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Fed up with high gas prices and slow Amazon deliveries? Blame these 2 century-old laws that need to be repealed.

Colin Grabow

September 13, 2022

If the supply-chain crisis has taught Americans anything it's the importance of efficiently getting things from point A to point B. A well-oiled transportation system is vital to keeping the economy humming — especially in a country as large as the United States.

Unfortunately, Americans' ability to get resources where they need to go has been crippled by a pair of outdated laws: the Jones Act and the Foreign Dredge Act.

Enacted over 100 years ago, the Jones Act — formally known as Section 27 of the Merchant Marine Act of 1920 — limits which kinds of ships can move goods within the US. The law says only vessels that are US-registered, US-built, and mostly US-owned and crewed can move goods between two US ports. The Foreign Dredge Act, meanwhile, is a 1906 law that applies the same restrictions as the Jones Act to vessels engaged in dredging, or removing sand and sediment from American waterways and channels.

Such protectionism places a hammerlock on choice and competition. Of the nearly 54,000 commercial ships in existence, only 93 comply with the Jones Act. That means 99.8% of ships cannot be used by Americans to meet the domestic transportation needs of the world's largest economy.

These two laws are clogging up the country's transportation arteries, hurting businesses and driving up costs for average Americans in the process. That the country and its elected leaders cannot rid itself of such antiquated laws — or even modestly reform them — despite the clear benefit speaks to just how dysfunctional and sclerotic the US economy can be.

A sea of burden

The reason there are so few Jones Act-compliant ships is simple: They're woefully uncompetitive against other forms of transportation. Building a ship in the US costs four to five times as much as constructing the same-size vessel in another country. That's largely because of the inherent inefficiency of protected industries and reduced specialization and economies of scale that come with building for a relatively small captive domestic market. A medium-range tanker built overseas, for example, has an estimated price tag of \$43 million, compared with over \$150

million in the US. On top of that, operating costs for a US-flagged ship are nearly triple those of foreign-flagged ships because of significantly higher wages and other costs, such as a 50% tax on repairs in foreign ports. Add in limited competition, and the inevitable result is expensive shipping.

In 2012 the Federal Reserve Bank of New York found that it cost twice as much to send a container from the East Coast to Puerto Rico than to send the same container to nearby Jamaica or the Dominican Republic — countries where the Jones Act doesn't apply. A 2014 Congressional Research Service report, meanwhile, determined that it cost two to three times as much to send a barrel of oil from Texas to an oil refinery in the northeastern US than to send that barrel an even greater distance to Canada.

The Jones Act makes it more expensive to move goods around the US — forcing companies to resort to expensive imports instead of American products. Thierry Monasse / Contributor / Getty

As a result, ships — an efficient form of transport elsewhere in the world — are generally used in the United States only when no alternative form of transport exists. Jones Act container ships, for example, are almost exclusively employed to transport goods to the noncontiguous states and territories — Alaska, Guam, Hawaii, and Puerto Rico — while Jones Act tankers serve those parts of the country where pipelines don't exist or lack sufficient capacity. Though a large percentage of Americans live near the country's coasts, ships accounted for just 2% of goods moved within the country in 2017.

To avoid higher costs, many companies are forced to turn to imports. Unlike goods purchased from other parts of the United States, products arriving from other countries can take advantage of efficient international shipping that reduces their overall price. High Jones Act shipping costs help explain, for example, why Puerto Rico purchases rice from China instead of the southeastern United States or why US refineries import crude oil from Russia rather than Texas.

While there's nothing wrong with purchasing imports, it's unclear why US policy should tilt the playing field in their favor.

Sometimes using imports isn't a choice but a necessity. The United States is one of the top exporters of liquefied natural gas, but New England and Puerto Rico must purchase it from abroad to meet their electricity needs. The reason: There are no Jones Act-compliant ships to transport it, and there almost certainly never will be. The Wall Street Journal reported in 2019 that building an LNG tanker in the United States to comply with the Jones Act would cost over \$500 million more than constructing one in Asia. For just one ship. The math just doesn't make sense.

Hawaii, meanwhile, imports propane from as far away as West Africa despite a domestic abundance because of a similar lack of Jones Act-compliant vessels. In another eye-popping absurdity, state ranchers send cattle to West Coast processing facilities on airplanes because of the total absence of far more efficient livestock carriers from the Jones Act fleet.

A dredging drag

Compounding the damage caused by the Jones Act is the Foreign Dredge Act. Like the Jones Act, the Dredge Act makes it so that only US-built, -owned, and -operated vessels can dredge our waterways — a vital task for the efficient operation of US ports and transportation.

The increased size of container ships and widening of the Panama Canal to accommodate larger ships requires deeper ports to service them. The narrowness of the Houston Ship Channel, for instance, has led to restrictions on larger ships and an unusual maneuver called the "Texas Chicken" for ships to pass each other within the channel's confines, slowing the flow of goods in and out of the crucial port.

Despite this importance, the American dredging industry is woefully behind. Take hopper dredges, the most widely used type of dredging vessel for exposed harbors and shipping channels. As with Jones Act ships, hopper dredges constructed in US shipyards are significantly more expensive than those built abroad. As a consequence, there are only 16 privately owned hopper dredges in the US fleet. A single European dredging firm, Jan De Nul, operates 30. And because of the high replacement costs, American hopper dredges are relatively old. Hopper dredges operated by the top four European dredging firms have an average age of 18 years. In the privately owned US fleet, it's 35. One of those dredges, the Columbia, was built during World War II.

A small fleet of older vessels operating with few competitors has predictably led to inflated dredging costs. A comparison of two coastal-restoration projects requiring the extensive use of dredging vessels in Louisiana and one in the Netherlands is illuminating. The two Louisiana projects had costs of \$7.47 and \$24.54 per cubic yard of sand moved. Combined, the two projects moved 24.6 million cubic yards of sand for a total price tag of \$334 million. The Dutch project, which moved a total of 28.1 million cubic yards of sand, had a cost per cubic yard of just \$1.97, for a total price tag of \$55.5 million. In other words, the Dutch were able to move nearly 4 million more cubic yards of sand for only one-sixth of the cost. Such figures lend credence to the European dredging firm Van Oord's claims that it could perform large dredging projects in the United States for 60% of the cost of US firms and complete them three times as fast.

A huge cost

So how much are these laws costing us? Tallying up the economic damage is no easy task, as it's largely a study of opportunities missed: the forgone access to less expensive domestic energy, the increased pollution and wear and tear on highways due to trucks transporting goods that would otherwise go by more carbon-friendly ships, the reduced efficiencies in US ports and waterways.

But some have tried to calculate the costs. A 2019 paper from the Organization for Economic Cooperation and Development estimated that repealing the Jones Act alone would increase US GDP by \$19 billion to \$64 billion. Timothy Fitzgerald, an economist at Texas Tech, has found that the environmental benefits alone could exceed \$8 billion.

But despite these huge costs, the Jones Act and the Foreign Dredge Act survive largely intact.

These laws' cockroach-like ability to keep going is partly due to the misguided notion that they support national security. The idea, supposedly, is that protectionist laws would support a domestic shipping industry so that in a time of war, when the US could be cut off from allies, the country would have the ships, mariners, and shipbuilding it needed. But it hasn't worked. The number of Jones Act-compliant ships has shrunk from 257 in 1980 to fewer than 100 today. This is, predictably, correlated with a shrinking number of mariners; a 2017 government study concluded the United States faced a shortfall of at least 1,800 such personnel to conduct a sustained sealift operation transporting supplies and equipment for the military.

Meanwhile, American shipyards have collectively delivered an average of just three large oceangoing merchant ships per year since 2000. Last year they delivered zero. And the few that are built make heavy use of overseas designs and components, in contrast to the notion the Jones Act frees the US from foreign dependence. The American shipbuilding industry exists in any meaningful sense only because contracts for the military and government agencies in 2019 accounted for nearly 80% of industry revenue.

That the law largely remains untouched after over 100 years is largely due to its concentrated benefits and diffused costs. Groups that profit from the Jones Act's and the Foreign Dredge Act's restrictions on competition lobby heavily to keep it in place. The laws' costs are thinly spread across the country's vast population. Most Americans — including "Jeopardy!" contestants — don't even know it exists.

As a result of this asymmetry, support for maritime protectionism predominates in Congress and the White House. This dynamic explains not just the Jones Act's and the Foreign Dredge Act's continued existence but why all manner of harmful and outdated laws remain on the books. The Jones Act and the Foreign Dredge Act are just two examples among many, and behind each one lies an entrenched interest group dedicated to its preservation. Tally the collective damage of such laws, and the toll is heavy indeed, leaving us with a less dynamic and less prosperous economy.

The United States is blessed with thousands of miles of coastline dotted with large cities and dynamic economies. It should have a web of ships efficiently transporting vital goods up and down its shores. Instead, Americans have turned their backs on the sea — proof of the Jones Act's and the Foreign Dredge Act's collective failure. Countries need policies that reflect modern realities. A major overhaul — or better yet, the repeal — of these outdated laws cannot come soon enough.

Colin Grabow is a research fellow at the Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies where his research focuses on domestic forms of trade protectionism such as the Jones Act and the US sugar program.