



Jones Act is a swamp creature that's strangling Puerto Rico

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President Trump's administration has wisely chosen to waive outdated regulations that are getting in the way of Puerto Rico's recovery from Hurricane Maria. The regulations, known as the Jones Act, make it more expensive for the U.S. territory to affordably import goods from the mainland. And while it's commendable that Trump has temporarily waived this obstacle, it shouldn't have taken a major disaster to realize the harm it was causing.

But like so many federal laws and regulations, there's one big reason the Jones Act remains — and while talking to reporters on Wednesday, Trump gave the game away. Stating that he was considering the waiver, Trump admitted he was hesitant to do so because “a lot of people that work in the shipping industry ... don't want the Jones Act lifted.”

So much for draining the swamp.

This same president once vowed to take on the established interests, and promised at his first address to Congress that he would undertake “A historic effort to massively reduce job-crushing regulations.” Yet the fact that Trump needed a historically destructive hurricane as the impetus for temporarily waiving the Jones Act should come as no surprise. Occupants of the White House come and go, and control of Congress occasionally shifts from one party to the next, but for almost 100 years no one has mustered the necessary courage to take on the interests behind this protectionist and economically backwards law.

A swamp creature is born

More formally known as the Merchant Marine Act of 1920, the Jones Act mandates that goods travelling by water between U.S. ports be carried on ships that are built in the U.S., registered in the U.S., at least 75% American-owned, and at least 75% U.S.-crewed.

The results have been universally abysmal. The Jones Act reduces choice and competition among shipping providers, driving transportation costs higher. A 2015 report by a group of economists, including former World Bank Chief Economist Anne Krueger, found that shipping costs to Puerto Rico are twice that of neighboring islands — costs that are then passed along to consumers. And the law certainly hasn't achieved its stated goal to “develop and encourage the maintenance” of a merchant marine capable of supporting the U.S. in time of war. As economist Thomas Grennes notes, from 2000 through 2016 the number of large Jones Act-eligible ships in the U.S. fleet actually declined from 193 to 91. Fewer ships means fewer jobs, and those which remain do so at the eye-popping figure of \$250,000 per position, according a study conducted by former President Clinton's Council of Economic Advisers.

It's easy to see how harmful this could be for Puerto Rico. Puerto Ricans needlessly pay higher prices for the many goods and products they import from the rest of U.S., driving up their cost of living for the sake of protecting unions, American shippers and the U.S. shipbuilding industry. And although they're getting some relief for 10 days, once the Jones Act comes back into effect, Puerto Ricans will be right back where they started.

In spite of this hardship, the law persists. In fact, the sad reality is that recent efforts to outright repeal the Jones Act haven't even come close to succeeding. In January 2015, Sen. John McCain, R-Ariz., presented an amendment to repeal parts of the law but ultimately failed to gather the necessary support to even have a vote. Last week McCain and Sen. Mike Lee, R-Utah, introduced a bill to permanently exempt Puerto Rico from the century-old shipping law. The success or failure of this bill will reveal much about where Trump and the Republican-controlled Congress stand on draining the swamp.

Maddeningly, the Jones Act even enjoys support from politicians who purport to represent constituents harmed by its provisions. The four members of Hawaii's congressional delegation are a case in point — they're uniformly in favor of the Jones Act. While the precise impact on Hawaii is difficult to calculate, a 1999 U.S. International Trade Commission report found Jones Act requirements to be the equivalent of a 65% tariff on shipping services, an impact that is surely felt on an island which imports 90% of its food and much else of what it consumes.

Perhaps, however, the devastation in Puerto Rico can serve as something of a turning point.

As outrage mounts over the plight of Americans on the island, there are signs of a growing recognition of the human costs the Jones Act imposes. If Republicans in Congress and Trump are serious about deregulation, spurring economic growth, and taking on the special interests, they will set their sights firmly on finally repealing this archaic and counterproductive law. It's time to finally drown this swamp creature.

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