

Trade and Prosperity in the States: The Unique Case of Florida

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KEY TAKEAWAYS

Florida's leadership and commonsense policy throughout COVID-19 kept catastrophic infections at bay without economy-killing lockdowns.

Florida is uniquely positioned to further bolster its economy by harnessing the power of free trade with Latin America and the rest of the world.

The state's congressional delegation should take the lead in overturning U.S. government impediments to jobs, trade, and prosperity.

COVID-19 has wreaked havoc in the 50 states as governors and lawmakers have imposed wide-ranging restrictions on businesses and individuals that severely curtailed economic activity. States with strict stay-at-home orders have been bearing heavy costs in the areas of alcoholism, suicide, physical and mental health problems, and personal and governmental financial shortfalls. In addition, new research demonstrates conclusively that states with stricter lockdown orders have generally fared no better at controlling infections.¹

The state of Florida has done better than most at protecting the vulnerable from the hazards of the disease as well as from the problems caused by government lockdowns. The *Los Angeles Times* recently offered a timely observation on Florida and California's COVID-19 responses:

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California imposed myriad restrictions that battered the economy and have left most public school students learning at home for a year... Florida adopted a more laissez-faire approach decried by public health experts—allowing indoor restaurant dining, leaving masks optional and getting children back in classrooms sooner.²

Florida Has Been Exceptional

Florida was among the first states to retire strict lockdowns, and some experts predicted catastrophe. Florida has one of the highest percentage of seniors of any state, and more than 80 percent of deaths due to COVID-19 have been among seniors ages 65 and over. So, by demographics, Florida should be one of the states most at risk of deaths from COVID-19. In reality, however, Florida's death rate has been about in the middle among the 50 states.³ Intelligent policies such as the provision of personal protective equipment to supply nursing homes, restrictions on visitors to nursing homes, and the creation of 23 COVID-19-dedicated nursing centers for elderly patients discharged from hospitals have helped Florida beat the odds.

Economic resilience and prosperity have not taken a backseat to the pandemic in Florida. Businesses that want to stay open have been allowed to do so, there is no mandatory mask order, and schools have been required to offer five-day in-the-classroom learning.

As a result, business activity is bustling, and the economy is booming. New York and California, with their strict lockdowns, have seen thousands of businesses permanently shutter. Those states face a bleak time ahead. In Florida, more intelligent policies have protected the vulnerable without terminating small business jobs.

A recent commentary in the *Wall Street Journal* put it this way:

When cases began to rise again in the fall, Democratic governors like [New York's Andrew] Cuomo and California's Gavin Newsom tightened business shutdowns and even sought to limit Thanksgiving gatherings to 10 people. Mr. Cuomo griped that police weren't strictly enforcing his household limits.

The fall and winter lockdowns don't appear to have made any difference in the virus spread. Between Nov. 1 and Feb. 28, there were 5.8 new cases per 100 people in New York, 6.4 in California, and only 5 in Florida, where businesses could stay open at full capacity. But the economic impact of the lockdowns has been enormous.

Employment declined by 4.6 percent in Florida in 2020, compared with 8 percent in California and 10.4 percent in New York. Leisure and hospitality jobs fell 15 percent in Florida, vs. 30 percent in California and 39 percent in New York.⁴

Other statistics reveal that people have been moving to Florida at a fast pace to get away from states with less economic freedom. Florida registered the largest net gain of one-way U-Haul truck rentals of any state in 2020. California was last among the 50 states.⁵ Census Bureau data shows Florida's business formation per capita between April 2020 and January 2021 was twice that of California and 75 percent higher than New York's.⁶

Freedom to Trade Matters More Than Ever

Hundreds of thousands of Floridians would not have their jobs without international trade and international investment. The willingness to embrace the concrete and practical benefits of international commerce have been reflected in the voting record of the state's congressional delegation, which overwhelmingly supported free trade agreements (FTAs) with Colombia, Panama, and South Korea.

More recently, congressional representatives representing Florida voted 26–1 in favor of the United States–Mexico–Canada Agreement (USMCA), with both Florida Senators also voting in favor of the bill.⁷

While policymakers in other states may be tempted to close themselves off from world markets and international supply chains, doing so will make it more difficult and more costly for consumers, producers, and investors to get what they need. The Heritage Foundation's annual *Index of Economic Freedom* has demonstrated for more than 25 years that economic openness yields better results for individuals around the world. The same is true for states that reduce barriers to trade and allow individuals to exchange freely with the world. Florida's policymakers should continue to work to eliminate barriers to trade as the economy rebuilds.

From broader, strategic, and longer-term perspectives, Florida can and should be a free trade leader. The Sunshine State is uniquely positioned to realize the success of small, open, competitive economies such as Singapore and Switzerland, two countries that are known for their economic dynamism and flexibility to adapt to the rapidly evolving global economic environment. Unsurprisingly, these economies are also some of the world's most prosperous.

Foreign Investment Supports Florida Jobs. Some critics of free trade argue that U.S. workers cannot compete with low-wage workers in other countries, but the facts show otherwise. Florida is a compelling destination

for job-creating foreign investment. For example, in October 2014, Brazilian aircraft manufacturer Embraer announced plans to add 600 new aircraft production jobs in Melbourne, Florida, and more recently added 40 more new very well-paying, high-tech jobs in South Florida.⁸ More than 358,000 people in Florida work for U.S. affiliates of foreign companies.⁹ The companies range from Airbus to Zurich Insurance Group. International business and foreign direct investment (FDI) accounted for over a quarter of Florida's economic activity in 2019.¹⁰

Attracted by its large booming economy, absence of burdensome and unnecessary regulations, stable business environment, and international workforce, new business investments from around the world flow into Florida each year, making it one of the top U.S. destinations for FDI. New FDI first-year expenditures averaged \$5.33 billion per year from 2014 to 2019.¹¹

International companies are not the only ones coming to Florida. According to the Florida government, 35 large businesses have migrated to Florida since the COVID-19 pandemic began.¹²

Imports Create Jobs and Benefit Consumers. More than 2.3 million Floridians are employed in the wholesale trade, retail trade, and transportation and warehousing industries, moving and selling goods made in the United States and around the world.¹³

Millions of Americans benefit from fresh fruit, vegetables, fish, flowers, and other goods from South America and Mexico that arrive via Miami International Airport every day, one of the reasons South Florida is termed “the Gateway to Latin America and the Caribbean.” Miami's proximity to the Caribbean and South America makes it a leading destination for blueberries from Chile, bananas from Costa Rica, mangos from Ecuador, melons from Guatemala, pineapples from Honduras, and asparagus from Peru. Produce is shipped across the United States after it arrives in Miami and is sold in grocery stores in northern climates such as Chicago and New York within three to four days of landing in Miami even when snow blankets the ground.¹⁴

Approximately 40,000 boxes of flowers from Colombia and other South American countries arrive at Miami's airport for delivery across the United States each day—about two-thirds of all the flowers consumed in the United States.¹⁵ More than 6,100 people work for flower importers, bouquet companies, brokers, and related companies in Florida.¹⁶ Americans are happier because of these imports.

Exports Also Boost Florida's Economy. According to the U.S. International Trade Administration, 232,253 Florida jobs are supported by goods exports. Exports of goods from Florida are up 7.7 percent since 2016, from \$52.0 billion to \$56.0 billion in 2019.¹⁷ Florida's service industries, including the travel and professional service sectors, account for another \$43.3 billion in exports.¹⁸

Many sectors of Florida's economy benefit from exports. Exports account for 18.3 percent of Florida's manufacturing jobs, and 95 percent of exporters in Florida are small businesses.¹⁹ In 2019, Florida exported \$3.4 billion in agricultural products, equivalent to nearly 44 percent of the state's total agricultural output.

International Trade Is Not Responsible for Job Losses. Critics claim that trade agreements have reduced the number of jobs in Florida. Those claims are false. Economic opportunities created by trade and technology create new jobs in some industries while reducing employment in others, but there has been no net loss of jobs in Florida due to trade with people in China, Mexico, or any other country. From 2001 to 2018, total Florida private-sector employment increased by 2 million jobs. Since the North American Free Trade Agreement took effect in 1994, the state added over 2.97 million net new private-sector jobs.²⁰ Growth in the number of unemployed persons looking for work has far under-paced Florida's population growth.²¹

A Maritime Link to Foreign Markets. According to the Florida Ports Council, activity at the state's 15 ports supports more than 900,000 direct and indirect jobs.²² That is up from 680,000 jobs in 2014 even in the midst of the coronavirus pandemic.²³ A case in point is that Miami's shipping port (known as PortMiami) had its busiest month of processing cargo ever in January 2021, about which Miami Mayor Daniella Levine Cava made the following statement:

PortMiami is setting a record for the strongest cargo activity in its history. Miami-Dade County is a major global hub for trade and commerce, and cargo continues to create jobs and expand opportunities across our community. As we look to rebuild an even stronger, more resilient economy, the seaport is critical to our long-term sustainable growth and prosperity.²⁴

The number of jobs supported by Florida's ports has grown in part due to the 2016 upgrade of the Panama Canal and significant upgrades to ports including those in Miami, Tampa Bay, and Jacksonville to handle larger ships.²⁵

In a normal year, another 154,646 jobs and \$7.69 billion in people's incomes are generated by the cruise industry in Florida,²⁶ but the industry has been one of the hardest hit by COVID-19 and has been shut down for more than a year.²⁷ Florida boasts the world's top three cruise ports—PortMiami, Port Canaveral, and Port Everglades—through which 18.3 million passengers passed the year before COVID-19 hit.²⁸

Threats to Florida's Prosperity

Despite the fact that Florida's economy has outperformed expectations, the state faces a number of economic threats, including the following.

Agricultural Protectionism. While excelling in many areas, Florida officials and representatives have a poor record where agricultural protectionism is concerned. The federal sugar program, for example, is a smorgasbord of mandates and regulations,²⁹ and growers collect wholly inappropriate sums amounting to millions of dollars because of artificially inflated prices. Big money is paid to advertisers and lobbyists to influence Washington to keep it that way. Meanwhile, candy manufacturers throughout the United States have closed because they face sugar costs as much as twice those found outside the country.³⁰ Brach's, Nabisco, and Hershey have all relocated U.S. plants to Canada, Mexico, and Central America, costing American jobs.³¹

Sugar is a common ingredient in a litany of foods, not just candy, such as breakfast cereals and bread. Jobs in sugar-using industries have been lost, as other food and beverage industries have grown jobs.³²

In 2013, most of Florida's Representatives and both Florida Senators voted against reforming the U.S. sugar program, which would have dramatically reduced sugar prices.

The program costs Floridian and other U.S. families \$3.7 billion per year and disproportionately hurts low-income families, who spend about 33 percent of their income on food, compared to families ranked at the top by income, who spend only about 8.7 percent on what they eat.³³ The hidden sugar tax hurts Floridians more than people in most states, because Florida ranks 41st among the 50 states in median household income—\$9,512 less income than the national average.³⁴

Efforts to reform the federal sugar program by including amendments in the 2018 farm bill were fiercely opposed by most Florida politicians, with only three of Florida's 27 representatives in Congress voting to reform the program. Current Florida Governor Ron DeSantis was one of the three Florida representatives in Congress willing to stand up to the big-government-supported sugar cartel in 2018.³⁵

Florida's congressional delegation can best represent Floridians by opposing U.S. policies that protect special interests from competition while driving up prices for everyone and driving American candy companies out of business.

Sugar is not the only Florida product for which growers have sought protection. A recent effort to curtail blueberry imports into Florida and

the rest of the United States by the blueberry growing industry and its allies failed when the International Trade Commission (ITC) ruled that imports of blueberries do not seriously injure U.S. industry.³⁶ Florida tomato growers have also long clamored for government protectionism, even arguing that it is necessary due to the less favorable weather conditions for growing tomatoes that exist in Florida compared to Mexico.³⁷

While the ITC functioned appropriately in the blueberry case to protect the American public as a whole from harmful price increases, such mechanisms cannot always be relied on to protect the American public. Politicians must be well-informed in differentiating between the broad interests of the people and those of well-connected and well-financed special interests, and they must be supported in their efforts to resist protectionist pressures.

Restrictions on Cargo and Cruise Vessels. The Merchant Marine Act of 1920 (the Jones Act) and the Passenger Vessel Services Act of 1886 require that ships transporting goods or people between two points in the United States must be built in the United States, mostly U.S.-owned, and mostly crewed by U.S. citizens. These laws are designed to protect U.S. shipbuilders from competition, but they impose steep costs on Americans, including Floridians, who use ships for domestic transportation.

The Passenger Vessel Services Act stifles innovation in the cruise industry. The Florida Department of Transportation described the law this way:

A significant legal restriction impacting potential U.S./Florida cruise itineraries is another federal mandate related to cabotage—the Passenger Vessel Services Act of 1886, which imposes restrictions on foreign flagged passenger vessels. These vessels are allowed to make round trips to U.S. ports with calls at other U.S. ports as long as at least one foreign port is called. Passengers cannot embark or disembark at a port of call, but must embark and disembark at the port of origin. Violations of this statute carry a prohibitively significant per-passenger penalty of \$300. While a few cruise operators utilize U.S. flag vessels in specific markets, such as Alaska and Hawaii, the overall market is clearly dominated by foreign-flag ships.³⁸

The Jones Act's cargo shipping restrictions, meanwhile, increase the price of gasoline for Florida drivers. According to Joe Petrowski, former chief executive officer of Gulf Oil:

If foreign owned and flag ships were able to carry gasoline in US waters, the price of gasoline in the North East and in Florida could be 20 to 30 cents lower.³⁹

The Jones Act limits opportunities to transship cargo through Florida's ports. It makes it illegal for foreign-built vessels to drop off goods in Miami and then pick up goods to be delivered to Jacksonville or any other U.S. port. According to one study, allowing transshipment of goods within the United States could reap benefits exceeding \$200 million.⁴⁰ Florida's government describes the state as the "gateway to the world," but not allowing companies to transship goods within the U.S. prevents it from being the gateway to the other states.

The Jones Act has recently been hindering Florida's efforts to modernize its ports because it stipulates that only U.S. companies can dredge U.S. ports.

Florida's Future Is Bright and Can Be Greater

Florida is positioned to prosper from continued growth in trade with Latin America and the rest of the world as trade barriers are reduced and the improved infrastructure of Florida's ports and Panama Canal pay dividends. Florida has done a good job of protecting the vulnerable to COVID-19 while not ruining the state's economy. Florida's congressional delegation should take the lead in overturning U.S. government impediments to trade and prosperity:

- The federal sugar program, a mish-mash of federal regulations that intentionally drives up the price of sugar, harming low-income consumers and candy producers, should be eliminated.
- The Jones Act, which bans cargo from being transported by ship between two U.S. ports unless an assortment of protectionist stipulations is met and drives up the price of gasoline and other products while clogging America's highways with too many extra semi-trucks, should be repealed.
- The Passenger Vessel Services Act, which upends innovation in the cruise ship industry, should also be ended.
- Florida elected officials should not support carving out any additional special interests by limiting the import of beneficial products such as blueberries into the United States.

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