

Correcting the Record: Common Jones Act Critical Questions

Q: Is the Jones Act protectionism?

No. Protectionism comes from taxing imports to reduce foreign competition. Foreign-flagged ships can call on American ports, including Puerto Rico, Hawaii, and Alaska. The Jones Act is a form of cabotage, which is extremely common in maritime countries. A UN study found that 80% of the world's coastline is covered by cabotage laws. Nations that depend on maritime transportation of goods need to have their own strong domestic fleet for both homeland security and economic independence. Cabotage laws are grounded in maritime history and have existed in the laws of some UN member states for centuries. The study found that rudimentary principles of cabotage date back to as early as 1381, and a version of a cabotage law was one of the first laws passed by the United States Congress. Stated objectives of cabotage from UN members include: maintain national security; promote fair competition; develop human capacity; create jobs; enhance marine environmental protection; promote ship ownership; increase safety and security of ships in port; and preserve maritime knowledge and technology.

Q: Does the Jones Act impede free trade?

No. Adam Smith, the father of free trade, wrote in *An Inquiry Into the Nature and Causes of the Wealth* that he recognized the need for a small number of exceptions to his free market economic theory, specifically as it pertains to national defense. In fact, in his book, Smith specifically cited cabotage laws like the Jones Act as one of those very exceptions:

There seem, however, to be two cases, in which it will generally be advantageous to lay some burden upon foreign, for the encouragement of domestic industry. ... The first is, when some particular sort of industry is necessary for the defense of the country. The defense of Great Britain, for example, depends very much upon the number of its sailors and shipping. The act of navigation, therefore, very properly endeavors to give the sailors and shipping of Great Britain the monopoly of the trade of their own country, in some cases, by absolute prohibitions, and in others, by heavy burdens upon the shipping of foreign countries. ... As defense, however, is of much more importance than opulence, the act of navigation is, perhaps, the wisest of all the commercial regulations of England.

Adam Smith, capitalist hero, highlighted the British equivalent of the Jones Act as perhaps the wisest of all the commercial regulations of Great Britain.

Today, the defense of the United States, like Great Britain at the time of Smith's writing, depends very much upon a strong domestic shipping capability, according to many of the nation's top military leaders. The domestic American maritime industry plays in sustaining a pool of qualified mariners; a commercial shipbuilding, maintenance, and repair industrial base; and a shipping and logistics network necessary to meet defense sealift needs.

Q: I heard the U.S. fleet is small compared to other nations. Is that because of the Jones Act?

No. That fact is referring to the international-going U.S.-flag fleet, which performs trade between the U.S. and foreign nations. The Jones Act fleet, or "domestic fleet", is strong, with over 40,000 vessels!

Q: Does the Jones Act increase costs for consumers?

No. The volumes of goods moved by sea dwarfs any other transportation mode, meaning that the per-unit cost to move goods by sea is by far the most cost-efficient. For example, ocean shipping accounts for just 3 cents (or 2 percent) in the retail price of \$1.58 for a can of chicken soup on the Jacksonville to Puerto Rico trade route!

Q: Does the Jones Act hurt non-contiguous states like Hawaii, Alaska, and Puerto Rico?

No. Multiple market-basket studies by Reeve & Associates which compare the cost of goods on the mainland and non-contiguous states have found the prices of an overwhelming majority (71% in Hawaii, 100% in Puerto Rico) of goods are the same price for consumers on the mainland.

Not only are prices the same in the non-contiguous trades, but the Jones Act ensures that these non-contiguous states and territory receive regular, dedicated service and are not dependent on foreign actors—who can have their own motivations—for basic goods. During the COVID-19 Pandemic, when international shipping prices increased as much as 3000%, Jones Act rates held steady, insulating these non-contiguous areas from wild price fluctuations.

Additionally, the Jones Act creates excellent opportunities for Puerto Rican and Alaskans to get good paying jobs on a ship while still residing in Puerto Rico and Alaska, investing their income in the local community.

Q: Did the Jones Act prevent the delivery of aid to Puerto Rico after Hurricane Maria?

No. Many Jones Act carriers even diverted other ships to aid in the delivery of humanitarian goods to Puerto Rico following the hurricane, or left ships in port much longer than business profits would dictate in order to provide electrical power and refrigeration capacity to those in need. The hurricane created devastation across many streets and roads, creating a backlog at the warehouse as Jones Act carriers delivered goods that were unable to be driven around the island due to road damage. When the Jones Act was waived, only one foreign-flag carrier delivered goods. Meanwhile, the maritime community has helped with clean water, supplies, and more during Hurricane Maria, the earthquakes of 2019-2020.

Q: Will the Jones Act hinder offshore wind development?

No. America has a unique opportunity to create an entirely new industry, and maritime is a part of building it. Thanks to the Jones Act, offshore wind carriers will have to build 20-30 vessels per wind farm, creating thousands of jobs! Bids for offshore wind leases are currently in the billions of dollars—there is clearly a lot of money available to fund this new energy sector, and Americans at every sector, from shipyards to manufacturing to maritime, should have the opportunity to work in this new industry.