



Cato analysis of the Jones Act: ‘Time has come to repeal’ this nearly 100-year-old law

July 3, 2018

[A Cato Institute policy analysis](#) concludes that the Jones Act -- “protectionism cloaked in national security” -- has “wreaked havoc on the U.S. economy,” has cost U.S. exporters billions of dollars among a wide range of costs, and has led trading partners to reduce “access to their markets as punishment for Washington’s refusal to cede ground” on the act. Cato’s bottom line: “The time has come . . . for Congress to repeal this onerous law.”

The analysis finds that the Jones Act requirements, restricting cargo shipments between U.S. ports to U.S. built/owned/crewed/registered vessels, have produced a “cascade of adverse consequences” and have failed to meet their explicit goal of preserving a “robust” shipbuilding industry for national security reasons. Formally the Merchant Marine Act of 1920, the law’s “inability to fulfill its purpose only looks set to worsen, given its growing divergence with the realities of modern global commerce.” The report was prepared by Cato policy analyst Colin Grabow, visiting scholar Inu Manak, and Daniel Ikenson, director of Cato’s center for trade policy studies.

The costs are varied, it says -- including more expensive transportation (“artificially inflated” rates), environmental impacts (pushing business to more carbon-intensive transportation methods), higher infrastructure costs, lost wages and output, and lost domestic and export revenue. On exports, it says that, because “every U.S. free trade agreement explicitly protects the Jones Act,” producing reciprocal actions, “the opportunity cost to U.S. exports . . . is no doubt in the billions of dollars.”

But reform of the Jones Act, nearly 100 years old, faces obstacles, notably, Cato says, “the complex web of special interests that benefit from preserving the status quo.” Jones Act repeal “will require a concerted effort among organizations committed to exposing the costs and unseemly political alliances that have metastasized over the decades.” And, in the absence of outright repeal, Cato suggests three “important reforms”: modify the U.S. port restriction if a vessel originated in a foreign port and will proceed to another foreign port after delivering its U.S. cargo; exempting states and territories away from the mainland (Alaska, Hawaii, Puerto Rico and Guam), and eliminating the U.S.-built requirement.