



## **This archaic, cronyist law hurts all Americans, but especially Puerto Rico**

Daniel Garza

April 10, 2019

Congress has an opportunity this year to remove a costly and damaging trade barrier by repealing the Jones Act — a century-old law that drives up shipping costs, reduces competition, and inhibits economic opportunity.

Enacted as a way of strengthening the U.S. maritime industry in the wake of World War I, the legislation requires cargo shipping between U.S. ports to be done by U.S. owned and operated vehicles with crews that are majority American. These archaic rules long ago outlived any justification and hurt all Americans — driving up costs and enriching a once politically influential constituency.

While all Americans are hurt, the law most severely harms isolated areas that depend heavily on shipping (as opposed to trucks or other transportation), such as Puerto Ricans, Alaskans, and Hawaiians.

The negative affects of the Jones Act are starkly illustrated when Americans are forced to respond to natural disasters. For example, when Hurricanes Harvey and Irma caused severe damage in Houston, Puerto Rico, and elsewhere, Jones Act waivers were swiftly granted because the law hampers the delivery of essential goods and raises the cost of recovery.

This raises the question: If we acknowledge the problems with the Jones Act after a disaster, why do we keep the law at all? Repealing the law would be particularly advantageous for Puerto Ricans, who are still recovering from the devastating effects of Hurricane Maria that ravaged the Caribbean island less than two years ago.

Puerto Rico's already weak economy pays import costs twice as high as neighboring islands because of the Jones Act. This means that shipping a 20-foot container from the U.S. mainland to Puerto Rico costs \$3,063; shipping the same container from the same starting point but bound for the Dominican Republic would cost \$1,504, according to a 2012 Federal Reserve estimate.

But it's not just far-flung American possessions that would benefit from repeal. According to the Cato Institute, taxpayers could save tens of billions of dollars. The Jones Act may also contribute to increased traffic congestion by encouraging greater use of trailer trucks to transport goods, even when water transportation would be faster and more affordable.

Sen. Mike Lee, R-Utah, recently introduced legislation that would allow all qualified vessels to transport goods between U.S. ports, regardless of whether the vessel is U.S. owned and operated, or whether the majority of the crew is American. This long-overdue fix would mean that other vessels could transport goods at a lower rate, then pass on those savings in the form of lower prices for consumers.

Repeal would benefit consumers and producers across the whole country. For example, the Heritage Foundation noted in a 2010 report that some U.S. farmers were choosing to purchase feed grains from far-away places like Argentina rather than U.S. growers because the Jones Act makes shipping within the U.S. so costly.

This relic of a bygone era is a classic case of corporate welfare, in which a well-connected interest group benefits at the expense of everyone else, destroying competition, reducing economic opportunity, and contributing to the public's perception that the system is rigged to benefit a select few. We can see this in the way some U.S. territories are exempted from some or all features of the Jones Act, while other places must still comply with these heavy-handed mandates.

Sadly, whenever Congress has tried to permanently eliminate the Jones Act, lawmakers have faced stiff opposition from a powerful lobby determined to protect its interests.

The Sunshine State has long had a close relationship with the people of Puerto Rico. For generations, Puerto Ricans have been coming to Florida for business and pleasure. More recently, thousands of Puerto Ricans have been moving to central Florida seeking greater economic opportunity and a refuge from natural disasters. One recent estimate concluded that the Orlando's Puerto Rican population shot up 30 percent from 2010 to 2016.

Lee's legislation won't put an end to corporate welfare and cannot fast-track Puerto Rico's recovery. But after nearly 100 years of Jones Act cronyism, it would surely help on both counts.