President Trump shouldn't give in to the solar industry's drama

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President Trump is about to decide whether to raise the price of solar energy, based on an economic theory refuted in 1845.

In response to a formal complaint, the U.S. International Trade Commission ruled this month that imported solar cells are putting too much competitive pressure on domestic cell producers. The commission will now examine what remedy would be appropriate, and then it will be up to the Trump administration to decide whether to take action. The likely remedy would be to impose tariffs on imported solar cells, thus protecting U.S. cell manufacturers and raising prices for consumers.

The solar industry is already receiving this sort of protection. In 2014, in response to a complaint by U.S. manufacturers, the Commerce Department imposed tariffs of up to 78.42 percent on imports of solar panels made in China, increasing the price for any U.S. consumer purchasing the panels. But that wasn't enough for the U.S. companies filing this year's complaint relating to the cells that make up the panels.

This attempt to raise the price of using sunlight for energy reminds me of one of the most famous documents in the history of free trade. In 1845, the French economist Frederic Bastiat wrote "The Candlemakers' Petition," in which he imagined the makers of candles and street lamps petitioning the French parliament for protection from a most dastardly foreign competitor:

"We are suffering from the ruinous competition of a rival who apparently works under conditions so far superior to our own for the production of light that he is flooding the domestic market with it at an incredibly low price [. . .] This rival … is none other than the sun."

After all, Bastiat's imaginary petitioners noted, how can the makers of candles and lanterns compete with a light source that is totally free?

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Thank goodness we wouldn't fall for such nonsense today--or would we? Solar manufacturers are asking for pretty much the same thing: protection from a cheaper competitor.

Perhaps the comparison is unfair. After all, the solar manufacturers haven't been asking for protection from the sun, only from foreign companies.

What's the difference, though? Any source that supplies solar panels to American consumers and businesses is a competitor of the American industry. And any source that can deliver any product cheaper than American companies is a tough competitor. Domestic producers will no doubt gain by imposing a tariff on their Chinese competitors, but American companies that install solar power will lose, by having to pay higher prices for panels.

Indeed, as is often in the case in trade matters, not all the companies in the industry are in agreement. This case was brought by two companies, but the largest solar trade group in the nation, the Solar Energy Industries Association, opposes tariffs. The association says that if the two companies get what they are asking for, prices for solar power will rise, consumer demand will fall, and the industry will lose some 88,000 jobs, about one-third of the current American solar workforce.

Interestingly, the two companies that brought the complaint, Suniva and SolarWorldAmericasTwo, are based in the United States but are respectively owned by German and Chinese firms. It's ironic that companies made possible by cross-border investment are now seeking protection from cross-border trade.

Businesses would always prefer a world without competitors. If they can't outcompete their rivals in the marketplace, they may be tempted to ask the government for protection. And our trade laws actually invite such complaints. But economists agree that consumers, and the businesses that use imported products, lose more on net than producers gain. Protectionism is a bad deal for the American economy. And in this case, a bad deal for anyone who wants to see more solar energy in the United States.

Let's hope that this time President Trump stands up for American consumers and workers and tells the uncompetitive solar panel manufacturers to go build a better mousetrap.

Commentary by David Boaz, executive vice president of the Cato Institute.