



Is Thinking Obsolete?

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Amid all the hysteria among politicians and in the media over rising gasoline prices, and all the outraged indignation about oil company profits and their executives' high pay and lavish perks, has anybody bothered to even estimate how much effect any of this actually has on the price we pay at the pump?

If the profit per gallon of gas were reduced to zero, would that be enough to reduce the price by even a dime? If the oil company executives were to work free of charge, would that be enough to reduce the price of gasoline by even a penny a gallon?

Surely media loudmouths making millions of dollars a year and the multibillion dollar TV networks they work for can afford to get some statistics and buy a pocket calculator to do the arithmetic before spouting off nationwide.

But this is the age of emotion, not analysis.

Politicians are even more hypocritical. The government collects far more in taxes on every gallon of gasoline than the oil companies collect in profits. If oil company profits are "obscene," as some politicians claim, are the government's taxes PG-13?

The very politicians who have piled tax after tax on gasoline over the years, and voted to prohibit oil drilling offshore or in Alaska, and who have made it impossible to build a single oil refinery in decades, are all over the television screens denouncing the oil companies. In other words, those who supply oil are being denounced and demonized by those who have been blocking the supply of oil.

Given the vast amounts of gasoline sold across the length and breadth

of this nation, and given the megabillion dollars involved, whether or not some corporate executive has an inflated pay scale is unlikely to explain the price of gasoline.

It may allow some people in the media to vent their emotions and some politicians to create a bogeyman, since they can't play St. George without a dragon. But cheap demagoguery cannot explain expensive gas.

When the two most heavily populated nations on earth -- China and India -- have rapidly growing economies and rapidly escalating importations of oil, how could that not affect the world price of oil? After all, the price of oil is determined in the international markets, contrary to conspiracy theories that keep turning up whenever gas prices rise.

Those conspiracy theories have been investigated time and again, without uncovering anything. But it is still a clever political ploy to ask for more investigations when gas prices rise. If nothing else, it distracts attention from those who have been blocking all attempts to enable us to use our own oil.

Nothing is easier, or more emotionally satisfying, than blaming high prices on those who charge them, rather than on those who cause them. The same thing happens when stores in high-crime neighborhoods charge higher prices than stores in safer neighborhoods.

Both crime and precautions against crime add to the cost of doing business and this adds to the prices. But seldom, if ever, do those who decry the high prices blame those prices on the crime, vandalism, and violence committed by local inhabitants.

Where the stores are owned by a different ethnic group, such as Asians in black ghettos, it is virtually guaranteed that the store owners will be denounced for "gouging," "discrimination" and whatever other political rhetoric will rouse the emotions.

People with no experience in business, no knowledge of history, and utterly ignorant of economics do not hesitate to leap from high prices to greedy profit-makers. Many of these ignorant people are on nationwide television and some are in Congress.

Many, if not most, of the great American fortunes -- Rockefeller, Carnegie, Ford -- have been made by finding ways to charge lower prices, not higher.

In the early 20th century, the A & P grocery chain became renowned for both its low prices and its high quality. Its profit rate never fell below 20 percent during the decade of the 1920s. That's a higher rate of profit than the oil companies make.

The relationship between prices and profit rates is not as simple as media hype or political demagoguery claims.