



The Daily Dish

The BIF Is Becoming Law

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The Infrastructure Investment and Jobs Act, otherwise known as the Bipartisan Infrastructure Framework (BIF), will soon become law, as on Friday the House voted 228-205 in favor of the legislation. After all the drama that preceded final passage, it's fair to ask: What was accomplished?

First, despite all the claims of passing a trillion-dollar infrastructure bill, the Congressional Budget Office (CBO) [indicates](#) that discretionary spending will rise by \$415.4 billion over the next 10 years. This is significant but not a fiscal earthquake like the various Build Back Better versions.

Second, the BIF will not generate any significant near-term stimulus or inflationary pressure. The table below shows a rough translation of the CBO score into calendar-year spending impacts, including the mandatory spending offsets. In a roughly \$21-trillion economy, another \$5.6 billion in spending (0.026 percent) simply is not going to move the macroeconomic needle. Even at the maximum, the impact will be below one-half of one percent of gross domestic product.

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Year	1.0	5.6	15.5	34.5	47.5	63.0	55.2	40.6	27.4	16.3

Third, while the BIF will not create additional inflation pressure, it will also not solve the administration's current inflation-related political problems. There just is not enough impact in the near term to accomplish this task. Even at the peak, this would require a more significant impact on productivity and aggregate supply, and these dollars are not large enough to accomplish this kind of supply expansion. Moreover, as discussed [earlier by Eakinomics](#), CBO indicates that if the spending is offset by reductions in non-investment

spending there can be a significant long-run impact. If, however, it is deficit-financed, there is a sugar-high impact in the near term but the long-term impact is essentially nil. The BIF itself is roughly 50 percent deficit-financed, so there is not likely to be any visible impact on aggregate productivity in the long run.

Still, nearly a half-trillion of spending has to count for something. Let us hope that it yields some very high-quality infrastructure projects.