

George Akerlof won the Nobel Prize for his work on [the market for lemons](#) and the role that asymmetric information and adverse selection plays in mucking up markets. His favorite example is the used car market. The seller knows more than the buyer about the vehicle's true quality. Used vehicle owners are more likely to sell if their vehicle is low quality so this means that the average quality of the select set of vehicles that owners want to sell is lower than the average quality of all vehicles of the same age. The potential buyers know this and lower their bids. As they lower their bids, the sellers sell even lower quality vehicles and the market unravels. The good news is that capitalism figures out how to solve this problem as [CarFax](#) is a prime example of a company that levels the "information playing field".

Today the NY Times reports about [Lemon solar panels](#) and claims that China is producing many of them. Here is a quote;

"No one is sure how pervasive the problem is. There are no industrywide figures about defective solar panels. And when defects are discovered, confidentiality agreements often keep the manufacturer's identity secret, making accountability in the industry all the more difficult."

As an ardent free market environmentalist, I would like to see some computer codes printed on each solar panel so that accountability is enforced by the market as product differentiation takes place in this industry. One indicator of a product's quality is whether it breaks down after two years or lives on. Those companies that sell shoddy products need to be held accountable or the same Lemons problem for used cars could arise in this case.