



Written by [Michael Tennant](#) on August 19, 2011

Obama Administration Subsidizes Solar Energy Via Loans to India

According to [CNSNews.com](#), the Ex-Im Bank has already loaned \$75 million for four solar projects in India this year, and the bank says it “has about \$500 million of India solar projects in the pipeline that will generate an estimated 315 [megawatts] of solar power.” Among the projects already receiving loans are two five-megawatt solar photovoltaic plants in Rajasthan, for which the Ex-Im Bank is providing a total of \$25.2 million in financing to purchase thin-film solar modules from First Solar, Inc., of Tempe, Arizona, and Abound Solar, Inc., of Loveland, Colorado.



As should be obvious from the preceding paragraph, the Ex-Im Bank “epitomizes corporate welfare,” as [Timothy P. Carney](#) put it in the *Washington Examiner*. Politically favored corporations get the government to finance loans to foreign entities, who then turn around and spend the money on the products of those corporations.

Of course, the bank puts a rather more favorable spin on its activities. Ex-Im Bank Chairman and President Fred Hochberg, an Obama appointee, told the House Subcommittee on International Monetary Policy and Trade: “We really act as a lender of last resort. We act when — If other banks are unwilling or unable to provide financial support, we will look at it and make sure there is a reasonable assurance of repayment, and in that case, we’ve been able to step in, with the private sector not able to do that on its own.”

But as the Cato Institute’s [Sallie James](#) pointed out, “If the bank’s transactions were ‘sure bets,’ then the private sector would — and should — be expected to step in. If, on the other hand, the private sector wouldn’t finance a transaction, it is a signal that taxpayers should not be exposed to the risk, either.”

And exposed they are, to the tune of “tens of billions of dollars of loans and guarantees,” according to James. The bank is currently self-financing; that is, it funds itself with loan repayments and fees. If there should be a severe economic crisis that leads to a significant number of defaults on Ex-Im Bank loans, however, taxpayers would be forced to cover the losses. “So,” wrote Carney, “it’s kind of like Fannie Mae was, before its exposure became real and the taxpayers had to come in and bail it out” — hardly a reassuring thought.

Ex-Im Bank “says that by loaning money to fund projects in foreign countries that use goods and services from the United States it creates jobs within the United States,” says CNSNews.com, adding:

The bank says that in the first half of this year alone it approved 173 transactions involving India that had a total value of \$1.4 billion. This U.S.-government financing, the banks [sic] said, was responsible for “supporting over 10,000 U.S. jobs.”

That works out to \$140,000 in U.S. government loans to borrowers in India for each U.S. job



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“supported” by the bank.

Furthermore, the jobs that the bank supposedly creates come at the expense of jobs elsewhere. Observed Sallie James:

The bank does not create the resources with which to provide financing out of thin air: the money comes from taxes or the repayment fees from previous loans, which would otherwise go to the U.S. Treasury. In that sense, the bank only *redistributes* resources by taking them from other areas of the economy. [Emphasis in original.] It reallocates capital that otherwise would be available for other uses.

... There is no reason to think that the Ex-Im Bank knows how to better employ those resources than the consumers, investors, and businesses from which they are taken. On the contrary, by putting resources to less-efficient uses, the bank creates distortions in the national economy and imposes opportunity costs that are surely higher than the added value of the bank’s intervention.

The Obama administration, on the other hand, does believe it is wiser than the private sector (hence ObamaCare), and so it continues to hand out goodies to companies whose products align with its ideology. Not surprisingly, many of those companies cannot succeed even with government assistance — and taxpayers are left holding the bag.

Constitutionalists recognize that the Ex-Im Bank’s activities far exceed the federal government’s constitutionally enumerated powers. They therefore urge the bank to cease issuing loans and Congress to reject the [bill](#) to reauthorize the bank this year. They know that if there’s one thing Americans can’t afford, it’s another multi-billion-dollar bailout.

Photo of worker cleaning solar arrays in India: AP Images



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