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Buy American? It Gets Complicated.

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For all their differences, President Joe Biden resembles former President Donald Trump in one way: Both are huge believers in the “Buy American” cause. Just five days after his inauguration, Biden issued an executive order toughening requirements for the federal government to purchase from domestic sources where possible. A White House document said this would “ensure that our future is made in all of America by all of America’s workers.”

Today I’ll look at the economic pros and cons of the Buy American idea through one example: the Merchant Marine Act of 1920, better known as the Jones Act. The law requires shipping between U.S. ports to be conducted by ships that are U.S.-built and at least 75 percent U.S.-owned and -crewed. Biden has repeatedly cited the Jones Act as the kind of law he likes. He even name-checked it in his executive order.

National security is the main justification for the Jones Act. In times of war, the argument goes, the government needs a strong merchant marine to support commerce and serve as a naval auxiliary. You don’t want to be relying on Chinese ships to carry cargo from place to place if the United States goes to war with China.

Jobs are the second justification. The law creates a demand for Americans to build, repair and serve as crew on domestic vessels, be they ships that carry crude oil from Alaska to California or iron ore from Minnesota to Ohio, or be they barges and tugboats that ply the mighty Mississippi, Missouri and Ohio Rivers. (As I wrote in May, there are a lot of sailors and marine oilers in Kentucky, of all places.) Alaska, Hawaii and Puerto Rico have all their cargo from U.S. sources delivered by U.S.-flag ships.

The Jones Act enjoys strong, bipartisan support in Washington. When Senator Ted Cruz, Republican of Texas, proposed an amendment to the Ocean Shipping Reform Act this spring that would have weakened the Jones Act, it was defeated in committee by a vote of 26 to 2.

But for all its popularity and obvious upsides, the Jones Act is worth a closer look, because it has the same drawbacks as other kinds of Buy American-ism.

I recently reached out to a strong supporter of the Jones Act, an industry group called the American Maritime Partnership, as well as a strong opponent, the Cato Institute, a libertarian think tank. I pitted them against each other to see what truths might emerge.

At the Cato Institute, a research fellow named Colin Grabow argues that, far from protecting national security, the Jones Act undermines it. Shielded from foreign competition, American builders of civilian ships charge higher prices, he contends, so the transport sector buys fewer ships and reorganizes to do without — relying more on trucks and trains where possible.

U.S. employment in the construction of merchant vessels has plummeted, Grabow pointed out in a 2019 [study](#). (Construction of military vessels is covered by another law.) The number of Jones Act ships has [fallen](#) to 93 this year from 257 in 1980, another study found. So there are fewer merchant ships and sailors to call on in case of war.

Shortfalls in the merchant marine have been a problem as far back as the Vietnam War. During the Gulf War, which occurred in the twilight of the Soviet Union, “so pressed was the United States for sealift capacity that it twice requested the use of Soviet-flagged cargo ships, but was rejected by Moscow both times,” Grabow wrote in his 2019 study.

Grabow agrees that the United States needs a strong merchant marine but says it would be better to let American shippers buy cheaper vessels from trusted allies such as Japan and South Korea. That, he says, would increase the size of the U.S. merchant marine and make it more useful in times of war. Russian and Chinese ships could still be excluded.

In fact, rather than depending on the U.S.-owned merchant marine, the U.S. military is already relying heavily on foreign-built ships for its Ready Reserve Force and Maritime Security Program, which it counts on for transportation in times of war. Of the 46 vessels in the Ready Reserve Force, “only 16 were constructed in U.S. shipyards,” Grabow wrote. “The 60 privately owned ships that participate in the Maritime Security Program are entirely foreign-built.”

Experts at Cato and elsewhere also challenge the argument that the Jones Act is good for the economy. By making small ships unaffordable, it has put additional pressure on inland transit — trucks and trains — to deliver goods, Scott Lincicome, Cato’s director of general economics, [wrote](#) last year. The capacity squeeze contributed to the outburst of inflation, he wrote.

By making transportation clunkier, the Jones Act probably invisibly kills many more jobs than it protects, experts say. “From an economic perspective, the act evidently creates large cost inefficiencies by protecting the shipbuilding industry — a tiny economic sector in the United States — at the expense of other U.S. industries with enormous economic potential,” according to a 2019 [policy paper](#) by the Organization for Economic Cooperation and Development.

The harm wrought by the Jones Act is most evident in places that need ships the most. Puerto Rico, for example, buys virtually no natural gas from the continental United States, while the Dominican Republic buys a lot, Grabow has [documented](#). Why the difference? Natural gas is delivered to islands almost entirely by liquefied natural gas carriers — and since U.S.

shipbuilders haven't built any of those specialized vessels, Puerto Rico can't get domestically produced liquefied natural gas. It has had to look for sources as distant as Oman.

New England also lacks access to liquefied natural gas from the Gulf, and for the same legal reason. The six New England governors wrote in July to Jennifer Granholm, the energy secretary, asking her to suspend the Jones Act for all or part of the coming winter.

What's the pro-Jones Act rebuttal to all this? I asked the American Maritime Partnership, which represents vessel owners and operators, shipbuilders, workers and others. It cites a National Defense University study that said, "We believe that the ability of the nation to build and maintain a U.S.-flag fleet is in the national interest." The study added that "we also believe it is in the interest of the Department of Defense for U.S. shipbuilders to maintain a construction capability for commercial vessels."

The partnership also cites a study by the Bureau of Export Administration that said, "The U.S. shipbuilding and repair industry is a strategic asset analogous to the aerospace, computer and electronic industries."

Pro-Jones Act imagery can be vivid. The partnership quotes from a Washington Times commentary from 2014 by a pair of Republican congressmen, Steve Scalise of Louisiana and Duncan Hunter of California, which likened foreign-owned ships in inland waterways to foreign bodies in the bloodstream. (Scalise is the House Republican whip. Hunter resigned in 2020 after pleading guilty to misuse of campaign funds and was later pardoned by Trump.)

As for the economy, the partnership cites a study by PricewaterhouseCoopers for the Transportation Institute that found the domestic maritime industry is responsible for almost 650,000 jobs and more than \$150 billion in annual economic output. And the partnership says that during the pandemic, "U.S. domestic shipping has delivered merchandise without the huge spikes in freight rates and service challenges that the U.S. international markets are experiencing."

I asked Grabow if he had a surrebuttal (a rebuttal of a rebuttal — a term you should employ when arguing with family members). He said the PricewaterhouseCoopers study puts employment "directly attributable" to the Jones Act at just 95,470 in 2016, and even that number is an overstatement because it includes some ship-repair jobs not covered by the Jones Act. But that's a quibble — the bigger point, he wrote in an email, is that "properly viewed, the Jones Act is a job killer that functions as a tax on domestic commerce by increasing the cost of intra-U.S. transportation." Alas, companies that were never allowed to exist have no voice in politics.

National security officials aren't all on board with the Jones Act, either. "There is a consensus" at the National Security Council "that the Jones Act has not enabled the success of the U.S. maritime industry in a manner that is promoting U.S. national interests," Robert Spalding, who served on the council in 2017 and 2018, told the Washington Examiner in 2020.

If the Jones Act hasn't achieved its goals after being on the books for more than a century, how much more time does it need? And why are there calls to waive it whenever there's an emergency? Isn't it supposed to be useful precisely in emergencies?

One final example. Grabow referred me to [this Times article](#) from last year about how the Jones Act complicated the installation of wind turbines off the Virginia coast. There were no U.S.-built ships big enough for the job, so the contractor had to hire three European ships and operate them out of Halifax, Nova Scotia (because operating out of a Virginia port would have violated the Jones Act, of course).

“The installations took a year,” the article said. “In Europe, it would have been completed in a few weeks.”

The Jones Act is named after Senator Wesley Jones, Republican of Washington, who sponsored it and secured its passage. Perhaps its opponents should take courage from the words of another Jones, [John Paul](#), sometimes said to be the father of the U.S. Navy: “I have not yet begun to fight!”