

Inflation Reduction Act: Another DC Lie. “Green Energy” Programs Will Lead to Increased Cronyism and Waste

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The Affordable Care Act, No Child Left Behind, and the USA PATRIOT Act received new competition for the title of Most Inappropriately Named Bill when Senate Democrats unveiled the Inflation Reduction Act. This bill will not only increase inflation, it will also increase government spending and taxes.

Inflation is the act of money creation by the Federal Reserve. High prices are one adverse effect of inflation, along with bubbles and the bursting of bubbles. One reason the Federal Reserve increases the money supply is to keep interest rates low, thus enabling the federal government to run large deficits without incurring unmanageable interest payments.

The so-called Inflation Reduction Act increases government spending. For example, the bill authorizes spending hundreds of billions of dollars on energy and fighting climate change. Much of this is subsidies for renewable energy — in other words green corporate welfare. Government programs subsidizing certain industries take resources out of the hands of investors and entrepreneurs, who allocate resources in accordance with the wants and needs of consumers, and give the resources to the government, where resources are allocated according to the agendas of politicians and bureaucrats. When government takes resources out of the market, it also disrupts the price system through which entrepreneurs, investors, workers, and consumers discover the true value of goods and services. Thus, “green energy” programs will lead to increased cronyism and waste.

The bill also extends the “temporary” increase in Obamacare subsidies passed as part of covid relief. This will further increase health care prices. Increasing prices is a strange way to eliminate price inflation. The only way to decrease health care costs without diminishing health care quality is by putting patients back in charge of the health care dollar.

The bill's authors claim the legislation fights inflation by reducing the deficit via tax increases on the rich and a new 15 percent minimum corporate tax. Tax increases won't reduce the deficit if, as is going to be the case, Congress continues increasing spending. Increasing taxes on "the rich" and corporations also reduces investments, slowing the economy and thus increasing demand for government programs. This leads to increasing government spending and debt. While there is never a good time to raise taxes, the absolute worst time for tax increases is when, as is the case today, the economy is both suffering from price inflation and, despite the gaslighting coming from the Biden administration and its apologists, is in a recession.

The bill also spends 80 billion dollars on the IRS. Supposedly this will help collect more revenue from "rich tax cheats." While supporters of increasing the IRS's ability to harass taxpayers claim their target is the rich, these new powers will actually be used against middle-class taxpayers and small businesses that cannot afford legions of tax accountants and attorneys and thus are likely to simply pay the agency whatever it demands.

Increasing spending and taxes will increase the pressure on the Federal Reserve to keep interest rates low, thus increasing inflation. If Congress was serious about ending inflation, it would cut spending — starting with overseas militarism and corporate welfare. A Congress that took inflation seriously would also take the first step toward restoring a free-market monetary system by passing Audit the Fed and legalizing competition in currency.

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