The Inflation Reduction Act Should Be Just The Beginning

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Without more direct intervention on the part of the public sector in combatting the climate crisis, what IRA will produce is a green capitalist industry with profit-making as the overriding concern.

The Schumer-Manchin reconciliation bill known as the Inflation Reduction Act (IRA), which is expected to become law after it cleared the Senate on a party line vote and key House Democrats have already signaled that they will vote for it when it moves to the lower chamber of Congress, aims to boost the economy and fight the climate crisis. It will also extend the Affordable Care Act subsidies through 2024, lower a handful of prescription drug prices (for those who are on Medicare), boost IRS enforcement, and require large corporations to pay at least 15 percent of their total profits in taxes.

This reconciliation bill is a slim-down version of the Build Back Better Act. It’s a compromise, and therefore hardly adequate to address the needs of American working-class people and confront the climate challenge. In fact, to call IRA a “historic piece of legislation” is an overstatement. But it is a step in the right direction, especially for a country where corporations and big business run roughshod over the common good.

First, forget inflation, in spite of the title that the bill carries. IRA would have no impact on inflation in 2022 and negligible effect in 2023, according to a report from the Congressional Budget Office.

A major piece of the bill focuses on healthcare. There are some positive aspects in it, but, again, hardly enough to make anything beyond a moderate impact on the well-being of average Americans. It extends Affordable Care Act subsidies for the next three years, lowers somewhat healthcare cost for low-income families, and permits Medicare for the first time in its history to negotiate prices for some prescription drugs. Prescription drugs cost much more in the U.S. (in some instances by as much as over 400%, as in the case of Humira, which is used to treat many inflammatory conditions in adults) than in other developed countries, and the U.S. remains the only country in the developed world without a universal healthcare system.

As Bernie Sanders charged, "this bill does nothing to address the systemic dysfunctionality of the American health care system."

IRA also seeks to address tax fairness and reduce inequality. It claims that it will create a more equitable United States by compelling corporations with more than $1 billion in profits to pay a 15 percent minimum tax. Conservative democratic senator Kyrsten Sinema, who always sides with the rich and the corporations, first forced the removal of the carried interest tax provision from the bill and then delivered a gift to private equity firms by protecting them from the minimum tax aimed at large corporations.

Forcing corporations making more than $1 billion in profits pay a minimum corporate tax rate of 15 percent can hardly be considered a major step forward in addressing the issue of inequality. However, the corporate minimum tax in the Inflation Reduction Act has quite different rules from the global minimum tax. It is possible, but not likely, that corporations could end up facing both taxes, and that would indeed be a useful start towards tackling extreme inequality.

Energy and climate are what the Inflation Reduction Act is mostly all about. IRA would raise approximately $739 billion over 10 years and spend $433 billion on new investments over a decade, resulting in an overall deficit reduction of roughly $300 billion. The big winners from this deal are indeed energy and climate as IRA pledges $369 billion towards energy security and clean energy. The climate and environmental measures included in the bill are expected to reduce carbon emissions by 40 percent below 2005 levels by 2030.

So, let's take a brief look at the energy and climate provisions included in the act.

There are dozens of clean energy provisions in IRA that would accelerate the deployment of clean energy technologies and reduce carbon emissions—all while continuing and even enhancing the reliance on fossil fuels. Indeed, the most striking aspect of the energy and climate provisions in IRA is the undeniably concerted effort on the part of its architects to balance climate protections with the interests of the fossil fuel industry. As such, there is no pathway in IRA towards a transition to a post-fuel economy.

First, there is a plethora of tax credits for energy produced from certain renewable sources as well as for projects designed for the installation of solar and wind facilities located in low-income communities. Direct air capture facilities are also eligible for generous credits provided that they capture at least 1,000 metric tons. Tax credits are also extended to biodiesel and alternative fuels, "green" hydrogen, and to residential and commercial energy efficient buildings.

The act also enhances the tax credit available for certain new clean vehicles, creates new incentives for clean energy investments, and establishes a credit for qualified sustainable transportation fuel.

There is financial assistance, in addition to tax incentives, for renewable energy, as well as for carbon capture systems, for rural and agricultural communities. Rural America will be the recipient of approximately $40 billion in clean energy programs and climate change mitigation projects over the next ten years. There is also funding for the National Forest System and for state and private forestry conservation programs.

There are many positive but also negative aspects behind the climate investment initiatives included in IRA. The renewable-energy funding across the board is the foundation building block of a clean energy economy. However, without more direct intervention on the part of the public sector in combatting the climate crisis, what IRA will produce is a green capitalist industry with profit-making as the overriding concern. Worse yet, investing in unproven carbon capture technologies is a sure way to keep the fossil fuel industry in the game. Indeed, IRA provides no pathway to a post-fossil fuel economy and shies away from tackling climate injustice.

As part of its goal to enhance energy protection, which in reality means protecting the long-term interests of the fossil fuel industry, IRA mandates new sales for oil and gas drilling in Alaska and the Gulf of Mexico. It extends the definition of "outer continental shelf" to include land both within the exclusive economy zone of the U.S. and adjacent to U.S. territory, and essentially nullifies President Biden's 9/8/20 memorandum withdrawing certain areas from leasing.

Currently, there are more than 9,000 approved, but unused, leases for drilling on federal and tribal lands, and IRA is throwing open even more public lands to oil drilling. In addition, IRA restricts the Department of the Interior from issuing a right-of-way for wind and solar energy development on federal land during the 10-year period after the bill is enacted.

Coal baron Joe Manchin also managed to secure a pledge from Democrats for his support of IRA that there would be no obstacles to the construction and operation of the controversial gas line known as the Mountain Valley Pipeline.

His corruption, as in the case of Sinema, knows no boundaries.

In 2021, the U.S. committed itself to reducing carbon emissions to 50-52 percent below 2005 levels by 2030. IRA expects to cut U.S. greenhouse gas emissions by 40 percent by 2030. Thus, it narrows but does not close the gap with the goal the Biden administration set under the Paris climate agreement. However, it is highly debatable whether the climate provisions included in IRA will actually reduce emissions by 40 percent by 2030.

Providing $369 billion over 10 years to fight the climate crisis is not enough in itself to reduce carbon emissions by 40 percent by 2030. It all depends on how much private investment in new energy supply infrastructure IRA will encourage.

Economist Robert Pollin of the University of Massachusetts at Amherst estimates that public spending on clean energy through IRA will encourage at least another $600 billion in private spending, which will bring total public plus private clean energy spending from the IRA to approximately $100 billion per year, or $1 trillion over 10 years. In an interview at Truthout, Pollin states the following: "By my own estimates and those by others, for the U.S. to reach the emission reduction targets set out by the Intergovernmental Panel on Climate Change (IPCC)—i.e., 50 percent CO2 emissions cut by 2030 and zero emissions by 2050—will require about $400 billion in today's economy and an average of $600 billion per year between now and 2050. So, the total amount of public and private clean energy spending generated by the IRA would deliver, at best, about 25 percent of the necessary funding level."

And this is supposed to be the best-case scenario.

The Inflation Reduction Act should have been a transformational piece of legislation, but unfortunately it isn't. It is a step though in the right direction, and clear proof that activism can initiate tangible change.

The struggle continues.

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