



## **The Jones Act is crony capitalism at its worst and congress must repeal**

October 4, 2017

Eric Cunningham

With the massive devastation of Hurricane Maria bringing the often-neglected territory of Puerto Rico into the spotlight, one of the many issues facing its nearly 3.5 million residents has finally been noticed: the Jones Act.

However, the Jones Act has an impact far beyond just those in Puerto Rico; it also affects everyone in the United States, especially those who live in the territories of Puerto Rico and Guam or the states of Alaska and Hawaii.

According to the Cato Institute, a libertarian think tank, the Jones Act “requires that all people and goods travelling from one U.S. port to another be carried on U.S. owned, flagged and crewed ships.”

The defense of this act is twofold, with supporters arguing that it supports American jobs and helps the military. In reality, it does neither.

Cato argues that the Jones Act likely costs jobs rather than saves them.

Why is that?

It’s simple; if you want to take a ship from Los Angeles to Honolulu, the ship must be American-made and the crew must be American.

This increases the cost of shipping, as American ships and crews are more expensive. In reality, it might actually even encourage businesses to get their goods from a foreign country.

Either way, consumers are more likely to pay higher prices for basic consumer goods and less likely to get products made in America.

It is already expensive to live on an island, but the Jones Act only makes it more expensive for the over five and a half million Americans living outside the mainland according to the most

recent United States Census Bureau estimates. This is especially true in Puerto Rico, where the USCB estimated nearly half the people live in poverty.

The Jones Act is, in effect, a regressive tax that takes money from the poor and gives it to the shipping industry and unions, coincidentally the two groups who most strongly support the law.

What makes this even more outrageous is that some parts of America are already exempt from the Jones Act. According to senators John McCain and Marco Rubio, the territories of American Samoa, the Northern Mariana Islands and the U.S. Virgin Islands are already exempt from the Jones Act.

Not surprisingly, a study by former economists from the International Monetary Fund found that the price of imports from U.S. states to Puerto Rico was twice as much as in the U.S. Virgin Islands, which are right off of Puerto Rico's eastern coast.

In Hawaii, a 1999 study by the U.S. International Trade Commission law found the Jones Act was effectively a 65 percent tariff on shipping; Hawaii imports over 90 percent of its food and much of its other goods.

Even in the mainland U.S., the Jones Act has consequences, with Cato visiting fellow Ike Brannon who noted that it "makes it cheaper for U.S. livestock farmers to buy grain from overseas than from American sources, and forces states such as Maryland and Virginia to import their road salt rather than buy it from Ohio."

Conservatives, who have long condemned crony capitalism, and liberals, who have long spoken out government policy being dominated by special interests at the expense of the people, should both oppose this outdated, protectionist law that benefits only unions and corporations.

Thankfully, senators McCain and Mike Lee, a former longtime critic of the Jones Act, have proposed a bill to permanently exempt Puerto Rico from the Jones Act, but they should go even further to repeal the act entirely.

President Donald Trump campaigned on "draining the swamp," and yet when he was contemplating issuing a temporary exemption to Puerto Rico, he noted that there are "a lot of people who work in the shipping industry that don't want the Jones Act lifted."

If Trump wants to really drain the swamp, he can start right now by supporting a repeal of the Jones Act, striking a blow against crony capitalism and exploitative government policy.