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The Law Strangling Puerto Rico

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Hurricane Maria was the most powerful storm to hit Puerto Rico in more than 80 years. It left the entire island without electricity, which may take six months to restore. It toppled trees, shattered windows, tore off roofs and turned streets into rivers throughout the island.

President Trump declared that “Puerto Rico was absolutely obliterated” and issued a federal disaster declaration. But the United States needs to do more. It needs to suspend the Jones Act in Puerto Rico.

After World War I, America was worried about German U-boats, which had sunk nearly 5,000 ships during the war. Congress enacted the Merchant Marine Act of 1920, a.k.a. the Jones Act, to ensure that the country maintained a shipbuilding industry and seafaring labor force. Section 27 of this law decreed that only American ships could carry goods and passengers from one United States port to another. In addition, every ship must be built, crewed and owned by American citizens.

Almost a century later, there are no U-boats lurking off the coast of Puerto Rico. The Jones Act has outlived its original intent, yet it is strangling the island’s economy.

Under the law, any foreign registry vessel that enters Puerto Rico must pay punitive tariffs, fees and taxes, which are passed on to the Puerto Rican consumer.

The foreign vessel has one other option: It can reroute to Jacksonville, Fla., where all the goods will be transferred to an American vessel, then shipped to Puerto Rico where — again — all the rerouting costs are passed through to the consumer.

Thanks to the law, the price of goods from the United States mainland is at least double that in neighboring islands, including the United States Virgin Islands, which are not covered by the Jones Act. Moreover, the cost of living in Puerto Rico is 13 percent higher than in 325 urban areas elsewhere in the United States, even though per capita income in Puerto Rico is about \$18,000, close to half that of Mississippi, the poorest of all 50 states.

This is a shakedown, a mob protection racket, with Puerto Rico a captive market. The island is the fifth-largest market in the world for American products, and there are more Walmarts and Walgreens per square mile in Puerto Rico than anywhere else on the planet.

A 2012 report by two University of Puerto Rico economists found that the Jones Act caused a \$17 billion loss to the island’s economy from 1990 through 2010. Other studies have estimated the Jones Act’s damage to Puerto Rico, Hawaii and Alaska to be \$2.8 billion to \$9.8 billion per year. According to all these reports, if the Jones Act did not exist, then neither would the public debt of Puerto Rico.

Three American territories are exempt from the Jones Act, including the United States Virgin Islands. Outright repeal of the law has already been backed by the Heritage Foundation, Cato Institute, Manhattan Institute and several major publications. The Federal Reserve Bank of New York found that the Jones Act hurts the Puerto Rican economy, and two Republicans, Senator John McCain of Arizona and Representative Gary Palmer of Alabama, have submitted bills to repeal or suspend the law. (The shipbuilding industry supports the law.)

The U-boats are gone and a protectionist law has been exposed. The crony capitalism of the Jones Act does not “protect” anyone and it is choking the economy of Puerto Rico. If the United States has *any* interest in the hurricane-battered people of Puerto Rico, it needs to take the law off their necks — and now.

Recovering from the disaster will be difficult no matter what, but the Jones Act will make it that much harder.

Food costs twice as much in Puerto Rico as in Florida. Jones Act relief will save many Puerto Ricans — especially children and seniors — from potential starvation. Jones Act relief will also enable islanders to find medicine, especially Canadian pharmaceuticals, at lifesaving rates. And it will give islanders access to international oil markets — crucial for running its electric grid — devoid of a 30 percent Jones Act markup.

And suspending or repealing the law is crucial to the arduous rebuilding process ahead. In one town alone, 70,000 people were evacuated because of a failing dam. Jones Act relief will enable residents to buy materials, rebuild their homes and prevent an explosion of homelessness.

This is not just about recovering from Hurricane Maria. It is also about Puerto Rico’s long-term future. If the Jones Act were suspended, consumer prices would drop by 15 percent to 20 percent and energy costs would plummet. A post-Jones Puerto Rico could modernize its infrastructure and develop its own island-based shipping industry. Indeed, the island could become a shipping hub between South America, the Caribbean and the rest of the world. This industry would generate thousands of jobs and opportunities for skilled laborers and small businesses. On an island with official unemployment over 10 percent (but actually closer to 25 percent), this would energize their entire work force.

A humanitarian crisis is about to explode in Puerto Rico. But the consequences of Jones Act relief would be immediate and powerful. This is not the time to price-gouge the entire population. It is time for Congress to act ethically and responsibly and suspend the Jones Act in Puerto Rico.