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### The Phony Solyndra Scandal



Earl Wilson/The New York Times

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If Brian Harrison and W. G. Stover, the two Solyndra executives who took the Fifth Amendment at a Congressional hearing on Friday, ever spend a day in jail, I'll stand on my head in Times Square.

It's not going to happen, for one simple reason: neither they, nor anyone else connected with Solyndra, have done anything remotely criminal. The company's recent bankruptcy - which the Republicans are now rabidly "investigating" because Solyndra had the misfortune to receive a \$535 million federally guaranteed loan from the Obama administration - was largely brought on by a stunning collapse in the price of solar panels over the past year or so.

The company's innovative solar panels, high-priced to begin with, became increasingly uncompetitive in the marketplace. Solyndra didn't have enough big commercial customers to create the necessary economies of scale. And although Harrison and Stover remained optimistic up to the bitter end - insisting six weeks before the late-August bankruptcy filing that the company was going to be fine - they ultimately failed to raise additional capital that would have allowed Solyndra to stay

in business.

The Republicans are trying to make that optimism appear sinister, but if we've learned anything from the financial crisis, it is that wishful thinking in the face of a collapsing market is not a crime. Otherwise, Richard Fuld, the former chief executive of Lehman Brothers, would be wearing prison garb.

Harrison and Stover are on the hot seat. Anything they say in their defense - even an off-hand remark - can and will be used against them. Their lawyers would be fools if they didn't insist that their clients take the Fifth Amendment.

Do the Republicans know this? Of course. Do they care? Of course not. For an hour and a half on Friday morning, they peppered the two men with questions about this "taxpayer ripoff," as Representative Fred Upton, a Michigan Republican, described it, knowing full well that Harrison and Stover would invoke their constitutional right to remain silent. Joe McCarthy would have been proud.

The purpose of the hearing - indeed, the point of manufacturing a Solyndra investigation in the first place - is to embarrass the president. That's how Washington works in the modern age: the party out of power gins up phony scandals aimed at hurting the party in power.

Undoubtedly, the Solyndra "scandal" will draw a little blood: there are some embarrassing e-mails showing the White House pushing to get the deal done quickly so it could tout Solyndra's green jobs as part of the stimulus package.

But if we could just stop playing gotcha for a second, we might realize that federal loan programs - especially loans for innovative energy technologies - virtually require the government to take risks the private sector won't take. Indeed, risk-taking is what these programs are all about. Sometimes, the risks pay off. Other times, they don't. It's not a taxpayer ripoff if you don't bat 1.000; on the contrary, a zero failure rate likely means that the program is too risk-averse. Thus, the real question the Solyndra case poses is this: Are the potential successes significant enough to negate the inevitable failures?

I have a hard time answering "no." Most electricity today is generated by coal-fired power plants, operated by monopoly, state-regulated utilities. Because they've been around so long, and because coal is cheap, these plants have built-in cost advantages that no new technology can overcome without help. The federal guarantees help lower the cost of capital for technologies like solar; they help spur innovation; and they help encourage private investment. These are all worthy goals.

To say "no" is also to cede the solar panel industry to China, which last year alone provided some \$30 billion in subsidies for its solar industry. Over all, the American solar industry is a big success story; it now employs more people than either steel or coal, and it's a net exporter.

But solar panel manufacturing - a potential source of middle-class jobs, and an important reason the White House was so high on Solyndra, which made its panels in Fremont, Calif. - is another story. Not so long ago, China made 6 percent of the world's solar panels. Now it makes 54 percent, and leads the world in solar panel manufacturing. Needless to say, the U.S. share of the market has shrunk. The only way America can manufacture competitive solar panels is to come up with innovative technologies that the Chinese can't replicate. Like, for instance, Solyndra's.

At the hearing on Friday, several of the Republican congressmen boasted that, in passing the

continuing resolution to keep the government running the day before, they had succeeded in slashing the program that had made the loan to Solyndra. It's true: of the \$4 billion that remained in the program, \$1.5 billion was cut.

But the real winner isn't the American taxpayer or even the House Republicans. It's the Chinese solar industry.

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