Flag-Waving Economics

Large newspaper advertisements announced that Sinclair Refining Company (Inc.) had increased by one-half cent a gallon its tank-wagon price for gasoline. The explanation, signed by H. F. Sinclair, was:

"I do not believe that 130,000,000 Americans want depressed or profitless industries. The people, I think, want more jobs, good wages, more purchasing power and general prosperity. They are willing to pay reasonable prices to make these things possible by up-building American industry in the American way."

Here is a sample of economic buncombe, supported by the flag-waving finish used by vaudeville hams to save a dull performance. Whether Mr. Sinclair (or his adman) really believes what he says is unimportant; that this kind of jingo-inspired reasoning has its adherents is sadly important.

In the first place, the increased tank-wagon price (unless it is adopted by all the oil companies) will not affect the price of gasoline to the consumer. Competition between dealers determines that. If the retailer is for any reason unable to change his brand he will have to absorb the increased price, at the expense of his own wages, or maybe he will take it out of the wages of his clerks. Americans, like all human beings, seek to satisfy their desires with the least effort, and the lowest price is the least effort. That Mr. Sinclair cannot make a profit on his business is no concern of theirs, unless they wish to be merely charitable, which is not likely. If other oil companies are more efficient the Sinclair company should copy their methods, or go out of business.

But, most insulting to our intelligence is the inference in this advertisement that jobs will increase in number, wages will go up and general prosperity will result from an increase in the tank-wagon price of Sinclair gasoline. Did Mr. Sinclair announce in his advertisement that the wages of Sinclair employees would be advanced simultaneously with the increase in price of gasoline? He did not. He hires his labor—because he too tries to satisfy his desires with the least effort—at the market price of labor. Competition between laborers for jobs will determine the wages Mr. Sinclair will pay, no matter what the price of gasoline.

If through a general increase in production there is an increase in the demand for labor, wages will go up; the increased wages will create a demand for more gasoline, and this will increase its price until additional production is attracted. Increase in production must precede any increase in wages. There is no way to increase wages unless production is increased; and there is no way to increase production without opening to capital and labor access to the source of all production—the earth.

Which brings up the question of who gets the half-cent increase in the tank-wagon price of Sinclair gasoline. Who is in position to demand it, or else? Why, the owner of the site where the oil is located. The landlord. This may be the Sinclair Refining Company. It may be the royalty-collector of a well used by this company. Maybe an Indian squaw on whose land oil was discovered and who has learned the white man's scheme of appropriating rent for private gain. It may be Mr. Sinclair himself, through the instrument of a title deed, or securities that are in effect mortgages on oil wells. Anyhow, American workers don't get it, neither do users of gasoline.

And thus the price of gasoline, which should naturally be determined by competition, is increased by monopoly rent—which retards "purchasing power and general prosperity." Wrapping the flag around the process doesn't change the cost to consumer and producer.