

End the Jones Act? Ask Alexander Hamilton

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The Jones Act celebrates its 100th birthday this year. Don't worry if you forgot to send a gift—you're not alone. The law requires that ships engaged in commerce between American ports be U.S.-built and crewed by American citizens or permanent residents. That makes the Jones Act unpopular with groups who seek to reduce business and consumer costs by outsourcing these jobs abroad, and it is regularly threatened with repeal. However, such a move would jeopardize U.S. national security and harm the U.S. maritime industry and its workers. Instead, the U.S. government should implement innovative policies to improve the Jones Act's support for national security.

During the first Congress in 1789, Alexander Hamilton led the passage of legislation that required trade between U.S. ports to be conducted by U.S.-flagged vessels, which mirrored the laws of most major countries at the time. This forerunner of the Jones Act nurtured the nation's fledgling maritime industry and provided a pool of U.S. ships, crews, and shipbuilders that could support the country in a conflict. Even free market theorist Adam Smith contended that England's own similar statutes were "the wisest of all the commercial regulations" given their vital defense role.

Hamilton's goals still apply today. The domestic U.S. commercial fleet provides some of the ships, and 40 percent of the mariners needed to move military cargoes during a crisis. U.S.-flagged and operated ships also keep foreign vessels and crews off America's interior waterways and lessen adversaries' ability to gain control of commercial sea links between the Continental United States and Hawaii, Alaska, or island territories. Furthermore, the Jones Act's U.S.-build requirement sustains shipyards the government depends on for episodic construction of military ships and ensures ship construction capacity is available in the United States to replace wartime losses.

Thanks in large part to the Jones Act, the U.S. maritime industry contributes hundreds of billions of dollars to the economy and employs hundreds of thousands of Americans in the shipping, shipbuilding and repair, fishing, oil and gas, and dredging businesses. Killing the act or reforming it by eliminating U.S. mariner or U.S.-build requirements would gut the domestic maritime industry by exposing it to subsidized Chinese and other foreign competitors and prompt a flight of private capital. Outsourcing an entire sector of U.S. jobs would be unwise economically; it would be foolish in terms of national security.

But reform is needed in U.S. maritime policy. The number of ships in the U.S. commercial fleet has greatly declined, many U.S. shipyards are outdated compared to their mostly state-supported foreign counterparts, and the nation's port and intermodal infrastructure need modernization to enable competitive trade. Although the Jones Act and other mutually reinforcing government policies undergird the industry, to commercially thrive in the 21st Century and continue to meet national security requirements will depend on implementing overdue initiatives.

To start, the administration should release a comprehensive national maritime strategy to grow the U.S. maritime industry and increase its competitiveness and support to security. Congress mandated one in 2014, and it still has not been published. To implement the strategy, the government could pursue measures to revitalize America's maritime industry, including aligning outdated tax structures with international norms, reforming punitive repair duties, funding enhancements to ports and intermodal links, and better coordinating U.S. commercial and government ship construction and maintenance to gain efficiencies. Moreover, even though the maritime industry may seem old-fashioned, it is poised for a revolution that leverages automated and autonomous ships, space-based tracking, electric propulsion and energy storage, and 5G-enabled ports and supply chains. With the right investment to mature and commercialize these technologies, the United States can create a healthy ecosystem that assists the American system and service providers in fielding the next generation of maritime technologies that are adopted worldwide.

The principles championed by Hamilton and advanced in the Jones Act continue to stand the test of time. Outsourcing the domestic maritime industry would harm the U.S. economy and security now, just as it would have in 1789 and 1920. But time does not stand still. Complementing the Jones Act, Congress and the administration should swiftly pass promising new policies that can revitalize the maritime industry and ensure it continues to support American prosperity and security for the next 100 years.