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CUMBERLAND COMMENT: It's time to repeal the inflationary Jones Act

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We hear writers, commentators, and forecasters discussing inflation and aiming all of their darts at the Federal Reserve. What about an easy step to curb inflation? Repeal the Jones Act.

In the stroke of a pen, we could lessen inflationary pressures in shipping, take some of the kinks and bottlenecks out of supply chains, and help advance infrastructure improvements by utilizing our waterways more efficiently. All of those things can happen, and the Federal Reserve wouldn't have anything to do with it.

What does the Jones Act accomplish? In fact, not much of any usefulness. Quite the opposite. A recent piece from the CATO Institute lays out the case:

“For nearly 100 years, a federal law known as the Jones Act has restricted water transportation of cargo between U.S. ports to ships that are U.S.-owned, U.S.-crewed, U.S.-registered, and U.S.-built. Justified on national security grounds as a means to bolster the U.S. maritime industry, the unsurprising result of this law has been to impose significant costs on the U.S. economy while providing few of the promised benefits.” ([“The Jones Act: A Burden America Can No Longer Bear.”](#))

It's as simple as this. A law passed for protectionism a hundred years ago creates impediments that hamper supply chains that are now under pressure because of the COVID shock; and so the antiquated law magnifies inflation today. Fact is, there's no reason that the Jones Act is still on the books except that a very few politicians, both Republicans and Democrats, have banded together to practice protectionism at the expense of all the rest of us.

What authors Colin Grabow, Inu Manak, and Daniel J. Ikenson have done in the CATO Institute report is to probe the history of how we got to this mess; and, believe me, it's a mess. There are simple ways to improve the situation and to identify the congressional representatives, senators, and vested interests who are trying to impose on 335 million Americans higher costs driven by the unnecessary inefficiencies the Jones Act has long imposed.

We're not going to repeat everything in the wonderful discussion provided by the CATO Institute paper. Instead, we are going to heartily recommend that readers take time to read the piece (bit.ly/3AF5AhZ). I'd like to give a special shoutout to Danielle DiMartino Booth of Quill

Intelligence (quillintelligence.com) for recommending the CATO Institute paper in her QI reading list for June 13.

If financial writers, commentators, economists, money managers and forecasters explain the history and the ramifications of the Jones Act to their constituencies, we might have a chance to change this law.

On the other hand, given the way our system works (or doesn't) these days, I'm not sure we can change anything. But political dysfunction aside, this writer says there's more to inflation than just monetary policy; and if you want to rein in inflation, start by getting rid of the Jones Act.