The Johns Act and Puerto Rico

Name

[Institutional Affiliation(s)]

Author Note

[Include any grant/funding information and a complete correspondence address.]

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**Executive Summary**

After the end of World War One, the US Congress passed an act called the Merchant Marine Act of 1920. This act is about the maritime movements in the waters of the US and is still in practice. The 27th section of this act is called the Jones Act, and it imposes many restrictions over the movement of ships among the different ports of the US. According to this act, only US flagships can be used for maritime movements within America. This act was implemented due to many economic and security reasons. But this restriction of free movement creates many problems for the people of Puerto Rico, a territory of the US. People of Puerto Rico have to import many basic goods from the US, and all this trade is made by ships that are owned, operated, and built by US citizens. This monopoly creates a huge increase in the cost of shipping.

There is a huge debate over the performance of the Jones Act. This act increases the prices of basic goods for the people of Puerto Rico. The monopoly of American flagship companies creates many inefficiencies. Revoking this 100-year-old act will not only increase the living standard of the People of Puerto Rico but also will create many job opportunities.

**Background of the Situation**

After World War One, the US Congress passed an Act called the Merchant Marine Act of 1920. This act is still in practice with some amendments. This act is a federal statute of the USA, and its key purpose is the advancement of American commercial marine. This act regulates maritime trade among the different ports of the US. The 27th section of the Merchant Marine Act is of great importance, and it is called the Jones Act because it was presented by Wesley Jones, a senator of that time. The Jones Act imposed some restrictions on maritime trade, including cabotage. Cabotage is a term that is used for trade when it is done between the different parts of the same country. This act restricts all the traders to ship goods among all the ports of the US that must be done by the American flagships. This means all trades should be done by those ships that are owned, operated, and built by the US citizens. This act gives American maritime a sort of monopoly because all the trades between the different ports of the US can only be done by the American flagships. The key idea behind the application of the Jones Act is to enhance maritime security of US

The Jones act becomes a source of inflation among the non-continental lands of the US, including Puerto Rico and Hawaii. Puerto Rico is an American territory and a Caribbean Island. Most of its necessities are imported from the US. Due to the implementation of the Jones Act, all the shipping from the US to Puerto Rico can be done only on Amercing flagships (Cope, Woosley, & Cope III, 2018). This creates a monopoly of American flagships over the trade between the US and Puerto Rico and increases the shipping costs.

**Policy Options**

The US territory of Puerto Rico has to pay the Price of The Jones Act (1920). The cost of shipping from the US to Puerto Rico increases by 41-62%. This act annually damages the economy of Puerto Rico by 2.8 billion USD (Cope et al., 2018). The current situation is that the Jones Act provides additional maritime security with some economic benefits to the US. But this act has a very high cost upon the people of Puerto Rico. Now we try to find out some options that can be used to improve the situation. There can be some solutions that can decrease the economic sufferings of the people of Puerto Rico without compromising the maritime security of the US. The first choice should be to deal with the status quo over the situation. There should be campaigns inside and outside parliament to think over this act, which is producing many sufferings to people of the US, and there should be efforts to change the act in a way that can remove its economic demerits. The second option is to deal with the damages from the Jones Act by making the navel transportation of the US more competitive and market efficiency. A cost-efficient navel transportation system of the US can decrease the shipping cost of goods from the US to Puerto Rico (Dewey, 1937). A market, efficient navel transportation system can offer more employment opportunities in the US. US government should facilitate the navel transportation industry. The government should give financial support to the industry of navel transportation. This uplifting of navel transportation can decrease the cost of shipping goods from the US to Puerto Rico, and people of Puerto Rico can also enjoy American goods at cheaper prices (Ruíz, 1985). Uplifting of US maritime transportation can also enhance the navel security of the US. The government of the US must invest in navel transportation if it desires to continue with a century-old Jones Act. Otherwise, there are huge economic sufferings for the people of Puerto Rico.

**Recommendations**

The Jones Act is an example of the world's biggest restriction on cabotage. There are huge economic sufferings because of 100 years old the Jones act. There exist a great number of scholars, policymakers, and congress members who are in favor of repealing the Jones Act. The removal of this act will have many benefits not only for the American economy, but it also will have environmental benefits for the US. The revoking of this act will allow the other navel shipping companies to move within different ports of the US. Currently, only American maritime ships are allowed to ship goods from the US to its territory Puerto Rico. This monopoly of American navel transportation has many economic inefficiencies. Due to the lack of completion in the market of maritime cargo services, this department of the US could not establish as it should be. Competition with the international navel transporters will force the local transporters to improve their services. The abolishment of the Jones Act will encourage local businessmen to invest in the department of research and development (Gregg, 1921). There will be more opportunities for employment in the department of navel shipment. The overall impact will be positive over the US economy. Moreover, the removal of this act will also help in improving the environment US. Currently, there is a huge cargo burden on American roads. If we allow the international navel transporters to operate between the different ports of the US, it can help to shift cargo burden form American roads to American waters. This means there will be less traffic on American roads and as a result, there will be less pollution in the environment.

Removal of the Jones Act will dramatically increase the living standard of the people of Puerto Rico. Currently, they have to pay much higher prices for the shipment of goods from the US. If there is completion in navel transportation, this will decrease the prices of goods in Puerto Rico. Consumer surplus will increase for the residents of Puerto Rico (Stumberg, 1956). There will be great incentives for the people of Puerto Rico to invest in the industry of navel shipping to import goods by themselves. Employment opportunities will increase. There can be some security risks that are linked with the removal of the Jones Act. But we can easily handle these risks by taking more security measures. If we remove the Jones Act, overall economic benefits will be higher not only for the people of Puerto Rico but also for the citizens of the US.

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