Lost at Sea: The Case Against the Jones Act

By Paul Prentice

*Resolved: The**United States federal government should substantially reform its transportation policy.*

The Jones Act, officially the Merchant Marine Act of 1920, is an old law still on the books that Congress thought was needed based on their analysis of conditions during the Great War (i.e. World War I). It's no understatement to say times have changed since then, and the law has had a lot of unintended side effects.

The Jones Act requires ships carrying cargo between two U.S. destinations to be: built in the US, owned by US citizens, staffed by US citizens, and registered/flagged in the US. For example, any ship could legally transport cargo from Boston to Halifax, Canada. But to transport the same cargo from Boston to New Orleans would require a "Jones Act" ship. The Act has the effect of carving out a protected market for a small number of ships and crews who can conduct such trade without irritating competition from the rest of the world. Prices get raised and service declines accordingly, when competition is blocked. The impacts are billions of dollars for consumers nationwide but particularly for US citizens residing in places specifically dependent on shipment of goods from the US mainland - like Alaska, Hawaii and Puerto Rico.

Negatives will argue that the economic arguments are insignificant and that the national security impacts of the Jones Act outweigh them. Preserving a viable ship manufacturing industry in the US, along with experienced crews and shipping companies, is a vital national asset that would make the difference in a major war. For example, US efforts in World War 2 relied heavily on American boats shipping cargo to Europe to aid our allies and our own troops and were vital to winning the war. Relying on foreign vessels could be dangerous, particularly if the war happened to be against one of the nations whose boats we were dependent on, since all of them would disappear at the moment hostilities began.

Lost at Sea: The Case to Repeal the Jones Act 4

OBSERVATION 1. We offer the following DEFINITIONS. 4

OBSERVATION 2. INHERENCY, the structure of the Status Quo. 4

FACT 1. The Jones Act 4

The Merchant Marine Act of 1920 places outdated restrictions on US maritime transportation 4

FACT 2. Rapid decline. 5

The Jones Act has led to a rapid decline in U.S. merchant marine market share 5

OBSERVATION 3. We offer the following PLAN implemented by Congress and the President 5

OBSERVATION 4. ADVANTAGES 5

ADVANTAGE 1. Industry growth and consumer benefit 5

Removal of the Jones Act promotes competition 5

ADVANTAGE 2. Economic boom 6

$5 - 15 billion in economic benefit to Puerto Rico, Alaska and Hawaii alone, plus $500 million more for consumers throughout the U.S. 6

ADVANTAGE 3. Gas prices 6

Repealing the Jones Act would reduce US gasoline prices by reducing shipping costs 6

ADVANTAGE 4. Improved disaster relief 7

A. Link: Jones Act hinders emergency response situations 7

B. Solvency: Disaster relief improves without the Jones Act 7

2A Evidence: Repeal the Jones Act 8

TOPICALITY & DEFINITIONS 8

Full Text of the Jones Act – Print and bring with you to every debate 8

Jones Act is “Transportation Policy” because its text places itself under the jurisdiction of the Secretary of Transportation 8

INHERENCY 8

Summary of the Jones Act 8

Merchant Marine Act of 1920: An old law that doesn’t serve a good purpose, and never did 9

American fleets have declined since the Jones Act’s implementation 9

The Jones Act has given foreign competitors the edge 9

The Status Quo will not be reforming or repealing the Jones Act 10

HARMS / SIGNIFICANCE 10

Undermined competition 10

Lack of competition leads to government dependence 10

Less competition has led to reliance on foreign competitors 10

Economic harm 11

Higher shipping costs 11

High costs for American businesses and consumers 11

Increased cost on shipping food aid 11

Costs are so bad, cattlemen have resorted to flying cattle 11

The Act harms businesses and the U.S. economy. Impact: at least $2.8 billion/year 12

Higher operating costs 12

Distorted energy market 12

Energy costs of the Jones Act are growing 12

Energy market harmed 13

Energy costs are increased three-fold 13

Delays disaster relief 13

Jones Act delays aid to disaster 13

The Jones Act unnecessarily slows response to disasters 13

Rock salt example details 14

SOLVENCY / ADVOCACY 14

Time to leave the Jones Act’s abusive grip 14

Competition promoted, economy strengthened, and consumers benefited 14

Welcome economic prosperity and trade 15

ADVANTAGES 15

Industry growth and consumer benefit 15

Increased competition creates wealth and consumer benefit 15

More opportunity and revitalization of our economy 15

Economic boom 16

Improve transportation infrastructure at no cost to the government 16

Savings to businesses and consumers 16

Removing the costly act would benefit Americans 16

Improved energy sector 17

Lower energy costs and less need for imported oil 17

Repealing Jones act would help the economy: Lower energy prices, new jobs, economic growth 17

Reduced energy costs 17

DISAVANTAGE RESPONSES 17

National security 17

The Jones Act does not help national security 17

The Jones Act hinders more pressing security concerns 18

The Jones Act is no longer fulfilling national security 18

National security relies on primarily foreign-made transport 18

The Jones Act actually hinders national security 19

Repealing the Jones Act would diminish reliance on foreign countries 19

The Jones Act fails to bolster national security 19

Jobs lost 20

Net Benefits: Any losses would be more than offset by economic benefits 20

Horrible return on investment 20

Hundreds of thousands of dollars saved per job lost 20

Sailors’ accident and injury compensation benefits 21

Sailors don’t need the Jones Act – lots of other protections exist now. Turn: Jones Act goes too far 21

Middle East Defense / Oil Disruption DAs 21

A/T “Iran mines the Strait of Hormuz” - Not easy to do, and Saudi Arabia could stop them 21

A/T “Oil Price Shocks if war in the Middle East” - 1) Don’t need US military protection. 2) Economy is resistant to oil shocks. 21

Works Cited 22

Lost at Sea: The Case to Repeal the Jones Act

Prof. Garry Galles said it best in 2015. QUOTE “The harm that Britain’s protectionist Navigation Acts imposed on the colonies was a major impetus for the American Revolution. But the United States did not abandon those unjustifiable restrictions. Even before the Bill of Rights was adopted, Congress in 1789 enacted similar protectionist restrictions on coastal shipping. It is centuries past time to eliminate such harmful restrictions and the Jones Act that is their modern progeny.”[[1]](#footnote-1) ENDQUOTE.

Please join my partner and me as we affirm that: The United States federal government should substantially reform its transportation policy.

OBSERVATION 1. We offer the following DEFINITIONS.

**Policy**: “a high-level overall plan embracing the general goals and acceptable procedures especially of a governmental body” (*Merriam Webster Online Dictionary, copyright 2017* [*http://www.merriam-webster.com/dictionary/policy*](http://www.merriam-webster.com/dictionary/policy))  
  
**Substantial**: “considerable in quantity” (*Merriam Webster Online Dictionary, copyright 2017* [*http://www.merriam-webster.com/dictionary/substantially*](http://www.merriam-webster.com/dictionary/substantially)*)*

**Transportation**: “means of conveyance or travel from one place to another” (*Merriam-Webster Online Dict. 2017* [*https://www.merriam-webster.com/dictionary/transportation*](https://www.merriam-webster.com/dictionary/transportation)*)*

OBSERVATION 2. INHERENCY, the structure of the Status Quo.

FACT 1. The Jones Act

The Merchant Marine Act of 1920 places outdated restrictions on US maritime transportation

Dr. Russ Kashian, Jeff Pagel, and Dr. Ike Brannon 2017 (Kashian: Professor of Economics, co-founder and Director of the Fiscal and Economic Research Center at Univ of Wisconsin Whitewater; M.A. and Ph.D. in Economics from Univ of Wisc.-Milwaukee. Pagel: M.A. in Economics; research technician in Dept of Economics at Univ. of Wisc.-Whitewater. Brannon: President of Capital Policy Analytics Group, a consultancy that provides economic analysis to businesses; former chief economist for the House Energy and Commerce Committee; former senior economist for Office of Management & Budget; Ph.D. economics from Indiana Univ.) “THE JONES ACT IN PERSPECTIVE: A survey of the costs and effects of the 1920 Merchant Marine Act” 8 Apr 2017 <http://assets.grassrootinstitute.org/wp-content/uploads/2017/04/Jones-Act-Final-4-8-17.pdf>

The Jones Act (officially the Merchant Marine Act of 1920) is a relic of another time, when naval warfare and the nation’s strategic interests meant the cultivation of a strong merchant marine. That is the thinking that led Congress to prop up American shipbuilding and the entire shipping industry with a restrictive protectionist scheme. Because of the Jones Act, all goods carried by water between U.S. ports must be shipped on U.S.-flag ships that were constructed in the United States, are owned by U.S. citizens, and crewed by U.S. citizens or permanent residents.

FACT 2. Rapid decline.

The Jones Act has led to a rapid decline in U.S. merchant marine market share

Daniel R. Pearson 2015 (Daniel Pearson joined the Cato Institute after serving for 10 years on the U.S. International Trade Commission, the federal agency that, among other responsibilities, oversees the U.S. trade remedy laws. Pearson was nominated to the USITC by President George W. Bush and began his term as a commissioner on October 8, 2003. He served as chairman for the two-year term beginning June 17, 2006 and as vice chairman for the two-year term beginning June 17, 2008. Prior to joining the USITC, Pearson served as assistant vice president of public affairs and as a policy analyst for Cargill from 1987 to 2003.) “The Jones Act Strikes Again” 17 Jul 2015 <https://www.cato.org/blog/jones-act-strikes-again>

The protectionism of the Jones Act has given the United States the type of merchant marine that would be expected from a sector that has been cut off from market forces for close to a century. Instead of being a global powerhouse, the U.S. merchant fleet has become a minor player. In 1955 the 1,072 ships in the fleet accounted for 25 percent of global tonnage. Today the 191 vessels account for 2 percent of the world total. Those vessels primarily carry cargoes from one U.S. port to another, along with government-generated exports, such as military equipment and food aid.

OBSERVATION 3. We offer the following PLAN implemented by Congress and the President

1. Congress votes to repeal the Merchant Marine Act of 1920, also known as the Jones Act.

2. Funding and enforcement of the Jones Act are canceled upon repeal.  
3. Plan takes effect the day after an affirmative ballot.   
4. Affirmative speeches may clarify

OBSERVATION 4. ADVANTAGES

ADVANTAGE 1. Industry growth and consumer benefit

Removal of the Jones Act promotes competition

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

Removing this protectionist measure would promote competition not only between domestic and foreign vessels, but also among transportation services. Innovative companies will find ways to make their processes more efficient and offer their services at lower costs, whether that entails transporting a good by vessel, rail, or pipeline. When subject to the market, the industries that meet consumer demand will survive and grow, while other companies will struggle or disappear because of their failure to add value and create wealth. Labor and capital that is no longer used efficiently will be reallocated to more productive uses, therefore creating more wealth and benefiting consumers.

ADVANTAGE 2. Economic boom

$5 - 15 billion in economic benefit to Puerto Rico, Alaska and Hawaii alone, plus $500 million more for consumers throughout the U.S.

Dr. Russ Kashian, Jeff Pagel, and Dr. Ike Brannon 2017 (Kashian: Prof. of Economics, co-founder and Director of the Fiscal and Economic Research Center at Univ of Wisconsin Whitewater; M.A. and Ph.D. in Economics, Univ of Wisc.-Milwaukee. Pagel: M.A. in Economics; research technician in Dept of Economics, Univ. of Wisc.- Whitewater. Brannon: President of Capital Policy Analytics Group, a consultancy that provides economic analysis to businesses; former chief economist for House Energy and Commerce Committee; former senior economist for Office of Management & Budget; Ph.D. economics) “THE JONES ACT IN PERSPECTIVE: A survey of the costs and effects of the 1920 Merchant Marine Act” 8 Apr 2017 <http://assets.grassrootinstitute.org/wp-content/uploads/2017/04/Jones-Act-Final-4-8-17.pdf>

Several empirical studies have attempted to estimate the economic effects of the Jones Act, the most comprehensive of which is a report published by the U.S. International Trade Commission, which estimated the annual economic gain from repealing the act to the residents of Puerto Rico, Alaska and Hawaii to be between $5 billion to $15 billion (in current-value dollars). The ITC estimated that foreign suppliers have a 59 percent cost advantage in shipbuilding, based on a weighted average of cost differentials for different types of cargo. An inherent difficulty with the estimates has to do with determining what would be the domestic shipping rates for international shippers, as they are excluded from competing in the domestic market. The ITC remedies this lapse by analyzing the complete liberalization regime under two scenarios: Under the first, foreign suppliers operate 20 percent cheaper than U.S. suppliers, since their estimate is that foreign suppliers operate at a cost that is about 80 percent of U.S. suppliers. In the second, foreign suppliers have just a 10 percent cost advantage. Scenario one results in an economic gain of $262 million; scenario two results in a net economic gain of $119 million. We believe these estimates are conservative. In a separate study, Justin Lewis found coastal water transport in the United States would be about 60 percent cheaper, and that consumers using these services would stand to gain over $500 million annually, by relaxing or eliminating the Jones Act.

ADVANTAGE 3. Gas prices

Repealing the Jones Act would reduce US gasoline prices by reducing shipping costs

Scott Lincicome 2015 (international trade attorney with extensive experience in trade litigation before the U.S. Dept of Commerce, the US International Trade Commission (ITC), the US Court of International Trade, the European Commission and the WTO.) “If You Like Higher Prices, Enriched Cronies, and Weak National Security, Then You’ll Love the Jones Act” 22 Jan 2015 <https://www.cato.org/publications/commentary/you-higher-prices-enriched-cronies-weak-national-security-then-youll-love>

According to Bloomberg, there are only 13 ships that can legally move oil between U.S. ports, and these ships are ‘booked solid.’ As a result, abundant oil supplies in the Gulf Coast region cannot be shipped to other U.S. states with spare refinery capacity. And, even when such vessels are available, the Jones Act makes intrastate crude shipping artificially expensive. According to a 2012 report by the Financial Times, shipping U.S. crude from Texas to Philadelphia cost more than three times as much as shipping the same product on a foreign-flagged vessel to a Canadian refinery, even though the latter route is longer. It doesn’t take an energy economist to see how the Jones Act’s byzantine protectionism leads to higher prices at the pump for American drivers. According to one recent estimate, revoking the Jones Act would reduce U.S. gasoline prices by as much as 15 cents per gallon ‘by increasing the supply of ships able to shuttle the fuel between U.S. ports.’

ADVANTAGE 4. Improved disaster relief

1. Link: Jones Act hinders emergency response situations

Prof. Gary Galles 2015 (Research Fellow at the Independent Institute and a professor of economics at Pepperdine University; adjunct scholar at the Ludwig von Mises Institute) “Little Known Laws That Cripple American Trade” 3 Mar 2015 <https://mises.org/library/little-known-laws-cripple-american-trade>

The Jones Act also actually undermines emergency preparedness. In the aftermath of Hurricanes Katrina and Sandy, Jones Act restrictions were suspended because they hindered emergency responses. In 2014, New Jersey was not allowed to use a foreign ship to bring rock salt from Maine in time to respond to a snowstorm. A Jones Act-eligible ship required far more time and added $700,000 to the cost. And such problems extend beyond emergencies. Maryland imports rock salt from Chile rather than Louisiana, because shipping it all the way from Chile is three times cheaper than Jones Act domestic transportation.

1. Solvency: Disaster relief improves without the Jones Act

Steven Malanga 2013 (Malanga is the George M. Yeager Fellow at the Manhattan Institute and City Journal’s senior editor. He writes about the intersection of urban economies, business communities, and public policy.) “Storm of Protectionism” Winter 2013 <https://www.city-journal.org/html/storm-protectionism-13537.html>

Only in emergencies like Hurricanes Katrina and Sandy does the federal government occasionally suspend the Jones Act to get goods flowing more quickly and cheaply. Those brief pauses reveal how much better the market would work without the act.

2A Evidence: Repeal the Jones Act

TOPICALITY & DEFINITIONS

Full Text of the Jones Act – Print and bring with you to every debate

http://huelladigital.univisionnoticias.com/cruceros-vacaciones-en-aguas-de-nadie/wp-content/uploads/2016/06/Jones\_Act\_1920.pdf

Jones Act is “Transportation Policy” because its text places itself under the jurisdiction of the Secretary of Transportation

Section 1, Text of the Jones Act, From Title 46 of the US Code. <http://huelladigital.univisionnoticias.com/cruceros-vacaciones-en-aguas-de-nadie/wp-content/uploads/2016/06/Jones_Act_1920.pdf>

SEC. 1. PURPOSE AND POLICY OF UNITED STATES (46 App. U.S.C. 861 (2002)). It is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States; and it is declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine, and, in so far as may not be inconsistent with the express provisions of this Act, the Secretary of Transportation shall, in the disposition of vessels and shipping property as hereinafter provided, in the making of rules and regulations, and in the administration of the shipping laws keep always in view this purpose and object as the primary end to be attained.

INHERENCY

Summary of the Jones Act

Transportation Institute, copyright 2016. ( non-profit organization dedicated to maritime research education and promotion. The Institute companies participate in all phases of the nation’s deep sea foreign and domestic shipping trades, and barge and tugboat operations on the Great Lakes and on the 25,000 mile network of America’s inland waterways) “The Jones Act” <https://transportationinstitute.org/jones-act/>

Thus, the Jones Act, titled after its sponsor Senator Wesley R. Jones, from Washington State, was passed as part of the Merchant Marine Act of 1920. This federal legislation imposes four primary requirements on vessels carrying goods between U.S. ports. The vessels must be:  
- **owned by U.S. companies that are controlled by U.S. citizens with at least 75 percent U.S. percent ownership;**  
- **at least 75 percent crewed by U.S. citizens;**  
- **built (or rebuilt) in the United States; and**  
- **registered in the United States.**These requirements apply to all trade between ports in the U.S. mainland, Alaska, Hawaii, Puerto Rico, and the Virgin Islands. While excluded from the Jones Act, the outlying territories, such as Guam, are covered by similar laws that require vessels be U.S.-flagged, owned, and crewed, but do not impose the U.S.-build requirement

Merchant Marine Act of 1920: An old law that doesn’t serve a good purpose, and never did

George Leef 2016 (J.D. from Duke Univ School of Law; former vice president of the John Locke Foundation and director of the John W. Pope Center for Higher Education Policy; previously on faculty of Northwood University in Midland, Michigan, where he taught courses in economics, business law, and logic) “It's Time To Throw The Ancient 'Merchant Marine Act' Overboard” 19 Feb 2016 <https://www.forbes.com/sites/georgeleef/2016/02/19/its-time-to-throw-the-ancient-merchant-marine-act-overboard/#3a8228912414>

Some old laws still serve a good purpose, but many others no longer do, or never did. One of the latter is the Merchant Marine Act of 1920, also known as the Jones Act. It was passed after we had just shipped vast numbers of soldiers and quantities of war material to Europe and back. Politicians were gripped by the idea that the country needed a strong merchant marine and assumed that a protectionist law was needed to accomplish that objective.

American fleets have declined since the Jones Act’s implementation

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

In 1955, there were 1,072 U.S.-built commercial ships. By 2000, the U.S. Jones Act–eligible fleet consisted of just 193 ships and by 2014 that number had fallen to just 90.

The Jones Act has given foreign competitors the edge

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

In fact, by artificially inflating prices, protectionist measures such as the Jones Act may have given foreign competitors a competitive edge in international shipping. The Persian Gulf conflict in the early 1990s proved that the Jones Act was not a necessary element in supplying and sustaining a military operation. Military Sealift Command (MSC), which supplies deployed U.S. Armed Forces, shipped more than one-fifth of its dry cargo on foreign-chartered vessels.

The Status Quo will not be reforming or repealing the Jones Act

Robert B. Hopkins and Michael C. Brook 2017 (Hopkins: Chair of the Duane Morris LLP's Baltimore law office. He practices in the area of litigation with a concentration on transportation, products liability and commercial litigation both domestically and internationally; J.D. from Univ of Maryland School of Law. Brook: attorney with a focus on complex commercial, employment, and transportation litigation; graduate of Univ. of Baltimore School of Law.) “The Jones Act under Trump” 9 May 2017 <http://www.joc.com/regulation-policy/transportation-regulations/us-transportation-regulations/impact-new-political-climate-jones-act-unclear_20170509.html> (brackets in original)

Although President Trump has yet to issue a formal statement on the Jones Act, a number of factors point to the likelihood that it will not be going away anytime soon. First, President Trump’s appointment of Elaine Chao as secretary of transportation has been praised by several pro-Jones Act organizations, including the Seafarers International Union. Chao generally has been viewed as supportive of the act and during her confirmation hearing Chao stated, “[t]he Jones Act is the law of the land, and it will be obeyed unless the Congress changes its mind on that.” Second, past efforts in Congress to repeal the statute failed to get much traction, as American maritime interest groups have mounted strong opposition.

HARMS / SIGNIFICANCE

Undermined competition

Lack of competition leads to government dependence

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

The Jones Act also undermines the long-term competitiveness of the U.S. shipping industry. Government support for the industry artificially props up the market, reducing the incentive for American companies to become cost-competitive and encouraging dependence on the preferential treatment by the government. Furthermore, when the government uses its power to protect the American shipbuilders, they use more of their resources to lobby for continued protection. The result is a tight web of politicians and special interests making decisions that benefit very few while dispersing the costs among consumers.

Less competition has led to reliance on foreign competitors

Malia Blom Hill 2013 (J.D. from the Catholic University of America;Policy Director for the Grassroot Institute of Hawaii “The Sinking Ship of Cabotage: How the Jones Act lets unions and a few companies hold the economy hostage” 7 Apr 2013 <http://capitalresearch.org/app/uploads/2013/04/LW1304-final-for-posting-130401.pdf>

And then there are the less obvious economic costs of the Jones Act, such as when American companies lose business to foreign competitors that can offer better deals due to lower shipping costs. Terry Miller and James Carafano of the Heritage Foundation point out, “The real costs of Jones Act protectionism are even higher when you take into account the distortions of trade that cost American firms and workers the ability to compete fairly for American contracts. For example, U.S. scrap iron, a vital ingredient for American steel plants, is shipped from U.S. coastal areas to Turkey, or to Taiwan, or to China, rather than to other U.S. ports, because the Jones Act makes such U.S.-to-U.S. shipping prohibitively expensive.”

Economic harm

Higher shipping costs

Keli’I Akina 2017 (Keli’i Akina, Ph.D., is a recognized scholar, educator, public policy spokesperson, and community leader in Hawaii. Currently, he is President/CEO of Grassroot Institute of Hawaii, a public policy think tank dedicated to the principles of individual liberty, free markets and limited, accountable government. An expert in East-West Philosophy and ethics, Dr. Akina has taught at universities in China and the United States and continues as an adjunct instructor at Hawaii Pacific University.) “How the Jones Act drives up the cost of food and gasoline for millions of Americans” 10 Apr 2017 <http://thehill.com/blogs/pundits-blog/international/328025-how-the-jones-act-drives-up-the-cost-of-food-and-gasoline>

The law effectively imposes higher shipping costs from one American port to another American port. For example, shipping oil from Texas to New England costs about $6 a barrel, while shipping to Europe costs just $2 a barrel. This kind of protectionism costs the petroleum industry alone more than $158 million every year, according to a report released by the Grassroot Institute of Hawaii titled, “The Jones Act in Perspective.”

High costs for American businesses and consumers

Nicolas D. Loris 2015 (Loris, an economist, focuses on energy, environmental, and regulatory issues as the Herbert and Joyce Morgan fellow at The Heritage Foundation's Roe Institute for Economic Policy Studies. Loris has testified before House and Senate committees. He received his master's degree in economics from George Mason University in Fairfax, Va. He holds a bachelor's degree in economics, finance, and political science from Albright College in Reading, Pa.) “Opportunity For All – Favoritism to None” <http://thf_media.s3.amazonaws.com/2015/pdf/OpportunityForAll.pdf>

By preventing foreign competition, the Jones Act significantly increases domestic maritime shipping prices to the benefit of the American shipping industry, driving up costs for American businesses and consumers.37

Increased cost on shipping food aid

George Leef 2016 (J.D. from Duke Univ School of Law; former vice president of the John Locke Foundation and director of the John W. Pope Center for Higher Education Policy; previously on faculty of Northwood University in Midland, Michigan, where he taught courses in economics, business law, and logic) “It's Time To Throw The Ancient 'Merchant Marine Act' Overboard” 19 Feb 2016 <https://www.forbes.com/sites/georgeleef/2016/02/19/its-time-to-throw-the-ancient-merchant-marine-act-overboard/#3a8228912414>

We get a comprehensive view from a report issued by the Government Accountability Office (GAO) last September. That report, International Food Assistance: Cargo Preference Increases Food Aid Shipping Costs, shows the heavy impact of the law. The GAO, known for its non-partisan, straight-shooting approach, found that the Jones Act increased the cost of shipping food aid by around 23 percent.

Costs are so bad, cattlemen have resorted to flying cattle

George Leef 2016 (J.D. from Duke Univ School of Law; former vice president of the John Locke Foundation and director of the John W. Pope Center for Higher Education Policy; previously on faculty of Northwood University in Midland, Michigan, where he taught courses in economics, business law, and logic) “It's Time To Throw The Ancient 'Merchant Marine Act' Overboard” 19 Feb 2016 <https://www.forbes.com/sites/georgeleef/2016/02/19/its-time-to-throw-the-ancient-merchant-marine-act-overboard/#3a8228912414>

One of the Act’s congressional opponents is Arizona’s Senator John McCain, who pointed out in this testimony that Hawaiian cattlemen who want to sell livestock on the mainland “have actually resorted to flying the cattle on 747 jumbo jets to work around the restrictions of the Jones Act. Their only alternative is to ship the cattle to Canada because all livestock carriers in the world are foreign-owned.”

The Act harms businesses and the U.S. economy. Impact: at least $2.8 billion/year

Malia Blom Hill 2013 (J.D. from the Catholic University of America;Policy Director for the Grassroot Institute of Hawaii “The Sinking Ship of Cabotage: How the Jones Act lets unions and a few companies hold the economy hostage” 7 Apr 2013 <http://capitalresearch.org/app/uploads/2013/04/LW1304-final-for-posting-130401.pdf>

Economic evidence abounds that the Jones Act harms business and the U.S. economy. Nearly every independent study of the act’s effects finds it creates expensive barriers to trade. In 1995, a report from the U.S. International Trade Commission, an independent agency, found the Jones Act costs the U.S. economy at least $2.8 billion annually and its removal would lower domestic shipping prices by 26%.

Higher operating costs

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

The Jones Act undermines U.S. economic competitiveness in a number of ways. For example, U.S.-built, U.S.-owned, and U.S.-crewed vessels have dramatically higher operating costs than other options available to shippers. U.S.-flagged container ships and tankers spend over four times as much as foreign vessels on crewing expenditures. Jones Act ships also have higher maintenance costs, and it is more costly to repair and maintain vessels in domestic shipyards compared to foreign ones. Repair and routine work on U.S. tankers costs almost 70 percent more than comparable work on foreign tankers.

Distorted energy market

Energy costs of the Jones Act are growing

Thomas Grennes 2017 (Thomas Grennes is professor of economics emeritus at North Carolina State University and author of the new Mercatus Center at George Mason University study "An Economic Analysis of the Jones Act." His research has dealt with various aspects of international economics, including open economy macroeconomics, international finance, and international trade in agricultural products. Recent research topics have included macroeconomic aspects of the Great Moderation, offshore outsourcing, sovereign wealth funds, and the relationship between government debt and economic growth.) “Put the Jones Act Out to Sea” 15 May 2017 <https://www.usnews.com/opinion/economic-intelligence/articles/2017-05-15/donald-trump-should-repeal-the-costly-jones-act-on-shipping>

The costs of the Jones Act are growing as the United States has increased the production of oil whose transportation is subject to the act. More shipments from the Texas Gulf coast to Northeastern states would be beneficial, but currently crude oil must be carried on expensive Jones Act tankers. A proposal from the Obama administration submitted two days before he left office would make the Jones Act more, not less, restrictive toward oil production in the Gulf.

Energy market harmed

Prof. Mark J. Perry 2015 (professor of economics and finance at the University of Michigan -Flint. Ph.D. and M.A. in economics from George Mason University) “Retire the Jones Act” 18 Feb 2015 <https://www.aei.org/publication/retire-jones-act/print/>

The 94-year-old statute distorts the allocation of America’s crude-oil resources, and drives up energy prices for oil refiners and manufacturers in the Northeast who pay higher shipping costs because they can’t use cheaper foreign-built and foreign-manned vessels. Since there are only a limited number of Jones Act tankers and almost all are under long-term contracts, tanker capacity is stretched tight. There are not enough U.S. tankers available to ship the huge amounts of unconventional tight oil that’s being produced in the Bakken shale in North Dakota and the Eagle Ford shale in South Texas, then piped to Gulf coast ports. Consequently, this dislocation is hampering oil production. Gulf Coast ports currently have more oil in storage than they can transport to East Coast refineries. As a result, the U.S. is paying billions of dollars a year for Venezuelan oil because the Jones Act makes it uneconomic to ship our own domestically-produced crude oil to refineries in Philadelphia and other East Coast cities.

Energy costs are increased three-fold

George Leef 2016 (J.D. from Duke Univ School of Law; former vice president of the John Locke Foundation and director of the John W. Pope Center for Higher Education Policy; previously on faculty of Northwood University in Midland, Michigan, where he taught courses in economics, business law, and logic) “It's Time To Throw The Ancient 'Merchant Marine Act' Overboard” 19 Feb 2016 <https://www.forbes.com/sites/georgeleef/2016/02/19/its-time-to-throw-the-ancient-merchant-marine-act-overboard/#3a8228912414>

Furthermore, the Jones Act distorts our energy market and leads to higher prices than otherwise. Writing on The Federalist, international trade attorney Scott Lincicome points out that due to the law’s restrictions, only 13 ships can legally move crude oil between U.S. ports and those ships are “booked solid.” Shipping American crude from Texas to Philadelphia costs more than three times as much as shipping it on a foreign-flagged vessel to a Canadian port, even though the Canadian route is longer.

Delays disaster relief

Jones Act delays aid to disaster

Prof. Thomas Grennes 2017 (professor of economics emeritus at North Carolina State Univ.; author of Mercatus Center at George Mason Univ. study "An Economic Analysis of the Jones Act.") “Put the Jones Act Out to Sea” 15 May 2017 <https://www.usnews.com/opinion/economic-intelligence/articles/2017-05-15/donald-trump-should-repeal-the-costly-jones-act-on-shipping>

Prohibiting foreign flag vessels from participating in relief efforts has made the response to national disasters slower and less effective. Presidents have waived the act after hurricanes and oil spills, but only after a delay. After the BP oil spill of 2010, President Barack Obama rejected assistance offers from 13 foreign governments. Delays resulted in greater harm to the Gulf.

The Jones Act unnecessarily slows response to disasters

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

During disasters, recovery efforts should not be slowed by unnecessary legal roadblocks. If during disasters the Jones Act only causes hesitation before engaging in a response effort, it provides no benefit.

Rock salt example details

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

The rock salt market is a case study of how the Jones Act disrupts open competition. Used to salt roads during snow and ice storms, this commodity is produced widely in the United States, the largest producer in the world. Despite this, states such as Maryland and Virginia import most of their rock salt from Chile through the Panama Canal rather than from the Port of South Louisiana. This problem was highlighted in February, when the Jones Act prevented New Jersey officials from using a foreign ship to transport salt from Maine in time to respond to a winter storm. The head of New Jersey’s Department of Transportation said, “I’ve got a shipload of salt, 400 miles from here. The only thing that we’ve been able to define as an American flag vessel would take us a month to get the salt here when I can have the salt here in a day and a half.”

SOLVENCY / ADVOCACY

Time to leave the Jones Act’s abusive grip

Prof. Gary Galles 2015 (Research Fellow at the Independent Institute and a professor of economics at Pepperdine University; adjunct scholar at the Ludwig von Mises Institute) “Little Known Laws That Cripple American Trade” 3 Mar 2015 <https://mises.org/library/little-known-laws-cripple-american-trade>

The Jones Act doesn’t expand America’s naval defense capability. It has created a sharp reduction in American-flagged shipping and the cargo they carry, which looks more like extinction than preservation of critical capacities. It hinders emergency operations. The otherwise unavailable military support services it is supposed to provide are already being provided more efficiently by foreign ships. And the costs are very high, staggeringly so in Hawaii, Puerto Rico, and Alaska. It is time to jettison Jones and free Americans from its abusive grip.

Competition promoted, economy strengthened, and consumers benefited

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

The Jones Act is blatant cronyism in which one group is benefiting from special treatment by the government at the expense of everyone else. If politicians are serious about affordable energy, economic growth, industrial innovation, and providing competitively priced goods and services, they would remove government barriers to competition in the shipping industry. Repealing the outdated, protectionist Jones Act would promote competition, strengthen the economy, and benefit American consumers.

Welcome economic prosperity and trade

Keli’I Akina 2017 (Keli’i Akina, Ph.D., is a recognized scholar, educator, public policy spokesperson, and community leader in Hawaii. Currently, he is President/CEO of Grassroot Institute of Hawaii, a public policy think tank dedicated to the principles of individual liberty, free markets and limited, accountable government. An expert in East-West Philosophy and ethics, Dr. Akina has taught at universities in China and the United States and continues as an adjunct instructor at Hawaii Pacific University.) “How the Jones Act drives up the cost of food and gasoline for millions of Americans” 10 Apr 2017 <http://thehill.com/blogs/pundits-blog/international/328025-how-the-jones-act-drives-up-the-cost-of-food-and-gasoline>

The Jones Act has raised prices for American consumers and distorted the U.S. economy for almost a century. It’s time to fix the problems associated with this outdated law and welcome a new era of economic prosperity and trade.

ADVANTAGES

Industry growth and consumer benefit

Increased competition creates wealth and consumer benefit

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

Removing this protectionist measure would promote competition not only between domestic and foreign vessels, but also among transportation services. Innovative companies will find ways to make their processes more efficient and offer their services at lower costs, whether that entails transporting a good by vessel, rail, or pipeline. When subject to the market, the industries that meet consumer demand will survive and grow, while other companies will struggle or disappear because of their failure to add value and create wealth. Labor and capital that is no longer used efficiently will be reallocated to more productive uses, therefore creating more wealth and benefiting consumers.

More opportunity and revitalization of our economy

Scott Lincicome 2015 (international trade attorney with extensive experience in trade litigation before the U.S. Dept of Commerce, the US International Trade Commission (ITC), the US Court of International Trade, the European Commission and the WTO.) “If You Like Higher Prices, Enriched Cronies, and Weak National Security, Then You’ll Love the Jones Act” 22 Jan 2015 <https://www.cato.org/publications/commentary/you-higher-prices-enriched-cronies-weak-national-security-then-youll-love>

McCain’s amendment to repeal the Jones Act is a common-sense solution to the problems facing a key American industry and the pain of the U.S. economy. The amendment, as well as any broader proposal to kill off the Act, deserves widespread support from conservatives and liberals alike. Efforts to dispense with this archaic protectionist boondoggle will no doubt meet fierce resistance from entrenched interests, labor unions, and opponents of free trade. However, those same groups stand only to benefit from efforts to make the U.S. fleet more competitive and less costly. American mariners have what it takes to compete on a global scale, and they should be given the chance. More competition translates to more opportunity, and perhaps the expansion and revitalization of a crucial sector of our economy. Where artificial monopolies and ancient restrictions can be removed, American labor, American business, and American consumers will have a chance to thrive.

Economic boom

Improve transportation infrastructure at no cost to the government

Thomas Grennes and Andris Strazds 2017 (**Grennes:** A professor of economics emeritus at North Carolina State University and author of the new Mercatus Center at George Mason University study "An Economic Analysis of the Jones Act." His research has dealt with various aspects of international economics, including open economy macroeconomics, international finance, and international trade in agricultural products. Recent research topics have included macroeconomic aspects of the Great Moderation, offshore outsourcing, sovereign wealth funds, and the relationship between government debt and economic growth. **Strazds:** MSc in International Economics and Business. Strazds graduated from the Stockholm School of Economics in Riga (SSE Riga) in 1996 and got his master’s degree in International Economics and Business at the Stockholm School of Economics in Sweden in 1998. Since then he has been teaching International Finance, Managerial Economics and Business Valuation and Strategy in the undergraduate, Executive MBA and various non-degree executive education programs at SSE Riga..) “The Navigation Acts Are Still Alive: A Century of the Jones Act” 30 May 2017 <http://www.economonitor.com/blog/2017/05/the-navigation-acts-are-still-alive-a-century-of-the-jones-act/>

Denying American businesses access to the least-cost transportation imposes a large cost on American consumers. A recent estimate of the consumer cost is $1.8 billion per year (Grennes 2017a). It is time for reform of the Jones Act. Relaxing restrictions on shipping would be equivalent to improving transportation infrastructure available to American businesses at no cost to the government’s budget. (Grennes 2017b)

Savings to businesses and consumers

Keli’I Akina 2017 (Keli’i Akina, Ph.D., is a recognized scholar, educator, public policy spokesperson, and community leader in Hawaii. Currently, he is President/CEO of Grassroot Institute of Hawaii, a public policy think tank dedicated to the principles of individual liberty, free markets and limited, accountable government. An expert in East-West Philosophy and ethics, Dr. Akina has taught at universities in China and the United States and continues as an adjunct instructor at Hawaii Pacific University.) “How the Jones Act drives up the cost of food and gasoline for millions of Americans” 10 Apr 2017 <http://thehill.com/blogs/pundits-blog/international/328025-how-the-jones-act-drives-up-the-cost-of-food-and-gasoline> (brackets added)

[Simply r]elaxing the Jones Act would lead to an economic boom for many industries across the nation, and provide more goods at lower prices for American consumers. However, many people are simply unaware of the impact that the extra shipping costs of the Jones Act has on their lives, and efforts to change the law have been rare.

Reform could lead to costs savings of between $5 billion and $15 billion annually for Hawaii, Alaska and Puerto Rico alone, according to a study by the International Trade commission. The total is estimated to be even greater for the contiguous U.S., but no study to date has quantified this.

Removing the costly act would benefit Americans

George Leef 2016 (J.D. from Duke Univ School of Law; former vice president of the John Locke Foundation and director of the John W. Pope Center for Higher Education Policy; previously on faculty of Northwood University in Midland, Michigan, where he taught courses in economics, business law, and logic) “It's Time To Throw The Ancient 'Merchant Marine Act' Overboard” 19 Feb 2016 <https://www.forbes.com/sites/georgeleef/2016/02/19/its-time-to-throw-the-ancient-merchant-marine-act-overboard/#3a8228912414>

Living Americans would benefit enormously if we could get rid of costly old laws like the Jones Act that interfere with freedom and prosperity; future generations will benefit even more.

Improved energy sector

Lower energy costs and less need for imported oil

Prof. Mark J. Perry 2015 (professor of economics and finance at the University of Michigan -Flint. Ph.D. and M.A. in economics from George Mason University) “Retire the Jones Act” 18 Feb 2015 <https://www.aei.org/publication/retire-jones-act/print/>

There’s no longer any economic reason to keep the anti-competitive, protectionist Jones Act. The antiquated law has for too long hampered free trade and the free movement of goods at the lowest competitive price. Scrapping it would generate a broad range of benefits for the U.S. economy. Refineries would have access to cheaper domestically-produced crude oil, which would lower the cost of gasoline, diesel and fuel oil. And there would be less need for imported oil. Allowing foreign-owned tankers to compete on a level playing-field with domestic-owned tankers to transport crude oil between U.S. ports would not only benefit consumers and refiners but would also be in our nation’s best interest.

Repealing Jones act would help the economy: Lower energy prices, new jobs, economic growth

Prof. Mark J. Perry 2015 (professor of economics and finance at the University of Michigan -Flint. Ph.D. and M.A. in economics from George Mason University) “Retire the Jones Act” 18 Feb 2015 <https://www.aei.org/publication/retire-jones-act/print/>

The best solution would be for Congress to repeal the Jones Act. Oil refiners, and many manufacturers and state governments are pushing for such action. Studies show that if the Jones Act were repealed, consumers could benefit from an increase in domestic oil production and lower energy prices, which would boost the nation’s GDP, job creation and capital investment.

Reduced energy costs

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

Repealing the Jones Act would reduce the cost of transporting energy by vessel because foreign-flagged ships could transport oil for an estimated one-third of the cost of U.S.-flagged ships.

DISAVANTAGE RESPONSES

National security

The Jones Act does not help national security

Prof. Gary Galles 2015 (Research Fellow at the Independent Institute and a professor of economics at Pepperdine University; adjunct scholar at the Ludwig von Mises Institute) “Little Known Laws That Cripple American Trade” 3 Mar 2015 <https://mises.org/library/little-known-laws-cripple-american-trade>

Even if the Jones Act did have positive effects on American shipping, it would do little for our ability to produce naval vessels, because only one of the shipyards that builds the Navy’s primary vessels also builds large commercial shipping vessels. To justify the Jones Act, American-built, owned, and crewed ships must also provide services that would otherwise be unavailable during hostilities and national emergencies. Here too, the rationale falls short.

The Jones Act hinders more pressing security concerns

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

Jones Act proponents who oppose this policy argue that South Korea and China—which build many of the world’s commercial ships—are far too volatile for the U.S. to rely upon them for shipping needs. While this argument is debatable from a geopolitical perspective, it ignores the more immediate security concern: supplying service members with what they need, when they need it.

The Jones Act is no longer fulfilling national security

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

The national security justifications behind the Jones Act have little impact on U.S. military capabilities. These supposed security benefits include maintaining a merchant fleet that can be used in time of crisis to serve U.S. interests and sustaining the industrial base for U.S. shipbuilding. Neither argument has held up to actual maritime practices in the United States. The Jones Act no longer fulfills its intended purpose of maintaining a dependable marine fleet for national security and emergencies.

National security relies on primarily foreign-made transport

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

The Maritime Administration’s Ready Reserve Fleet (RRF) also proves that maritime security does not rely on the Jones Act. This fleet, created for “transport of Army and Marine Corps unit equipment, combat support equipment, and initial resupply during the critical surge period before commercial ships can be marshaled,” has supplied the military at the outset of both the Iraq and Afghanistan wars as well as in past conflicts. Currently, 30 of the 46 RRF ships are foreign-built.[6] The U.S. clearly lacks the capacity to transport needed materials and supplies for the military solely with Jones Act–qualified ships, and the Armed Services have acted accordingly by outsourcing.

The Jones Act actually hinders national security

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

In this way, the Jones Act and its supporters inadvertently hinder national security. If the U.S. military is comfortable with using foreign vessels during wartime, the argument that they are less safe in commercial use is greatly weakened. If the U.S. military is not comfortable using foreign vessels, then it should simply purchase the ships it needs as part of the defense program, but subjecting the entire U.S. economy to the inefficiencies of a massive protectionist regime for the claimed security benefits is nonsensical.

Repealing the Jones Act would diminish reliance on foreign countries

Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 <http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime>

The U.S. military already relies on Russian icebreakers to facilitate resupply missions to McMurdo Station in Antarctica.[11] In 2011, when an ice storm prevented the last winter fuel delivery to Nome, Alaska, the U.S. Coast Guard solicited the services of a Russian vessel to reach the community.[12] This response effort required the Healy[, The Coast Guard’s only medium polar icebreaker,] to serve where a heavy icebreaker would have been much more effective. Ultimately, a Jones Act waiver allowed the Russian tanker to operate in U.S. waters, but repealing this law would allow the Coast Guard and other government services to lease foreign-built icebreakers more easily, while diminishing U.S. reliance on Russia.

The Jones Act fails to bolster national security

Prof. Thomas Grennes 2017 (professor of economics emeritus at North Carolina State Univ and author of the new Mercatus Center at George Mason University study "An Economic Analysis of the Jones Act”) “Put the Jones Act Out to Sea” 15 May 2017 <https://www.usnews.com/opinion/economic-intelligence/articles/2017-05-15/donald-trump-should-repeal-the-costly-jones-act-on-shipping>

But if the Jones Act was designed to preserve a large ship-building industry and American-flag fleet, and thus bolster our national security, it has been a clear failure. There has been a large and continuous decline in American ship-building. Today there are only six domestic shipyards that produce ocean-going vessels, and only one of them produces both merchant and military ships. The American-flag fleet has shrunk from 16 percent of the world fleet in 1960 to less than one percent today. More than 95 percent of large merchant ships are now produced in South Korea, Japan and China. In 2000 there were 193 Jones Act-eligible ocean-going ships, but by 2014, only 90 remained. The remaining American builders engage in extensive foreign outsourcing for designs, engines, electronics or other essential components.

Jobs lost

Net Benefits: Any losses would be more than offset by economic benefits

Keli’I Akina 2017 (Keli’i Akina, Ph.D., is a recognized scholar, educator, public policy spokesperson, and community leader in Hawaii. Currently, he is President/CEO of Grassroot Institute of Hawaii, a public policy think tank dedicated to the principles of individual liberty, free markets and limited, accountable government. An expert in East-West Philosophy and ethics, Dr. Akina has taught at universities in China and the United States and continues as an adjunct instructor at Hawaii Pacific University.) “How the Jones Act drives up the cost of food and gasoline for millions of Americans” 10 Apr 2017 <http://thehill.com/blogs/pundits-blog/international/328025-how-the-jones-act-drives-up-the-cost-of-food-and-gasoline>

Even if this were the case, any economic costs of reforming the Jones Act would be more than offset by significant cost savings to industries and consumers. Doing so could still save the American economy hundreds of millions, if not tens of billions of dollars every year.

Horrible return on investment

Dr. Russ Kashian, Jeff Pagel, and Dr. Ike Brannon 2017 (Kashian: Professor of Economics, co-founder and Director of the Fiscal and Economic Research Center at Univ of Wisconsin Whitewater; M.A. and Ph.D. in Economics, Univ of Wisc.-Milwaukee. Pagel: M.A. in Economics; research technician in Dept of Economics, Univ. of Wisc.- Whitewater. Brannon: President of Capital Policy Analytics Group, a consultancy that provides economic analysis to businesses; former chief economist for House Energy and Commerce Committee; former senior economist for Office of Management & Budget; Ph.D. economics, Indiana Univ.) “THE JONES ACT IN PERSPECTIVE: A survey of the costs and effects of the 1920 Merchant Marine Act” 8 Apr 2017 <http://assets.grassrootinstitute.org/wp-content/uploads/2017/04/Jones-Act-Final-4-8-17.pdf> (bolding added)

The policy machinations that keep these shipyards going come at a steep cost: Joseph Francois, Hugh Arce, and their co-authors estimate in a study published in the Journal of Canadian Economics that the Jones Act protects about 1,800 jobs in shipyards, including shipbuilding and repair, while ensuring an additional $163 million of domestic activity in these sectors.14 This comes at an annual economic cost of roughly $3 billion — **a horrible return on investment** even by government standards.

Hundreds of thousands of dollars saved per job lost

Steven Malanga 2013 (George M. Yeager Fellow at the Manhattan Institute and City Journal’s senior editor.) “Storm of Protectionism” Winter 2013 <https://www.city-journal.org/html/storm-protectionism-13537.html>

The act *might* save 15,000 jobs in the American shipping industry, but at a price that reduced national income by hundreds of thousands of dollars per job saved.

Sailors’ accident and injury compensation benefits

Sailors don’t need the Jones Act – lots of other protections exist now. Turn: Jones Act goes too far

Capt. Max Hardberger 2013 (maritime attorney, flight instructor; has been a correspondent for WorkBoat since 1995. His memoir, Seized: A Sea Captain’s Adventures Battling Scoundrels and Pirates While Recovering Stolen Ships in the World’s Most Troubled Waters, was published by Broadway Books in 2010.) “The Jones Act: Road to repeal” 13 Aug 2013 <https://www.workboat.com/archive/the-jones-act-road-to-repeal/> (brackets added)

Such a ruling is ludicrous on its face and will probably be enjoined soon, but it’s no less ludicrous than the only surviving justification for the special treatment of “seamen” under the Jones Act, which is that they are, or should be, “wards of the court.” That phrase became common among legal writers and in some courts after the 1840 publication of Richard Henry Dana’s Two Years Before the Mast, and the feeling that seamen needed special protection from greedy shipowners was still current when the Jones Act was enacted 80 years later. That may well have been the case then, but the rise of the seamen’s unions in the years since, along with enforcement of international standards on all oceangoing ships, has tipped the scale in the other direction. Now, the application of Jones Act provisions to a personal injury case tips the scales unfairly in the plaintiff’s direction. Fairness would dictate that maritime employees sue under the same laws every other worker must sue under. There can be little modern justification for a law that prevents an employer from introducing evidence that an employee’s drunkenness at his place of work contributed to his injury.

Middle East Defense / Oil Disruption DAs

A/T “Iran mines the Strait of Hormuz” - Not easy to do, and Saudi Arabia could stop them

Dr. Ivan Eland 2012. (PhD public policy,Georgetown U.; Director of Defense Policy Studies at the Cato Institute; spent 15 years working for Congress on national security issues, including stints as an investigator for the House Foreign Affairs Committee and Principal Defense Analyst at the Congressional Budget Office) 26 Jan 2012 “Con: U.S. bombing unnecessary because Iran lacks the resources to block the strait” GAZETTE XTRA <http://gazettextra.com/news/2012/jan/26/con-us-bombing-unnecessary-because-iran-lacks-reso/>

Mining the Strait would be difficult as well, requiring a large number of Iran’s primitive mines to completely close the waterway. Capable regional air forces, such as Saudi Arabia’s, could prevent that by sinking Iranian tankers and mine-layers without any need for direct U.S. involvement.

A/T “Oil Price Shocks if war in the Middle East” - 1) Don’t need US military protection. 2) Economy is resistant to oil shocks.

Dr. Ivan Eland 2012. (PhD public policy,Georgetown U.; Director of Defense Policy Studies at the Cato Institute; spent 15 years working for Congress on national security issues, including stints as an investigator for the House Foreign Affairs Committee and Principal Defense Analyst at the Congressional Budget Office) 29 Feb 2012 “Energy Protectionism Is Not Good Policy,” <http://original.antiwar.com/eland/2012/02/28/energy-protectionism-is-not-good-policy/>

Protectionism and neo-mercantilism, the government subsidization of certain private businesses at the expense of consumers, are as inefficient in energy as they are in other products and commodities. One hidden subsidy for American oil companies and overseas oil-producing countries that my book exposes are the hundreds of billions of dollars spent “defending” U.S. oil interests abroad. Even if wars in the Middle East occur, oil is a valuable commodity, and exporting it generates handsome profits. Thus, oil is often exported around and sometimes, as in the example of the Iran-Iraq War in the 1980s, through wars. Guarding against the rare oil-supply disruption by stationing vast American military forces, whose expenses are not contingent, in the Middle East and other places is unnecessary to prevent oil price shocks to developed economies that have proven resistant to them.

Works Cited

1. Dr. Russ Kashian, Jeff Pagel, and Dr. Ike Brannon 2017 (Kashian: Professor of Economics, co-founder and Director of the Fiscal and Economic Research Center at Univ of Wisconsin Whitewater; M.A. and Ph.D. in Economics from Univ of Wisc.-Milwaukee. Pagel: M.A. in Economics; research technician in Dept of Economics at Univ. of Wisc.-Whitewater. Brannon: President of Capital Policy Analytics Group, a consultancy that provides economic analysis to businesses; former chief economist for the House Energy and Commerce Committee; former senior economist for Office of Management & Budget; Ph.D. economics from Indiana Univ.) “THE JONES ACT IN PERSPECTIVE: A survey of the costs and effects of the 1920 Merchant Marine Act” 8 Apr 2017 http://assets.grassrootinstitute.org/wp-content/uploads/2017/04/Jones-Act-Final-4-8-17.pdf
2. Daniel R. Pearson 2015 (Daniel Pearson joined the Cato Institute after serving for 10 years on the U.S. International Trade Commission, the federal agency that, among other responsibilities, oversees the U.S. trade remedy laws. Pearson was nominated to the USITC by President George W. Bush and began his term as a commissioner on October 8, 2003. He served as chairman for the two-year term beginning June 17, 2006 and as vice chairman for the two-year term beginning June 17, 2008. Prior to joining the USITC, Pearson served as assistant vice president of public affairs and as a policy analyst for Cargill from 1987 to 2003.) “The Jones Act Strikes Again” 17 Jul 2015 https://www.cato.org/blog/jones-act-strikes-again
3. Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime
4. Scott Lincicome 2015 (international trade attorney with extensive experience in trade litigation before the U.S. Dept of Commerce, the US International Trade Commission (ITC), the US Court of International Trade, the European Commission and the WTO.) “If You Like Higher Prices, Enriched Cronies, and Weak National Security, Then You’ll Love the Jones Act” 22 Jan 2015 https://www.cato.org/publications/commentary/you-higher-prices-enriched-cronies-weak-national-security-then-youll-love
5. Prof. Gary Galles 2015 (Research Fellow at the Independent Institute and a professor of economics at Pepperdine University; adjunct scholar at the Ludwig von Mises Institute) “Little Known Laws That Cripple American Trade” 3 Mar 2015 https://mises.org/library/little-known-laws-cripple-american-trade
6. Steven Malanga 2013 (Malanga is the George M. Yeager Fellow at the Manhattan Institute and City Journal’s senior editor. He writes about the intersection of urban economies, business communities, and public policy.) “Storm of Protectionism” Winter 2013 https://www.city-journal.org/html/storm-protectionism-13537.html
7. Section 1, Text of the Jones Act, From Title 46 of the US Code. http://huelladigital.univisionnoticias.com/cruceros-vacaciones-en-aguas-de-nadie/wp-content/uploads/2016/06/Jones\_Act\_1920.pdf
8. Transportation Institute, copyright 2016. ( non-profit organization dedicated to maritime research education and promotion. The Institute companies participate in all phases of the nation’s deep sea foreign and domestic shipping trades, and barge and tugboat operations on the Great Lakes and on the 25,000 mile network of America’s inland waterways) “The Jones Act” https://transportationinstitute.org/jones-act/
9. George Leef 2016 (J.D. from Duke Univ School of Law; former vice president of the John Locke Foundation and director of the John W. Pope Center for Higher Education Policy; previously on faculty of Northwood University in Midland, Michigan, where he taught courses in economics, business law, and logic) “It's Time To Throw The Ancient 'Merchant Marine Act' Overboard” 19 Feb 2016 https://www.forbes.com/sites/georgeleef/2016/02/19/its-time-to-throw-the-ancient-merchant-marine-act-overboard/#3a8228912414
10. Robert B. Hopkins and Michael C. Brook 2017 (Hopkins: Chair of the Duane Morris LLP's Baltimore law office. He practices in the area of litigation with a concentration on transportation, products liability and commercial litigation both domestically and internationally; J.D. from Univ of Maryland School of Law. Brook: attorney with a focus on complex commercial, employment, and transportation litigation; graduate of Univ. of Baltimore School of Law.) “The Jones Act under Trump” 9 May 2017 http://www.joc.com/regulation-policy/transportation-regulations/us-transportation-regulations/impact-new-political-climate-jones-act-unclear\_20170509.html
11. Nicolas Loris, Brian Slattery and Bryan Riley 2014 (Slattery - Research Assistant for Defense Studies in the Douglas and Sarah Allison Center for Foreign and National Security Policy, at Heritage Foundation; Riley - Jay Van Andel Senior Analyst in Trade Policy in the Center for International Trade and Economics at The Heritage Foundation. Loris - Herbert and Joyce Morgan Fellow in the Thomas A. Roe Institute for Economic Policy Studies at The Heritage Foundation.) “Sink the Jones Act: Restoring America’s Competitive Advantage in Maritime-Related Industries” 22 May 2014 http://www.heritage.org/government-regulation/report/sink-the-jones-act-restoring-americas-competitive-advantage-maritime
12. Malia Blom Hill 2013 (J.D. from the Catholic University of America;Policy Director for the Grassroot Institute of Hawaii “The Sinking Ship of Cabotage: How the Jones Act lets unions and a few companies hold the economy hostage” 7 Apr 2013 http://capitalresearch.org/app/uploads/2013/04/LW1304-final-for-posting-130401.pdf
13. Keli’I Akina 2017 (Keli’i Akina, Ph.D., is a recognized scholar, educator, public policy spokesperson, and community leader in Hawaii. Currently, he is President/CEO of Grassroot Institute of Hawaii, a public policy think tank dedicated to the principles of individual liberty, free markets and limited, accountable government. An expert in East-West Philosophy and ethics, Dr. Akina has taught at universities in China and the United States and continues as an adjunct instructor at Hawaii Pacific University.) “How the Jones Act drives up the cost of food and gasoline for millions of Americans” 10 Apr 2017 http://thehill.com/blogs/pundits-blog/international/328025-how-the-jones-act-drives-up-the-cost-of-food-and-gasoline
14. Nicolas D. Loris 2015 (Loris, an economist, focuses on energy, environmental, and regulatory issues as the Herbert and Joyce Morgan fellow at The Heritage Foundation's Roe Institute for Economic Policy Studies. Loris has testified before House and Senate committees. He received his master's degree in economics from George Mason University in Fairfax, Va. He holds a bachelor's degree in economics, finance, and political science from Albright College in Reading, Pa.) “Opportunity For All – Favoritism to None” http://thf\_media.s3.amazonaws.com/2015/pdf/OpportunityForAll.pdf
15. Thomas Grennes 2017 (Thomas Grennes is professor of economics emeritus at North Carolina State University and author of the new Mercatus Center at George Mason University study "An Economic Analysis of the Jones Act." His research has dealt with various aspects of international economics, including open economy macroeconomics, international finance, and international trade in agricultural products. Recent research topics have included macroeconomic aspects of the Great Moderation, offshore outsourcing, sovereign wealth funds, and the relationship between government debt and economic growth.) “Put the Jones Act Out to Sea” 15 May 2017 https://www.usnews.com/opinion/economic-intelligence/articles/2017-05-15/donald-trump-should-repeal-the-costly-jones-act-on-shipping
16. Prof. Mark J. Perry 2015 (professor of economics and finance at the University of Michigan -Flint. Ph.D. and M.A. in economics from George Mason University) “Retire the Jones Act” 18 Feb 2015 https://www.aei.org/publication/retire-jones-act/print/
17. Prof. Thomas Grennes 2017 (professor of economics emeritus at North Carolina State Univ.; author of Mercatus Center at George Mason Univ. study "An Economic Analysis of the Jones Act.") “Put the Jones Act Out to Sea” 15 May 2017 https://www.usnews.com/opinion/economic-intelligence/articles/2017-05-15/donald-trump-should-repeal-the-costly-jones-act-on-shipping
18. Thomas Grennes and Andris Strazds 2017 (**Grennes:** A professor of economics emeritus at North Carolina State University and author of the new Mercatus Center at George Mason University study "An Economic Analysis of the Jones Act." His research has dealt with various aspects of international economics, including open economy macroeconomics, international finance, and international trade in agricultural products. Recent research topics have included macroeconomic aspects of the Great Moderation, offshore outsourcing, sovereign wealth funds, and the relationship between government debt and economic growth. **Strazds:** MSc in International Economics and Business. Strazds graduated from the Stockholm School of Economics in Riga (SSE Riga) in 1996 and got his master’s degree in International Economics and Business at the Stockholm School of Economics in Sweden in 1998. Since then he has been teaching International Finance, Managerial Economics and Business Valuation and Strategy in the undergraduate, Executive MBA and various non-degree executive education programs at SSE Riga..) “The Navigation Acts Are Still Alive: A Century of the Jones Act” 30 May 2017 http://www.economonitor.com/blog/2017/05/the-navigation-acts-are-still-alive-a-century-of-the-jones-act/
19. Capt. Max Hardberger 2013 (maritime attorney, flight instructor; has been a correspondent for WorkBoat since 1995. His memoir, Seized: A Sea Captain’s Adventures Battling Scoundrels and Pirates While Recovering Stolen Ships in the World’s Most Troubled Waters, was published by Broadway Books in 2010.) “The Jones Act: Road to repeal” 13 Aug 2013 https://www.workboat.com/archive/the-jones-act-road-to-repeal/
20. Dr. Ivan Eland 2012. (PhD public policy,Georgetown U.; Director of Defense Policy Studies at the Cato Institute; spent 15 years working for Congress on national security issues, including stints as an investigator for the House Foreign Affairs Committee and Principal Defense Analyst at the Congressional Budget Office) 26 Jan 2012 “Con: U.S. bombing unnecessary because Iran lacks the resources to block the strait” GAZETTE XTRA http://gazettextra.com/news/2012/jan/26/con-us-bombing-unnecessary-because-iran-lacks-reso/

1. Prof. Gary Galles 2015 (Research Fellow at the Independent Institute and a professor of economics at Pepperdine University; adjunct scholar at the Ludwig von Mises Institute) “Little Known Laws That Cripple American Trade” 3 Mar 2015 <https://mises.org/library/little-known-laws-cripple-american-trade> [↑](#footnote-ref-1)