

The Opportunity of the Commons **Seth Handy & Karl Rábago**

The economic theory of the tragedy of the commons holds that those driven solely by self-interest will often act to the detriment of the common good. One simple illustration is the depletion of fisheries by unconstrained overfishing. Our industrial history in this country and around the world also demonstrates the principle. Capitalism's quest for maximized profit led industry in a race for the bottom, seeking out places where permissive law allowed for production at its lowest immediate cost. Now, the world's economies that prospered most from that race are working to recover from its impacts, and we see an opportunity in the commons—the opportunity that arises out of a newly discovered, global market for competitive advantage through lasting efficiency. While some malign the Chinese for seeking competitive advantage by imposing unbalanced environmental restrictions on our economy, China actually takes important steps to outcompete us in its efficiency.

When the great American Industrial Revolution began at Slater Mill in Pawtucket, Rhode Island, there were no labor or environmental controls on manufacturing. For over a century, impressive production and profits escalated while the costs to labor and our environment went unaccounted for. It was not until the early 1900s that Rhode Island labor laws began to regulate practices like children in the workforce. In response to those laws, some manufacturing industry moved south for cheaper labor. Not until the 1970s did our Rhode Island Senator John Chafee help oversee the passage of federal laws to ensure that polluters took responsibility for their impacts on our air, land, and water. Partially in response to those standards, industries moved overseas to produce without the burden of environmental restrictions. New laws like the Comprehensive Environmental Liability and Recovery Act (CERCLA) forced industry to take responsibility for the remediation of hazardous wastes even long after they had been discarded. As manufacturers took on more and more burden for what were previously unacknowledged and unassessed costs, libertarians fretted what had become of American competitiveness. Ignoring the costs had not made them go away.

Much of our industry ended up in places like China where cheap labor and permissive polluting fired low cost production. Where has that left places like China? Their unenviable labor and environmental conditions have forced a scramble to clean up their act. Do you remember the international consternation around the air and water quality conditions during Beijing's hosting of the 2008 summer Olympics (a similar set of problems plagued the Rio Olympics this year)? It led to factory and power plant shutdowns, motorist restrictions, and China's new resolve not to be the world's dumping grounds. Chinese citizens with means now seek out homes in places like Rhode Island, where they can enjoy clean air and water and resume simple old pastimes like fishing. The Chinese government is determined to move quickly to improve conditions and remove their stigma. On March 31, Public Finance International reported that China invested \$286 billion in renewable energy in 2015 (not including any large hydropower projects). That is 36% of the world's investment; more than the United States, the United Kingdom and Japan invested together.

Having experienced the tragedy of the commons, what is the opportunity in the commons? Perhaps if we were more global in our outlook on the need for labor and environmental standards, we might have aggressively sought to inform the international community of the lessons we had learned about the labor and environmental impacts of our industrialization. If we had more proactively advised and supported the ways and means to avoid such detrimental labor and environmental conditions maybe we could have kept more of our domestic manufacturing industries while helping countries like China avoid massive degradation. This is consistent with the theory of federalism in

this country—without strong federal law, States tend to seek competitive advantage through policies that may seem to enhance competitiveness but are ultimately unsustainable. Sadly, much of that history is now dirty water under the bridge but its lessons remain with us.

The opportunity lies in the fact that economists and businesses now realize the full value of lasting efficiency in production. The cost of waste is to be avoided; especially with finite resources. Nature's simple and profound lesson is that in sustainable systems, there is no "away" to throw things in, only our commons. China can produce much cheaper energy from the wind and the sun than from mining, moving, and burning coal, transmitting its produced electricity and then mitigating the resulting impacts on the land, air and water. The true cost of energy production goes straight to a society's bottom line. As China invests in efficient and cost effective energy production it raises a new bar of economic competitiveness. Climate change is not a Chinese myth. China's new determination presents the means to address it – efficiency in production. Globalism calls us to seize such opportunities in the commons. America ignores that call only at our own peril.

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