

SHIPS for America Act – A Retrospective

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On December 19, 2024, the “Shipbuilding and Harbor Infrastructure for Prosperity and Security for America Act of 2024,” to be known as the “SHIPS for America Act of 2024,” was introduced in the U.S. Congress. The legislation is an ambitious effort to increase substantially the U.S. merchant marine in the international trade and the U.S. shipyard industrial base after a long period of U.S. government neglect. To understand how monumental this proposed legislation is, it is useful to review certain past United States efforts to support its merchant marine.

Since about the time of the Civil War, the United States has struggled to maintain a substantial commercial presence on the world’s oceans. The main reason is that the United States became a high operating and capital cost jurisdiction in an open global market for ocean services. Until the Ocean Mail Act of 1891, the United States let nature take its course which meant that U.S. industry and U.S. consumers received the benefit of cheap ocean transportation provided by foreigners, but the United States did not have assured access to cargo capacity that could become necessary to preserve economic security and to support U.S. national security objectives.

The 1891 Act was a modest bill that resulted in modest gains for the U.S.-flag fleet engaged in international trade. That was not enough to prevent a near economic catastrophe in the summer of 1914 when U.S. exports sat at the docks for lack of vessels. The British fleet of cargo vessels, then the largest in the world, overnight turned its attention to the British war effort, as did the French fleet, and the German and Austrian fleets fled to neutral ports. First, the German surface raiders and then German submarines began sinking vessels faster than they could be built and right up until the middle of 1918.

The eventual response in the Shipping Act, 1916 was to authorize U.S. government ownership of cargo vessels for the first time, and the government built from 1917 to 1922 an enormous fleet. The long tail on the build program was partly because war planners expected the war to last until 1920 and partly to stave off domestic unrest if hundreds of thousands of persons directly and indirectly employed in shipbuilding were made unemployed overnight.

The Merchant Marine Act, 1920 was the first comprehensive attempt to support a U.S.-flag fleet in international trade and was the work of Senator Wesley L. Jones – hence the reason that the Act was then called the “Jones Act” (not just particular sections in the law as occurs today). The 1920 Act failed in many respects because much of it was not implemented due to opposition of various constituencies and because there was a substantial shipping recession in the 1920s.

Senator Jones, for example, promoted a return to an earlier U.S. trade policy to offer tariff discounts to foreign countries that utilized U.S.-flag vessels. Both Presidents Wilson and Harding refused to implement Jones's provision in the face of both cargo shipper and foreign opposition, and it was left unenforced.

What the 1920 Act did accomplish was to enshrine into law the national policy of the United States, which exists to this day, that it is necessary to have a privately-owned U.S.-flag commercial fleet, not a U.S. government-owned fleet, that such a fleet should carry a substantial portion of U.S. international trade and that the fleet be available for national defense purposes.

The most successful effort to meet those goals was the Merchant Marine Act, 1936 which authorized both vessel operating and construction subsidies intended to equalize the cost to the vessel owner to be able to compete internationally on a level playing field. The 1936 Act was successful in positioning the United States for the tremendous fleet expansion that occurred in World War II. However, after the war, U.S. shipping cost disadvantages gradually resurfaced just as had happened after World War I, the fleet gradually started to shrink, and the subsidy costs increased.

Eventually, the 1936 Act subsidies were criticized for their cost and based on the view that they promoted inefficiency. Congress made modest adjustments to the 1936 Act in the Merchant Marine Act of 1970 to try and reverse the steady decline in the U.S. internationally trading merchant marine – again, with modest but not transformational success.

The Reagan Administration finally determined that the costs of the modified 1936 Act program exceeded the benefits, terminated the construction subsidy program, and ceased issuing new operating subsidy contracts in 1981. At the time, about 140 U.S.-flag vessels were supported in international trade by the operating subsidies.

When the last of the operating subsidies were being paid in the mid-1990s, a new program – the Maritime Security Program -- was enacted. It supported 47 vessels initially and then was expanded to 60 vessels.

Although many pundits decry the decline of the U.S.-flag fleet in the international trade – the Maritime Security Program and cargo reservation laws have kept it stable over the last 25 years. In January 2000 there were 89 U.S.-flag vessels in the international trade – in January 2024 there were 93.

What has been missing is a fleet like the fleet supported by the 1936 Act that can genuinely be viewed as being able to carry a substantial amount of U.S. international commerce for economic security and national defense reasons per established national policy. That is what the SHIPS Act for America is trying to achieve within the 1920 Act framework of private ownership and operation. The ambition is evident from the fact that nothing has been done at that scale since the 1936 Act – in other words, in about 90 years.

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Author

[Charlie Papavizas](#)

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