



‘America First’? Kill the Jones Act

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Russian natural gas is again being delivered by ship to an American port, according to news reports. Bloomberg says the tanker *Catalunya Spirit*, carrying fuel from thousands of miles away, was set to arrive in Puerto Rico last week. Such a transaction makes little sense, as the U.S. is the world’s largest gas producer.

What explains the mystery is the Merchant Marine Act of 1920, also known as the Jones Act. The law says that ships carrying cargo between U.S. points must be built, 75% owned, and 75% crewed by Americans. This inflates prices for compliant vessels and domestic shipping overall.

It’s a particular problem for liquid natural gas, since there are zero LNG tankers that meet Jones Act rules. That means Puerto Rico effectively is barred from importing gas from LNG terminals in Georgia or Louisiana. As a result, it apparently turned to Siberia. The same happened two winters ago in New England, where gas is short due to a lack of pipeline capacity. A tanker of Russian gas was unloaded in Boston. How is this an “America First” policy?

Earlier this year President Trump considered a Jones Act waiver to let foreign LNG tankers bring U.S. gas to the Northeast and Puerto Rico. But news reports suggested that Republicans in shipbuilding regions talked him out of it. “In a lot of states,” Louisiana Senator John Kennedy said, “it would mean his electoral prospects were as dead as fried chicken.”

Nonsense. The enormous gains from paring back the Jones Act would benefit all Americans. Consider [an April study](#) from the Organization for Economic Cooperation and Development. “The Act evidently creates large cost inefficiencies,” it says, “by protecting the shipbuilding industry—a tiny economic sector in the U.S.—at the expense of other U.S. industries with enormous economic potential.”

Killing the law could lower the cost of waterborne shipping in the U.S. by 50%. That would stimulate other industries. The OECD says U.S. output could rise \$135 billion, or 0.4%, in the long run. This would be “three times the size of the original U.S. shipbuilding industry.”

The Cato Institute’s Colin Grabow and Inu Manak had [another comparison](#): The Trans-Pacific Partnership would have lifted the economy \$42.7 billion in 15 years, per the U.S. International Trade Commission. “In other words, simply by removing the Jones Act,” Mr. Grabow and Ms. Manak wrote, “the United States could realize potential gains in excess of ratifying a major trade deal with eleven other countries including the world’s third-largest economy.”

Defenders say the Jones Act is needed to save U.S. shipbuilders who can be called on in wartime. In reality the law is suffocating them. After finishing a container ship in March, the [Philly Shipyard](#) had zero orders. “There is no shipbuilding activity at the shipyard and all

production facilities are idle,” the company said in May. The trouble, as the Journal reported at the time, is that Jones Act ships “cost four times more than vessels built by foreign competitors,” yet they serve a limited market.

Foreign competition would force U.S. shipbuilders to “reduce vessel prices by at least 50%,” says the OECD. More ships would be built, with specialization and economics of scale. The OECD study estimates the industry’s output could rise by 71% through an “increased number of new ship orders.”

The Jones Act is protectionism at its most shortsighted. With the economy slowing, easing trade among stateside ports is an easy pro-growth win. As a small start, Mr. Trump should let Puerto Rico and Boston send their natural-gas dollars to Americans instead of Russians.