



The Daily Dish

The IRA After One Year

DOUGLAS HOLTZ-EAKIN | AUGUST 16, 2023

Today is the first anniversary of the signing of the [Inflation Reduction Act](#) (IRA) and, as outlined in [The Hill](#), the administration has a problem:

“‘The Inflation Reduction Act — I wish I hadn’t called it that, because it has less to do with reducing inflation than it does to do with dealing with providing for alternatives that generate economic growth,’ Biden told donors last week in Utah.”

The president’s comments were a nod to a persistent problem with the Inflation Reduction Act, which was signed into law Aug. 16, 2022: that the White House and Democrats have struggled to communicate to the public how the legislation has helped improve their daily lives.

A Washington Post-University of Maryland [poll conducted](#) in mid-July found 71 percent of Americans surveyed said they know little or nothing about the law.”

Eakinomics is happy to help.

First, there is no plausible channel by which the IRA contributed to reduced inflation. Scratch that from your celebration list.

Second, a big chunk of the IRA is ruinous price controls (labeled “negotiations”) on pharmaceuticals. These have generated lawsuits questioning their constitutionality from Merck, Bristol Myers Squibb, Astellas, Johnson & Johnson, PhRMA, and the Chamber of Commerce, even though they have not yet gone into effect. Celebrate at your own risk.

Third, there are some [rifle-shot provisions](#) limiting insulin to \$35 out of pocket, providing free vaccines, and the like that have gone into effect and will help about 5 percent of seniors. Party like its 1999.

Fourth, the biggest dollars in the IRA are an amazing smorgasbord of subsidies to the supply chains, production, transmission, and consumption of clean energy. These are tax credits for undertaking, for example, investment in a solar farm. But what if you have done nothing but construction and have no sales? No profit means no taxes and, presumably, no value for a tax credit.

Fear not. The credits are refundable (i.e., you get cash), transferable (you can sell your \$10 million tax credit to some profitable firm that wants to use it to reduce its taxes), and available as direct cash if you happen to be a non-profit. This has made these credits very attractive, which is one of the reasons that the clean energy price tag has tripled from early estimates in the \$300-billion range to \$900 billion or more.

The administration has helped along the spending spree with decisions such as allowing leased automobiles to qualify for the electric vehicle tax credit (originally priced at something like \$14 billion, but with a market larger than just rich drivers, now looking more like \$400 billion). And it undercut its own [domestic content](#) goals by permitting [administrative agreements](#) with, for example, Japan to qualify Japanese products as domestic supply chains. Clever, huh?

But beyond setting up some very effective spigots to pour taxpayer dollars out of the Treasury, there is no [appreciable change](#) in clean energy or the environment.

So there you have it. In its first year, the IRA has accomplished nothing but to shovel hundreds of billions of taxpayer dollars to large corporations and affluent Americans. Nobody's health care is cheaper. Nobody's environment is cleaner. [Yippee Ki-Yay](#).