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Hey, Jay Leno, What About Tesla's Dependence on the Taxpayer?

Elon Musk says government handouts speed things up, but he's chasing a toxic carrot.

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As a rule, a Tuesday on which Donald Trump is progressing toward the Republican nomination, then a landslide defeat by Obama heirHillary Clinton, has been a good day to buy Tesla stock.

Tesla surged right after Mr. Trump won the New Hampshire primary, was up strongly after his Michigan win, then down sharply on his April 5 Wisconsin loss. Mr. Trump restored his luster with his big New York win on April 19 but by then matters had grown complicated for Tesla with the first poll showing that he might actually beat Mrs. Clinton.

OK, lots of factors affect a stock price so these results are merely suggestive, but Tesla is a business heavily dependent on government handouts in the U.S. and abroad. Oddly, such subsidies are seldom emphasized in Wall Street's bullish reports on Tesla, but they do strongly figure (because the Securities and Exchange Commission is good for something) in Tesla's own public filings.

Then there was Jay Leno's somewhat unnecessary defense of Tesla this week on CNBC, by way of promoting his excellent "Jay Leno's Garage" TV show.

Mr. Leno likes entrepreneurship and innovation. Who doesn't? But he went on to say. "I don't understand why people attack this car. It is made in America, by Americans. It is built local. . . . I don't understand why we don't celebrate entrepreneurship more and success in this country."

First of all, where is the evidence that Tesla and its founder Elon Musk have been short of adulation? As for revolutionizing transportation, Google, Uber and even the traditional U.S. car companies (with their safety innovations) are doing as much or more, and without conspicuous government support and even in the face of political opposition.

Tesla's main contribution, let's remember, has been to substitute electric drive for gasoline drive—which is great. Electric cars are interesting. But why does this justify government favoritism, to the point where Tesla's market cap is a modest fraction of the value of its future expected subsidies? The handouts currently amount to at least $20,000 per car.

If the answer is climate change, the largest source of greenhouse emissions is electric-power generation, twice as much as all forms of transportation combined. So why subsidize a car to run on electricity? Passenger cars are such a small part of the alleged problem—a single-digit share of emissions—why focus on cars at all?

But you know the answer. Tesla has captured the public's imagination, and politicians latch onto any opportunity to transfer public resources to a grateful recipient, because that's what politicians do. The real question isn't whether Mr. Musk is enterprising and innovative, but whether government's excessive interest has so distorted his decision-making that it's leading his company to disaster.

Sometimes it's right just to sit back and marvel. Tesla was running out of money when the Detroit auto bust and the Toyota sudden-acceleration panic occurred, conspiring to deliver Tesla its California factory and a nakedly political cash infusion from Toyota just in time to boost Tesla's pending IPO. The company benefited from $465 million in federal loan guarantees. Its cars enjoy tax credits showered on customers around the world, including, for one year, a $42,000 state tax credit for Colorado buyers.

Mr. Musk's current ambition to proceed swiftly to a mass-market electric car, the Model 3, wouldn't be happening without $1.3 billion in state incentives for his Nevada battery plant. His rush may also be aimed at stirring Washington to preserve soon-to-expire Tesla tax benefits. With $400 million in refundable deposits in hand for the Model 3—a car unlikely to be ready by the high-pressure target date of mid 2017—Tesla suddenly is a bank run waiting to happen. Yet, in another serendipity, a Goldman Sachs analyst last month issued a glowing report on the stock just as his colleagues on the other side of the Chinese wall were raising a fresh $2 billion to keep the Tesla magic act going a bit longer.

All this perhaps should have a familiar ring. Like Solyndra, the solar-panel innovator lured to destruction by $535 million in federal loan guarantees, Tesla is following a carrot that may prove toxic. Legendary short-seller Jim Chanos recently acknowledged taking a bearish position in the company’s stock. He cites Tesla’s exceedingly improbable timetable for the Model 3. If Mr. Chanos is right, Mr. Musk may one day rue letting government shape so much of his business plan. Or as he delicately phrased it himself last year in response to a Los Angeles Times accounting, taxpayer handouts “improve the rate at which a certain thing happens.”

That’s one way of putting it. In their absence, Mr. Musk would have to restrict himself to building a company that can survive on the support it receives from its customers, including Jay Leno. Here’s betting the electric-car cause would be better served in the long run.