U.S. Solar Panel Makers Accuse China of Dumping

Said SolarWorld President Gordon Brinser, his company "can compete with anyone in the world [but] illegal subsidies in China [are allowing] the Chinese solar industry to come in and gut and own the U.S. solar industry." Because the alleged dumping has caused prices to decline, it has put several panel makers into financial difficulty, and was a proximate cause of the disintegration of Solyndra. Senator Ron Wyden (D-Ore.) claimed that because of the dumping of panels at below-market prices, "the American solar industry has been collapsing." Part of the reason is that the Chinese government has been extending low-interest loans to Chinese panel makers, which Wyden called "cheating," thus allowing them to offer panels for sale below the production costs of U.S. makers.

The group wants the Department of Commerce and the International Trade Commission to impose a duty on all panels imported from China sufficient to bring the price back up to where the U.S. makers can be competitive, and profitable, again.

A Chinese panel maker, Suntech Power Holdings, rejected the accusations, calling the group's request nothing but "protectionism" that would "put thousands of jobs at risk," which could lead to "a solar trade war [that] would deal a major blow to the world economy."

Putting aside any political implications of the move by the Chinese government to "gut and own the U.S. solar industry," as claimed by Brinser, the calls for punishment through tariffs and duties raises important economic questions. If the economics behind such a move is bad, it will inevitably lead to bad economic policy.

The prime motive behind the breakup of the Standard Oil Company in 1911, under the Sherman Antitrust Act, was that Standard Oil was using similar "anticompetitive" acts that resulted in its domination of America's oil refining industry in the late 19th century. But this is a grossly simplistic reading of history, according to Thomas DiLorenzo, author of *How Capitalism Saved America*. Wrote DiLorenzo, "Because of Standard Oil's superior efficiency (and lower prices), the company's share of the refined petroleum market rose from 4 percent in 1870 to 25 percent in 1874 and to about 85 percent in 1880." As a result prices to consumers fell dramatically, from 30 cents per gallon in 1869 to 8 cents by 1874.

One of the more remarkable changes wrought by these low prices was America's reading habits. As DiLorenzo noted, "In the 1870's kerosene replaced whale oil as the primary source for light in America. It might seem trivial today, but this revolutionized the American way of life." Working and reading after dark became widespread because of the affordability of the new cheaper and cleaner light source.

But Standard Oil was faced with similar complaints as expressed by the solar panel makers in Washington. As DiLorenzo noted:

> Because [it] could refine kerosene far more cheaply than anyone else could, which was reflected in [its] low prices, the railroads offered [Standard Oil] special low prices, or volume discounts. This is a common, ordinary business practice — offering volume discounts to one's largest customers in order to keep them — but [Standard Oil's] less efficient competitors complained bitterly. Nothing was stopping them from cutting their costs and prices and winning similar railroad rebates other than their own inabilities or laziness, *but they apparently decided that it was easier to complain about Rockefeller's "unfair advantage" instead.* [Emphasis added.]
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> Following the Supreme Court's decision in 1911, Standard Oil was broken up and became, as DiLorenzo wrote, "much less efficient as a result, to the benefit of its much *less* efficient rivals and to the detriment of consumers…. They succeeded in using political entrepreneurship to hamstring a superior market entrepreneur, which in the end rendered the American petroleum industry *less* competitive.

It isn't excessive hyperbole to make two points about the solar panel makers' complaints: First, what about the consumer? If tariffs and duties are imposed on the basis of fairness, the consumer will be required to pay 50 percent more for the panels than before. That will likely diminish future demand for the now-expensive panels, thus retarding the growth of that industry, and slowing employment growth. Secondly, if the Chinese government retaliates with higher duties and tariffs on imported American goods, then higher prices will result in lower worldwide demand, with the economy taking another hit. In their rush to "protectionism" the American panel makers are sounding awfully much like communists, whereas the Chinese panel maker SunTech has expressed the dangers perfectly: a potential trade war that will serve no one well. Here are the communists teaching capitalists lessons in free-market economics.

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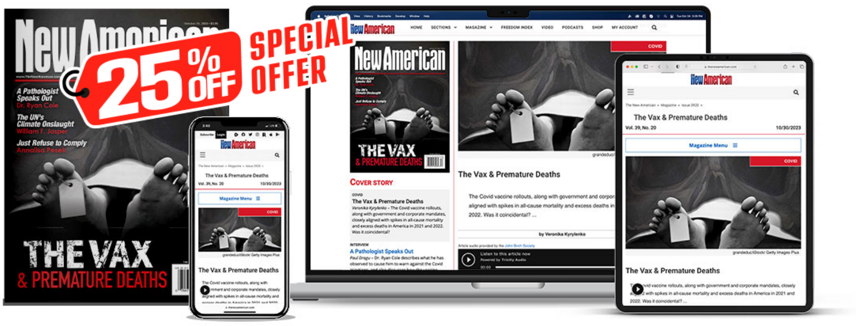

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