of course, will be stuck with the

Chews.

We have left Halloween to the ghouls and demons for far too long. It is time we give it to the economists, and let them fix it once and for all.

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This article was found online at:

<https://www.aei.org/publication/halloween-is-an-economists-biggest-nightmare/>

'Trade You Snickers For Smarties': The Economics Of Halloween Candy

November 1, 2011 12:47 PM ET

Kristofor Husted

Melissa Forsyth/NPR

Melissa Forsyth/NPR

Budgets may be tight, but that didn't stop Americans from throwing down more money for Halloween candy this year than ever before.

As Susan Whiteside of the [National Confectioners Association](#) tells [The Salt](#), Americans spent an average of \$7.36 per person, or \$2.3 billion total, on Halloween candy in 2011. There's an astounding array of choice out there too, with 20,000 individual bar codes for distinct candy products on the market, according to the NCA. Under the Reese's name alone there are more than 20 different nutty concoctions. (The New England Confectionery Company got a taste of just how strongly Americans feel about their candy [in a recent flap](#) over natural colors and flavors.)

But not all candy is created equal, as all children will tell you. And increasingly American kids are getting an early lesson in [economics](#) — and business — by finding ways to trade their Halloween candy with friends and siblings.

I decided to peek in on a candy trading party in one of [the top 10](#) Trick-or-Treat scenes in the country — Washington, D.C. I spent the evening with 25 kids, most about 11 years old, who aggressively traded candy after working the streets of the Chevy Chase neighborhood Monday night.

Within seconds of returning home, the first group at the trading party spilled their pillow cases onto the floor and started making piles.

Ben Wallach's "candy shop" of recently acquired Halloween sweets is open for business.

"I've got Whoppers and Nerds. Who wants 'em?" Sierra Lewter, 11, shouted across the room once the floor opened.

Sierra quickly became the queen of Reese's by jumping into the market early. While most kids were still organizing their piles by brand, she was already making moves and trading her way to a hefty collection of Reese's Pieces and Peanut Butter Cups.

Lauryn Donahue displayed a solid grasp of the concept of excess supply. She was working hard to move the less-desirable candy given out at her house earlier that night.

"It's from my home," the 10-year-old, dressed as the daughter of Frankenstein, said. "I have lots of gummy body parts."

The decibel level in the candy-trading room rivaled that of Wall Street. The trading peaked about 20 minutes in as cross-room deals had Milk Duds flying overhead while a Jolly Rancher came the other way. Whoppers went for Smarties. Kit Kats went for a Twix. Charleston Chews, the pennies of the lot, didn't seem to move at all.

When a new wave of ghosts and clowns came through the door, the traders grabbed the bags of the recent arrivals to see if they had anything to offer.

When someone asked if Ben Wallach, 11, wanted to trade away his Kit Kat bar, he thought about it for a second. Then he motioned for the potential customer to walk his way.

"Come into my candy store," he said with the air of a true salesman.

When asked to put a dollar value on their loot, the kids fired out answers anywhere between \$50 and \$100.

As the trading died down, the candy consumption began. Everyone seemed satisfied with the deals they had made. And if not, Tuesday at school would bring a whole new group of potential consumers to trade with.

Sierra piled her heap of peanut butter candy into her bag.

"I did good," she said.