Outdated protectionist law hurting Puerto Rico

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If anyone wants more evidence of how protectionism hurts the poor and most vulnerable among us, Puerto Rico now offers a prime example.

The island was devastated by Hurricane Maria. Tens of thousands have been left homeless. Basic goods and services, such as food, water, and fuel, are in short supply. Electricity is out for virtually the entire island, and may not be restored in some places for months. Nearly 85 percent of the island has no cell-phone coverage. Much of the country's already-shaky economic base, including tourism and agriculture, has been all but wiped out.

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Yet vital aid to the island is being slowed by the Jones Act, a 100-year-old example of protectionism and corporate welfare. The Jones Act requires that all cargo shipped to Puerto Rico is carried on ships built entirely in the United States, owned by a U.S. citizen, flying a U.S. flag, and staffed by a majority-American crew. Relatively few ships meet those requirements. And at a time when even a brief delay in getting assistance to suffering islanders could cost lives, the Jones Act is an unneeded impediment to that aid.

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Over the years, the Jones Act has been larded with all sorts of national-security justifications, but its real purpose is to protect jobs in the U.S. shipbuilding and merchant-marine industries. No doubt those are good jobs, though the number of people employed in shipbuilding has fallen by 40 percent since 1980. But like most protectionist measures, this law ends up doing far more harm than good. And those most likely to be hurt are those who can least afford it.

This is not just true of the Jones Act, but of protectionism generally. For example, economists estimate that trade and the availability of low-cost imported goods improves the purchasing power of middle- and upper-income Americans by roughly 29 percent. But trade increases the purchasing power of the poor by more than 62 percent.

At the same time, the Peterson Institute for International Economics estimates that past gains from U.S. trade and liberalization of investment range from $9,270 to $16,842 per household. Another study found that that “a 1 percent increase in trade raises real income by 0.5 percent.” That might not seem like a huge boost for the wealthy — the global elite, to use the pejorative preferred by protectionists — but it makes a big difference in the lives of the poor.

For now, the bigger debate over protectionism can wait. Suspending the Jones Act for the duration of Puerto Rico’s recovery should be a no-brainer. Better yet, let’s repeal this antiquated example of special-interest protectionism. And let’s begin to understand that there is a very real price to be paid for all special-interest protections.

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