

*The dubious rationale behind a failed protectionist law*

# Jones Act, National Security Failure

Since its inception, supporters of the Jones Act have claimed that the law is essential to U.S. national security. This protectionist law—formally, the Merchant Marine Act of 1920—requires all ships in engaged in trade from one U.S. port to another to be U.S.-built, U.S.-crewed, and U.S.-flagged. This exclusion of foreign vessels and crews is intended to promote the development of

Security,” Cato Institute Policy Analysis no. 882, Grabow contrasts the Jones Act’s stated objectives with its observable results. Far from protecting America’s merchant marine for potential military use, the Jones Act has instead presided over a deep decline in both shipbuilding and the merchant fleet.

Economists who have studied the Jones Act are nearly unanimous that it diminishes American prosperity. One recent analysis

On Capitol Hill in particular, it is this article of faith that has proven the biggest obstacle to Jones Act reform.

One drastic example came in 1990 with the massive buildup of American forces in Saudi Arabia, exactly the sort of scenario for which the Jones Act is ostensibly intended. Instead, a mere eight Jones Act-eligible ships were available for this sealift. Of those eight, only five entered the Persian Gulf, and only a single dilapidated roll-on/roll-off carrier actually transported equipment from the United States to Saudi Arabia. Meanwhile, the United States found itself dependent on no fewer than 177 foreign-flagged vessels to transport the needed equipment and supplies. Incredibly, the United States even requested the use of Soviet-flagged cargo ships, but the request was denied.

Things fared no better on the manpower front, with such a dearth of American merchant mariners available that the government found itself using both teenagers and retirees, including one 92-year-old. Since 1990, the situation has only gotten more dire. Today, a mere four shipyards in the United States are in the business of constructing large oceangoing commercial ships.

The Jones Act not only imposes immense economic costs on the United States, but it also fails to achieve any of its stated rationales. That’s why Cato has taken the lead on Jones Act reform, including offering alternatives to better provide for national security needs. Grabow concludes that the establishment of a civilian Merchant Marine Reserve, which has been considered in the past, would be a far more effective option than the destructive protectionism of the Jones Act. ■

**“RUST BUCKETS,” ALONG WITH OTHER STUDIES PUBLISHED AS PART OF THE PROJECT ON JONES ACT REFORM, CAN BE FOUND AT CATO.ORG.**



both a U.S. merchant marine as well as a domestic shipbuilding industry that the military can rely on in times of war.

This national security rationale seems facially plausible but withers upon closer scrutiny. That is the conclusion of a new policy analysis by Colin Grabow, policy analyst at the Cato Institute’s Herbert A. Stiefel Center for Trade Policy Studies, as part of Cato’s Project on Jones Act Reform.

In “Rust Buckets: How the Jones Act Undermines U.S. Shipbuilding and National

published by the Organisation for Economic Co-operation and Development estimates that the law’s repeal would increase economic output by up to \$135 billion. But supporters retort that the law’s seemingly indefensible costs are justified by its contribution to national security.

As Grabow explains, “claims that the Jones Act is a national security asset have generally gone unchallenged and, as a result, this justification is more an article of faith than the result of rigorous analysis.”