

## Greedy Innkeeper or Generous Capitalist?

**Brian S. Wesbury** – Chief Economist  
**Robert Stein, CFA** – Senior Economist  
**Strider Ellass** – Economic Analyst  
**Andrew Hull** – Economic Analyst

The Bible story of the virgin birth is at the center of much of the holiday cheer at this time of the year. The book of Luke tells us Mary and Joseph traveled to Bethlehem because Caesar Augustus decreed a census should be taken. Mary gave birth after arriving in Bethlehem and placed baby Jesus in a manger because there was “no room for them in the inn.”

Over the centuries, people have come to believe that because Jesus was born in a stable, and not in a hotel room, Mary and Joseph must have been mistreated by a greedy innkeeper. This innkeeper only cared about profits and decided the young couple was not “worth” his best accommodations. We have heard this narrative of the Christmas story repeated many times in plays, skits and sermons.

This narrative persists even though the Bible records no complaints at the time and there was apparently no charge for the use of the stable. It may be that the stable was the only place available. Bethlehem, like other small towns, was overflowing with people who were forced to return to their ancestral homes for the census - ordered by the Romans for the purpose of levying a tax.

If there was a problem, it was caused by the unintended consequences of this government policy. But this source of the problem has been ignored in favor of a more palatable complaint, that capitalism and capitalists are greedy, uncaring, and maybe even evil.

But a different narrative makes even more sense. The innkeeper was generous to a fault – a hero even. He was over-booked, but he charitably offered his stable, a facility he built with unknowing foresight. A facility he was able to offer, while the government officials who ordered the census slept in their own beds with little care for the well-being of those who had to travel regardless of their difficult life circumstances.

If you must find “evil” in either one of these narratives, remember that evil is ultimately perpetrated by individuals, not the institutions in which they operate.

And this is why it’s important to favor economic and political systems that limit the use and abuse of power over others. In the story of baby Jesus, a law that requires innkeepers to always have extra rooms, or to take in anyone who asks, would “fix” the problem.

But this new law would also have unintended consequences. It would create fewer hotel rooms because the costs of building would rise. A hotel big enough to handle the rare census, would be way too big in normal times. And who would open a bed and breakfast, if the law could crack down at any time the house became full? With fewer hotel rooms, prices would rise, and innkeepers would once again be called greedy. Government would then try to regulate prices.

This does not mean free markets are perfect or create utopia, they aren’t and they don’t. But, business can’t force you to buy a service or product. You have a choice – even if it’s not exactly what you want. And good business people try to make you happy in creative and industrious ways.

Government doesn’t always care. In fact, if you happen to live in North Korea or Cuba, and are not happy about the way things are going, you can’t leave. And just in case you try, armed guards will help you think things through.

This is why the framers of the US Constitution made sure there were “checks and balances” in the system. We’re now seeing that system operate. So, for example, we still do not know whether the major health care bill passed 21 months ago will ever be fully implemented. In the year ahead, both the Supreme Court and the voters will have their say.

These checks and balances are not like having a true Savior. But they should give us all reason to hope for a better world in the years ahead

*(If you think you’ve read this before, you’re right! This week’s Outlook is very similar to what we have written the same week in the past two years.)*

Date/Time (CST)	U.S. Economic Data	Consensus	First Trust	Actual	Previous
12-20 / 7:30 am	Housing Starts - Nov	0.635 Mil	<b>0.634 Mil</b>		0.628 Mil
12-21 / 9:00 am	Existing Home Sales - Nov	5.070 Mil	<b>4.450 Mil</b>		4.970 Mil
12-22 / 7:30 am	Q3 GDP Final Report	+2.0%	<b>+2.1%</b>		+2.0%
7:30 am	Q3 GDP Chain Price Index	+2.5%	<b>+2.5%</b>		+2.5%
7:30 am	Initial Claims - Dec 17	380K	<b>375K</b>		366K
8:55 am	U. Mich. Consumer Sentiment	68.0	<b>68.0</b>		67.7
9:00 am	Leading Indicators - Nov	+0.3%	<b>+0.3%</b>		+0.9%
12-23 / 7:30 am	Durable Goods - Nov	+2.1%	<b>+3.2%</b>		-0.5%
7:30 am	Durable Goods (Ex-Trans) - Nov	+0.4%	<b>-0.2%</b>		+1.1%
7:30 am	Personal Income - Nov	+0.2%	<b>+0.3%</b>		+0.4%
7:30 am	Personal Spending - Nov	+0.3%	<b>+0.4%</b>		+0.1%
9:00 am	New Home Sales - Nov	0.315 Mil	<b>0.313 Mil</b>		0.307 Mil

*Consensus forecasts come from Bloomberg. This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security.*