



The Daily Dish

The Inflation Reduction Act

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It is never safe to vacation when Congress is in session; you never know when an IRA will rear its ugly head. No, not the Irish Republican Army, nor an Individual Retirement Account. Instead, Senator Manchin and Majority Leader Schumer shocked the policy world last week with the hilariously named Inflation Reduction Act (IRA).

The IRA is an attempt to take elements of the stale, rejected House-passed Build Back Better Act reconciliation bill and rebrand them with a more appealing, modern title. Kind of like when I describe my Twizzlers as “dope.” So, to get past the labels, let us be very clear: The IRA will not reduce inflation. In fact, no single piece of legislation will do that. What matters, instead, is the overall tax-and-spend (fiscal) policy of Congress. As Gordon Gray nicely [documents](#), the two big items Congress is trying to pass are the [CHIPS Act](#) and the IRA. Combined, they would raise taxes by about \$830 billion and increase spending by \$515 billion, yielding \$315 billion in deficit reduction. That sounds anti-inflation-y.

Nice try. A closer look reveals the bills would not begin to materially reduce the deficit until 2028 – that is, six years from now. If the Federal Reserve has not brought inflation back to its 2 percent target in six years, America will get to see why I stay in cash, always carry my passport, and am prepared to rename AAF the Americans Abroad Forum. But I digress. The basic point is that Congress is up to its old tricks of spend now and promise to pay later. It is inflationary and [not the reverse](#).

Underneath these top lines are remnants of the Build Back Better Act’s flawed policy foundations. There is the 15 percent tax based on book income, something that is simply the [worst](#) tax idea on the table (and that is a serious competition) and was [tried and failed](#) the last time we had high inflation and a cold war. It includes the [flawed prescription drug and health insurance provisions](#), and hundreds of billions of dollars of tax-based subsidies to various things “green” that do not add up to a coherent climate strategy. In short, the IRA is a bad tax bill, a bad health bill, a bad climate bill, and an inflation reduction failure.

It raises the fundamental question: If this bill is transparently not in the interests of Americans and the economy, who is it intended to help?