

Robert Lizak

Institute of Legal Sciences of the Polish Academy of Sciences, Poland
robertpol25@wp.pl
ORCID ID: <https://orcid.org/0000-0001-7980-2409>

Sebastian Skuza

University of Warsaw, Poland
sskuza@wz.uw.edu.pl
ORCID ID: <https://orcid.org/0000-0002-9357-6791>

The Inflation Reduction Act as an Element of Shaping the US Grand Strategy and the UN Strategy of Global Goals

Abstract: The purpose of this article is to present the US Inflation Reduction Act (IRA), signed by the US president on 16 August 2022, which provides the legal basis for the largest nationwide public investment in the economic, social and environmental spheres since the 1930s. The Act is an offshoot of the 2020–2021 legislative effort known as the Build Back Better Plan, which aims to create synergies between the US Grand Strategy to maintain the ‘exorbitant privilege’ of being the economic hegemon (resulting from the balance of power in the global economy and international politics, the status of the US dollar as an international currency and the oversight of the global reserve currency that has protected US sovereignty, security and prosperity to date) and the Agenda 2030 for Sustainable Development, adopted in 2015 by 193 UN Member States. The assessment of the US IRA is relevant not only because of the attempt made to holistically assess US strategic policy goals, including in the area of sustainable finance, but also to isolate global development trends in economic, social and environmental areas.

Keywords: Environmental Social Governance (ESG), national security law, renewable energy, strategic management, sustainable finance

Introduction

On 16 August 2022, the US president signed the Inflation Reduction Act (Inflation Reduction Act of 2022, IRA) into law, a goal which aims to enable the American political vision to achieve global leadership in confronting the existential threat of

the climate crisis, thus making the United States a global leader in clean energy technology, production and innovation and to drive the US and global economy with it (The White House, 2023). A review of the IRA regulations shows that it includes a number of ambitious national-level strategic goals in economic, social and environmental areas. For example, in the economic area, these goals include reducing inflation through a budget deficit reduction that is unprecedented in the history of the United States, investments in clean energy, and tax reform. In the social area, the strategic objectives focus especially on lowering the cost of health insurance by reducing the price of prescription drugs, introducing a mechanism to negotiate prices with drug manufacturers, and extending the temporary extension of health insurance subsidies for an additional two years under the provisions of the Affordable Care Act (Patient Protection and Affordable Care Act 2010). The final strategic goals also included environmental protection, such as reducing US carbon emissions by 40% by 2030, introducing a system of tax credits and subsidies for technology, production, investment and innovation in clean energy, and conservation of natural resources. We suggest that, the IRA also fulfils the obligations of Agenda 2030, adopted on 25 September 2015 by all 193 UN Member States (United Nations' 2015a).¹ The Agenda sets out 17 Sustainable Development Goals (SDGs) to be achieved by Member States by 2030, also referred to as Global Goals, and the status of their achievement is monitored by relevant indicators (United Nations, 2015a), the shaping of which the United States has played a key role in (Pipa et al., 2022).

We also view the IRA as part of the foundation of the so-called US Grand Strategy. While there are many definitions of the US Grand Strategy in the literature (Art, 1991, p. 7; Layne, 1998, p. 8; Luttwak, 1987, p. 179), our attention was drawn to a study by R. D. Hooker Jr, according to which it is a strategy that exists above and beyond strategies aimed at securing specific objectives, such as the National Security Strategy (The White House, 2022), and beyond the use of military force to achieve political objectives (Hooker, 2014, p. 1). As the author Hooker noted that one way to understand the Grand Strategy is to look for the long-term actions of the state defined by enduring core security interests and how the state secures and develops them over time. Hooker view, it is relevant and more meaningful to indicate which specific initiatives the state has taken, rather than what it has pledged to take. Finally, Hooker came to the conundrum that the US Grand Strategy is a strategy that shows great persistence over time, focusing on the things considered most important, that is, the 'interests in the protection' of which any administration is likely to be willing to expend public resources, establish legal norms, apply sanctions and even take military action (Hooker, 2014, p. 1).

With the above in mind, we decided to review the IRA and its legal environment. We then extracted the strategic objectives from it that, in our view, allow the United States not only to meet the SDGs of Agenda 2030 and the US Grand Strategy but also to address several domestic issues, such as maintaining stable public finances after

the COVID-19 pandemic, protecting the US economy from the spectre of recession, reducing inflation and energy prices, and, finally, transitioning to a low-carbon economy. We believe that the IRA is an important element of the US legal system, enabling synergies between strategic initiatives which are ultimately designed to enable the United States to maintain the 'exorbitant privilege' of being the economic hegemon, which results from the balance of power in the world economy and international politics, the status of the US dollar as an international currency and the oversight of the global reserve currency that has protected US sovereignty, security and prosperity to date (Eichengreen, 2011).

In order to validate such a hypothesis, we conducted a holistic review of the US legal norms that make up the Build Back Better Plan initiative, then outlined the essence of the IRA, extracted and evaluated the strategic objectives in it, and finally compared these objectives with the 17 goals and 169 targets set out in the Agenda 2030 for Sustainable Development. Furthermore, we examined several strategic documents of the federal government and other official documents and scientific studies produced by or for representatives of the federal administration. The above, we argue, is intended to make it possible not only to assess IRA on their own but to identify global trends that can serve as a basis for models or possible implementation in national law or as a contribution to an appropriate response at the national level in political, legal and management terms.

1. Political and legal conditions for the enactment of the Inflation Reduction Act

The inauguration day for new presidents of the United States falls on the 20 January.¹ This day also marks the 2021 inauguration of Joe Biden, who took office during the trade war with China (Fajgelbaum & Khandelwal, 2021) and the energy war with Russia (Morningstar & Webster, 2022), during the ongoing COVID-19 pandemic and at the beginning of an upward trend in inflation, which a year and a half later reached the highest level in the United States in 40 years. This was also the year before Russia's aggression against Ukraine. The US administration also faced a number of problems and challenges in domestic policy, which included high unemployment rates, rising prices for energy, food and building materials, a growing budget deficit and realistic forecasts of the onset of a recession (Doherty et al., 2021). It is also impossible to ignore the fact that on 25 September 2018, during the 73rd session of the UN General Assembly, President Donald Trump denounced Agenda 2030, which virtually determined that US energy policy would still be based on fossil fuels, especially shale gas,

1 Congress had originally established 4 March as Inauguration Day. The date was moved to 20 January with the passage of the Twentieth Amendment in 1933.

rather than the clean energy promoted in Agenda 2030 which is supposed to reduce greenhouse gas emissions and overcome the long-term threat of the climate crisis (Department of Defense, 2021; The White House, 2021a; The White House, 2021b).²

We believe that the US economy at the end of the COVID-19 pandemic faced the spectre of weakening in the long term and, consequently, the risk of not retaining the 'exorbitant privilege' of being the economic hegemon resulting from the balance of power in the world economy and international politics. Accordingly, the US administration has taken a number of legislative measures to prevent the identified problems, risks and challenges from materialising in the short and long term.

On his very first day in office, President Joe Biden signed the United States up to once again become a party to Agenda 2030 (Blinken, 2021), which means that the country is still obliged to meet the 17 SDGs by 2030, despite a gap of almost two and a half years in their progress towards that obligation. It cannot be ruled out that this action was one of the reasons for the development of the IRA. Since the adoption of Agenda 2030 in the United States, it has not been possible to identify any legislative initiative that fulfils the SDGs on a national level. A review of US legislation shows that such a legislative initiative was launched in 2020 by the political base of the then presidential candidate Joe Biden. The initiative was referred to as the Build Back Better Plan and was the most ambitious nationwide public investment in social, infrastructure and environmental programmes since the Great Depression of the 1930s (The White House, 2023a).

The Build Back Better Plan initiative consisted of three parts: the American Rescue Plan, enabling the mitigation of the COVID-19 pandemic crisis (American Rescue Plan Act of 2021), the American Jobs Plan, leading to a range of infrastructure investments and reducing the US contribution to climate destruction (American Jobs Plan 2021) and the American Families Plan, providing funding for various social policy initiatives (The White House, 2021c). The first part was adopted in the American Rescue Plan Act of 2021, and the solutions from the next two were ultimately regulated in the Infrastructure Investment and Jobs Act of 2021 (The White House, 2021c) and the IRA of 2022,³ which President Joe Biden signed on 16 August 2022. Significantly, a few days before signing the IRA, on 9 August 2022, the president also signed into law the CHIPS and Science Act of 2022, which seeks to provide incentives for the construction, upgrade or expansion of semiconductor manufacturing facilities and equipment, to implement a programme of high-tech semiconductor research and development and semiconductor-related human resource development in the United States, and to undertake several initiatives to protect US supply chains, national security and international cooperation. This fact is important insofar as the above acts

2 The Department of Defense treats climate change as a national security priority.

3 The Inflation Reduction Act was adopted under the lawmaking procedure known as reconciliation. See 2 US Code § 641 – Reconciliation.

have partially overlapping priorities; citing them is necessary to clarify the essence of the United States' strategic objectives and will help us to come to a conclusion.

2. Strategic objectives of the IRA and comparison with the SDGs

Based on the review of the IRA above, we identified eight strategic objectives and assigned them to one of three areas, i.e. economic, social and environmental. The three strategic objectives identified in the economic area are reform of the tax system, investments in clean energy and reduction of inflation by reducing the budget deficit. The tax system reform consists of introducing a selective minimum corporate tax rate of 15% for corporations with annual revenues above USD 1 billion, with an estimated revenue of USD 222 billion from this tax within ten years of the law coming into force.⁴ In addition, a 1% excise tax on share buybacks has been introduced, with revenue expected to reach USD 74 billion. Another solution that makes up the tax reform is the extension of the provision of Section 461(l) of the Internal Revenue Code for two years, according to which a taxpayer who is not a corporation may benefit from a tax credit or deduction that reduces their tax liability for the current and future tax years if an excess business loss arises.⁵ We argue that the most significant element of tax reform in the United States is the allocation of USD 79.6 billion to the agencies that operate the tax system to modernise and increase the efficiency of the Internal Revenue Service (IRS) tax enforcement system (Department of Treasury, 2022),⁶ including reducing opportunities for tax optimisation, particularly in corporate income tax. These funds are to be spent by the end of the fiscal year 2031 on 1) IRS enforcement (USD 45.6 billion), including USD 153 million for the Tax Court; 2) operational support (USD 25.3 billion); 3) taxpayer services (USD 3.2 billion); and 4) business systems upgrades (USD 4.7 billion) (McDermott 2022).

The first of the two strategic objectives identified in the social area is the generation of savings in the health system totalling USD 281 billion. These savings are to be generated through the repeal of the drug rebate rules introduced under President Donald Trump (USD 122 billion), the introduction of a mechanism for negotiating certain drug prices with their manufacturers (USD 96 billion) and the establishment of a price cap on certain drugs (USD 63 billion). The second strategic objective is to reduce citizens' costs in healthcare to the tune of USD 108 billion. In this case, the

4 According to the Joint Committee on Taxation, a minimum corporate income tax would affect around 150 US corporations (Congressional Research Service, 2022).

5 26 US Code § 461 – General rule for taxable year of deduction.

6 According to the IRS 2021 Data Book, the IRS had 78,661 full-time employees in the fiscal year 2021, of whom 44.6% had tax law enforcement as part of their responsibilities. The IRS budget for the 2021 fiscal year was approximately USD 13.7 billion, of which approximately USD 5 billion was allocated to tax law enforcement.

target is to be achieved by prolonging the temporary extension of health insurance subsidies, which were established under the Affordable Care Act, for an additional two years (USD 64 billion). Another example of reducing patients' healthcare costs is the establishment of a maximum limit on the cost of medicines to USD 2,000 per year per person who benefits from Medicare, as well as providing subsidies to people on low incomes, covering the cost of certain vaccinations and the partial cost of insulin (USD 44 billion), including limiting the cost of insulin to USD 35 per month per patient.

Finally, the three strategic objectives identified in the environmental area include reducing US carbon emissions by 40% by 2030, introducing a system of tax credits and subsidies to facilitate the energy transition to clean energy, and conserving natural resources. These goals are to be achieved through the implementation of eight tasks at a total cost of USD 391 billion (Wall Street Journal, 2023). In this case, a task systematisation developed by the Congressional Budget Office was used, according to which these strategic goals will achieve: 1) tax credits for clean electricity (USD 161 billion); 2) funding to reduce carbon emissions generated by air pollution from hazardous materials, transportation and infrastructure (USD 40 billion); 3) clean energy financial incentives for individuals (USD 37 billion); 4) clean energy production tax credits (USD 37 billion); 5) tax credits for clean fuel and electric vehicles (USD 36 billion); 6) funding for rural and forest conservation and development (USD 35 billion); 7) funding for building efficiency, electrification, the energy transmission and distribution grid, industry, and grants and loans from the US Department of Energy (USD 27 billion); and 8) other energy and climate spending (USD 18 billion).

While in some UN Member States the principle of sustainable development is a fundamental principle of law, as exemplified by Poland and the regulation of this principle in Article 5 of its Constitution, an initiative was taken at the UN to develop a universal template for sustainable development. This template was adopted in the UN General Assembly Resolution known as Agenda 2030. Although Agenda 2030 is not legally binding and therefore only contains general recommendations for specific actions, it can be recycled in virtually any way at the national level. For example, in Poland, Agenda 2030 was recycled in the Resolution of the Council of Ministers on the Adoption of the Strategy for Responsible Development until 2020 (with an Outlook until 2030) (Council of Ministers, 2017, item 260); in the United States, the IRA has been passed into law.

The strategic goals of Agenda 2030 make it possible to solve problems and overcome challenges, particularly in the economic, social and environmental areas, that cannot be solved by a single individual, organisation or country. Based on its Article 21, UN Member States are responsible for its implementation at national, regional and international levels, taking into account their realities, opportunities and degrees of development, based on respect for national development policies and priorities. In addition, UN Member States are required to set SDG-compatible targets at the na-

tional level, to monitor the progress of their implementation, including the selection of indicators and reporting, and finally to strengthen the partnership of the public and private sectors. Agenda 2030 thus represents a global sustainable development strategy.

Agenda 2030 distinguishes between the following SDGs: 1) eradicating poverty; 2) eradicating hunger, achieving food security and promoting sustainable agriculture; 3) ensuring healthy lives and promoting prosperity; 4) ensuring access to education; 5) achieving gender equality; 6) ensuring access to water and sanitation; 7) ensuring access to affordable energy; 8) promoting economic growth and access to decent work; 9) building stable infrastructure and sustainable industries and fostering innovation; 10) reducing inequality; 11) making cities safe and inclusive; 12) ensuring a pattern of sustainable consumption and production; 13) addressing climate change and its impacts; 14) protecting oceans, seas and marine resources; 15) protecting terrestrial ecosystems and forests, combating desertification and halting land degradation and biodiversity loss; 16) promoting peace, ensuring access to justice and building effective and accountable institutions; 17) strengthening the Global Partnership for Sustainable Development.

A comparative analysis of the IRA and Agenda 2030 shows that while the temporal scope of Agenda 2030 is precisely defined from many perspectives, in contrast to the IRA, the IRA is presented in ten-year terms. For example, the time frame of the US Congressional Research Service report on the impact of the IRA on climate change (Congressional Research Service, 2021) and the time frame of the Congressional Budget Office report on the estimated impact of the IRA on public finances (Congressional Budget Office, 2022) are both 2022–2031. In addition, the realisation of one of the key targets to be achieved under the IRA, to aim to reduce US greenhouse gas emissions to 50–52% below 2005 levels, was set for 2030 (The White House, 2023).

What is undisputed is the geographical scope of Agenda 2030, which is global in nature, with 193 UN Member States being party to it. In the case of the IRA, the situation is not so clear-cut. Although the IRA is a law adopted by the US Congress and its geographical scope is not in dispute, as it covers the territory of the United States, one cannot fail to interpret that its range of influence is much broader than the external borders of a state. This is not only due to the political manifesto of the US administration, according to which the United States seeks to achieve international leadership in climate protection and clean energy, but also to the ability of the US economy to influence and be influenced by the global economy. For example, virtually as soon as the IRA was enacted, accusations were made against it in terms of its protectionist nature, and after a few months of it being in force, initial symptoms of its impact on the economy of the European Union were seen (European Parliament, 2022; European Commission, 2023).

The Regulatory Impact Assessment of the IRA shows that the legislation provides the basis for new spending and tax relief to the tune of USD 499 billion, which is expected to reduce the budget deficit by USD 238 billion over a decade, including more than USD 61 billion, before interest, in 2031. This means that the total costs, revenues and savings settled in the IRA come to USD 738 billion (Committee for a Responsible Federal Budget, 2022). The issue of how to finance the implementation of Agenda 2030 goals was admittedly not as detailed as in the IRA, but it was nevertheless not omitted. On 13–16 July 2015, the Third International Conference on Financing for Development adopted the so-called Addis Ababa Action Agenda, a financing framework for Agenda 2030 that was enacted two months later, which identified possible sources of funding, including domestic resources, private sources of funding and official development assistance (United Nations, 2015b). It is evident from both UN agendas that the primary source of funding for Agenda 2030 is an integrated national financing framework, particularly from improvements in national taxation and other revenue collection capacity.

A comparison of the IRA and Agenda 2030 also shows that the strategic objectives of both cover three areas, i.e. economic, social and environmental. In turn, a comparison of the eight strategic goals of the IRA with the 17 goals of the SDGs leads to the conclusion that, for the most part, they coincide with each other and are aligned with the realities, problems and challenges existing in US domestic and foreign policy. We suggest that the IRA pays the least attention to the SDGs about ensuring access to education (Goal 4) and achieving gender equality (Goal 5). On the other hand, the strategic goals identified in the IRA that most fully implement the strategic goals of the SDGs include ensuring access to affordable energy (Goal 7), building stable infrastructure, creating sustainable industry and fostering innovation, (Goal 9) and addressing climate change and its impacts (Goal 13).

3. Opportunities of and threats to the implementation of the IRA

While in the United States the enactment of laws does not generally deviate from the standard established in democratic countries, a characteristic feature of the process has become the conferring of ‘catchy’ titles to laws. Based on statements by Owen and Ritchie, it is possible to conclude that in the enactment of certain laws in the United States and their subsequent application, it is desirable to generate interest among the media and the public in order to gain public support and, consequently, to lead the public to believe that a particular law is a means of satisfying their needs or solving their problems (cited in Long, 2005). Arguably, this type of social engineering is precisely what we are dealing with in the case of the IRA, as it was based on changes in the economy and subsequent changes in the mood of the US public.

A review of data from the Organisation for Economic Co-operation and Development (OECD) shows that the change in the annual inflation rate in the United States between the third quarter of 2019 and the third quarter of 2021 was almost 3.6 percentage points, which determined that the annual inflation rate, as measured by the Consumer Price Index, reached 6.2% in October 2021, the highest in more than three decades. It consequently represented the third highest inflation rate in the study group, behind Brazil and Turkey (OECD, 2019–2021). Gallup's Economic Confidence Index, on the other hand, stood at – 45 points in May 2022, up from –39 points in March and before, marking the lowest score since the COVID-19 pandemic began and possibly the lowest level of confidence since the end of the Great Recession in early 2009 (Gallup, 2022; Jones, 2022).⁷

Finally, a Pew Research Center survey conducted in May 2022 found that 70% of the American public considered inflation to be the biggest problem facing the United States; the next biggest, recognised by 55% of the public, was access to healthcare. As can be seen, the title of the IRA is therefore unlikely to be coincidental, as it seeks to alleviate public concerns about rising inflation levels and the increasing cost of living for American families. However, this begs the question of whether this bill can reduce inflation and what other problems it can solve.

A study by the Penn Wharton Budget Model (PWBM) of the IRA's estimated budgetary and macroeconomic effects suggests that it will reduce the annual rate of inflation by about 0.1 percentage points within about five years of its implementation, but will have no measurable impact on inflation beyond 2028 (Arnon & Smetters, 2022). According to PWBM estimates, the planned additional tax revenues will be higher relative to expenditure, leading to a reduction in public debt of 4.1% in 2040 and 8% in 2050, with a consequent positive impact on economic growth. In addition, the increase in business taxes will reduce the after-tax return on investment, which will offset the positive effects on investment resulting from the lower level of public debt. After accounting for these two effects, private-sector output will fall by 0.2% in 2031, remain unchanged in 2040 and increase by 0.3% in 2050. The PWBM also assumes that productivity gains from climate and energy effects are expected in 2050, which will be reflected in wage growth of 0.1% and GDP growth of 0.1%. Finally, in the PWBM's assessment, 75% of the corporate tax burden will be borne by capital owners and the remainder by employees, while in the case of the share buyback tax, the tax burden will be borne exclusively by shareholders. A distributional analysis of

7 Gallup's Economic Confidence Index is a summary measure of Americans' perceptions of the current economic situation and their outlook for the economy. The index has a range from +100 (if all respondents say the economy is excellent or good and getting better) to –100 (if all say it is weak and getting worse). The results are based on a Gallup poll from 2–22 May 2022, conducted at a time of record high gas prices, elevated inflation, government reports of declining economic growth in the first quarter and stock market crashes.

the newly introduced taxes shows that the majority of the burden will affect households with higher incomes (Arnon & Smetters, 2022).

On the basis of the PWBM's assessment, it can be concluded that, in the short term, the IRA will not lower inflation, but neither will it cause it to rise further. In our opinion, in the long term, the Act offers the potential to fulfil the expectations placed in it, although this depends on the appropriate management of the risks and opportunities that are directly or indirectly associated with it. Firstly, on the one hand, the purpose of the IRA is to bring about a reduction in healthcare-related costs for individuals (Cubanski et al., 2023; Larsen et al., 2022)⁸ and, on the other, to encourage them, as it were, through a system of subsidies, to spend the money they have saved on the energy transition, with the ultimate aim of lowering energy prices and increasing the availability of energy, with a consequent increase in the liquidity of supply. The key question here is whether and to what extent it will be possible to influence consumer decisions and redirect the flow of funds saved and 'freed' from subsidies to the energy transition.

Secondly, one could say that the purpose of the IRA is to reduce the budget deficit, which only affects the reduction of inflation. Deficit reduction can be achieved by reducing expenditure or increasing revenue. The IRA can increase budget revenues if tax revenues are increased, which will reduce demand in the economy, reducing the direct pressure on excessively high prices. Reducing the budget deficit has a positive impact on the dynamics of investment growth and net exports, enabling the stimulation of economic growth in the short and long term and consequently achieving stability for the American economy (Stiglitz et al., 2022).

Thirdly, deficit reduction through increased tax revenues is possible, as the IRA introduced two new taxes: a minimum corporate income tax of 15% and a share buy-back tax of 1%. The implementation of the corporate income tax, including tackling complex holding structures, which often use aggressive tax optimisation, will not be a simple matter. Even if there are legal instruments in US tax law to counteract aggressive optimisation, the adequate preparation of IRS revenue officers and the availability of tax data and IT tools is under question. It cannot be ruled out that technology based on artificial intelligence, which is already being used in the United States to audit public finances, will be used to achieve this strategic objective (Lizak & Skuza, 2023).

We should also mention two ways of lowering inflation which can complement the provisions of the IRA and the measures taken on its basis, although they

8 The Rhodium Group estimates that by 2030, the provisions of the IRA will save households up to USD 112 per year on average, as a result of falling gas and electricity prices. In contrast, a Kaiser Family Foundation study shows that in 2019, 1.2 million Medicare payers spent an average of USD 3,216 on prescription drugs, with payers taking the most expensive drugs spending an average of USD 10,000 to 15,000 per year.

do not derive from them. The first is to raise effective federal funds rate (EFFR) by an appropriate amount when inflation rises (Board of Governors, 2022). In January 2022, there was a change to the Fed's previous 'loose' monetary policy by the funds rate being raised to 4.38%; it had been unchanged from 0.12% since the start of the COVID-19 pandemic in March 2020. The current March 2023 rate of 4.9% was last seen in October 2007 (Federal Open Market Committee, 2023). The Fed's monetary tightening policy has yielded positive results, as the inflation rate stood at 5.4% in January 2021, reached 9.06% in June 2022 and fell to 6% in February 2023 (statista.com, 2023).

The second way is to avoid the risk of rising inflation by ensuring the stability of global supply chains, whose disruption during the COVID-19 pandemic caused shortages of certain components, especially semiconductors, resulting in price increases for some commodities, intermediates and materials. The IRA, correlating with the CHIPS and Science Act of 2022, is intended to minimise the risk of disruption to global supply chains and, in the long term, to not only ensure price stability but even exert downward pressure on prices, especially in the areas of electric cars and rare-earth elements (Ferreira & Critelli, 2022; Kennedy, 2022).⁹

Conclusions

Firstly, it should be noted that the US economy entered the third decade of the 21st century in what has been referred to as a 'polycrisis' (Tooze, 2022). This is because the return to the economic reality before the COVID-19 pandemic was complicated by Russia's aggression against Ukraine, which set off a series of overlapping national, regional and international crises in the economic, environmental, geopolitical, social and technological areas (World Economic Forum, 2023). In order to protect its own economy, the United States has adopted the extremely ambitious and bold IRA, which, in our view, provides the basis for the federal government to use the greatest amount of leverage over the domestic economy since the Great Depression of the 1930s. A review of the provisions of the IRA leads to a number of multidimensional and interdisciplinary conclusions.

Firstly, the IRA is a good example of solving current problems and crises, but also minimising risks in the long term. The impact assessment leaves no doubt that the Act provides a basis for aggressive and non-fragmentary interference in the US economy in order to minimise known risks, such as inflation, rising living costs, so-

9 As M.R. Kennedy (2022) aptly points out, the IRA provides funding and extends authority under the Defense Production Act of 1950 (Public Law 81-774, 81st Congress, 8 September 1950, [p. 798]) to conduct research into the exploration of sources of critical raw materials, including rare-earth elements necessary for renewable energy production such as solar panels and wind turbines, which are now largely controlled by China.

cial unrest, geopolitical confrontation and global strategic rivalry, but also new risks, which may include disruption of global supply chains, failure to mitigate and adapt to climate change, or global competition for the rare-earth elements market. As can be seen, virtually all of these risks could be acute in the long term. This is all the more important because in an era of polycrisis, a 'firefighting' approach to solving a problem may prevail, which is short-sighted and often perpetuates a vicious circle. In our view, the IRA creates a readiness to respond to long-term risks across multiple domains, which can help policymakers make decisions that enable them to minimise risks, not only domestically and in global strategic competition but also in the short- and long-term.

Secondly, the IRA can have a positive impact on reducing inflation by decreasing the budget deficit, lowering energy prices and increasing energy availability (making it more difficult to disrupt domestic and global supply chains), and changing the Fed's monetary policy in terms of adjusting the level of the Fed funds rate on an ongoing basis (The White House, 2023b).

However, the attainment of this objective depends at least on the following factors: 1) reform of the corporate tax enforcement system; 2) the absence of circumstances that would make it impossible to use the proceeds of new taxes, i.e. the corporate tax and the tax on share buybacks, for deficit reduction; 3) the influence on consumer decisions regarding the redirection of money saved from reduced costs of healthcare and money 'freed' from subsidies for the energy transition; 4) a lack of circumstances that would make it impossible to adjust the Fed's monetary policy to current needs; and 5) the implementation of the provisions of the CHIPS and Science Act of 2022, in particular regarding the construction of self-sufficient production of semiconductors and ensuring the protection of US supply chains. While the above projection of lower inflation in the United States is reasonably consistent with the current projection of lower inflation worldwide, according to which inflation will decline as demand dynamics in the global economy slow down, global trade imbalances subside and energy prices fall, the lack of the above factors could result in the continuation of stubborn inflationary pressures, in individual economies and worldwide, economic slowdowns and excessive debt problems. Based on this, we conclude that the IRA is a kind of anti-inflation shield that seeks to provide security and stability for the US economy for at least the next decade.

Thirdly, the IRA is the most significant piece of US federal climate-protection legislation. It lays the foundation for the US energy transition from its previous fossil fuel-based energy policy to clean energy. This is supported by the fact that it is difficult to name any element of the US energy infrastructure system or renewable and non-renewable energy sources that would not be covered by the IRA. Another important issue is that of the so-called Internet of Energy (Rifkin, 2015). Although the wording of the IRA does not explicitly address this issue, we believe that the Act lays the foundations for the construction of the world's first smart-state energy system, i.e.

the Internet of Energy, which would be managed using quantum computers and artificial intelligence (Schmidt et al., 2021, pp. 253–269). Thus, the actions to be taken under the Act and the extent to which they are funded are likely to lead to: 1) a 5.2–6.7% reduction in retail energy costs over a ten-year period, which would result in savings of USD 170–220 per year for the average US household (Roy et al., 2022); 2) ensured energy price stability; 3) a reduction in US carbon emissions by 50–52% by 2030. Moreover, a comparison of the IRA and Agenda 2030 shows that synergies can be achieved between the strategic goals extracted from both pieces of legislation. It is also reasonable to believe that, despite the two-and-a-half-year gap in the United States' failure to meet the SDGs, the scope and momentum of action taken under the IRA could soon lead the country to a position of global leadership in achieving them.

Fourthly and finally, the IRA enables the US economy to prepare for any potential new problems, crises and risks that may arise and makes it easier to steer the economy in an era of existing polycrisis by providing it with qualities such as stability, resilience, predictability and self-sustainability. In addition, the IRA enables the United States to become a world leader in clean energy technology, production and innovation, with its supply, availability and flows, employing a dominant share of its own workforce; consequently, the United States will drive its own economy, and the global economy with it. We argue that the goal of the US Grand Strategy which emerges from a review of the strategic objectives extracted from the legislation that makes up the Build Back Better Plan, particularly the IRA, is to achieve US global leadership in the areas of the economy, energy and the climate, which ultimately will enable the maintenance of the 'exorbitant privilege' of being the economic hegemon that results from the balance of power in the world economy and international politics, the status of the US dollar as an international currency and oversight of the global reserve currency that has protected US sovereignty, security and prosperity to date.

REFERENCES

- American Rescue Plan Act of 2021, Public Law 117–2, 117th Congress, 11 March 2021.
- Arnon, A. & Smetters, K. (2022, 12 August). *Senate-Passed Inflation Reduction Act: Estimates of budgetary and macroeconomic effects*. Wharton School of the University of Pennsylvania. <https://budgetmodel.wharton.upenn.edu/issues/2022/8/12/senate-passed-inflation-reduction-act>
- Art, R. J. (1991). A defensible defense, *International Security*, 15(4), 5–53.
- Blinken, A. J. (2021, 19 February). The United States officially rejoins the Paris agreement. US Department of State. <https://www.state.gov/the-united-states-officially-rejoins-the-paris-agreement/>
- Board of Governors of the Federal Reserve System. (2022). Monetary policy report, Washington, DC. https://www.federalreserve.gov/monetarypolicy/files/20220617_mprfullreport.pdf
- CHIPS and Science Act of 2022, Public Law 117–167, 117th Congress, 9 August 2022.

- Committee for a Responsible Federal Budget. (2022). *CBO scores IRA with \$238 billion of deficit reduction*. <https://www.crfb.org/blogs/cbo-scores-ira-238-billion-deficit-reduction>
- Congressional Budget Office. (2022). *Estimated budgetary effects of Public Law 117–169, to provide for reconciliation pursuant to Title II of S. Con. Res. 14, cost estimate*. https://www.cbo.gov/system/files/2022-09/PL117-169_9-7-22.pdf
- Congressional Research Service. (2021). *US climate change policy*. <https://crsreports.congress.gov/product/pdf/R/R46947>
- Congressional Research Service. (2022, 10 August). The corporate minimum tax proposal.
- Council of Ministers. (2017, 14 February). Resolution 8 of the Council of Ministers on the Adoption of the Strategy for Responsible Development until 2020 (with an Outlook until 2030), M. P. 2017.
- Cubanski, J., Neuman, T., & Freed, M. (2023). *Explaining the prescription drug provisions in the Inflation Reduction Act*. Kaiser Family Foundation. <https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act/>
- Department of Defense. (2021, 1 September). Department of Defense climate adaptation plan. *Report submitted to National Climate Task Force and Federal Chief Sustainability Officer*. <https://www.sustainability.gov/pdfs/dod-2021-cap.pdf>
- Department of Treasury. (2022). Internal Revenue Service data book 2021 (2022): October 1, 2020 to 30 September 2021, Washington, DC. <https://www.irs.gov/pub/irs-prior/p55b--2022.pdf>
- Doherty, C., Kiley, J., Asheer, N., & Jordan, C. (2021). *Biden nears 100-day mark with strong approval, positive rating for vaccine rollout*. Pew Research Center. https://www.pewresearch.org/politics/wp-content/uploads/sites/4/2021/04/PP_2021.04.15_biden-100-days_REPORT.pdf
- Eichengreen, B. (2011). *Exorbitant privilege: The rise and the fall of the dollar and the future of the international monetary system*. Oxford University Press.
- European Commission. (2023). *A green deal industrial plan for the net-zero age*. Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, COM(2023) 62 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52023DC0062>
- European Parliament. (2022). *EU response to the US Inflation Reduction Act (debate)*, Strasbourg. <https://www.europarl.europa.eu/doce>
- Fact Sheet: The American Jobs Plan* (March 31, 2021). The White House. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>
- Fajgelbaum, P., & Khandelwal, A. (2021). *The economic impacts of the US-China trade war* [Working paper 29315] National Bureau of Economic Research. https://www.nber.org/system/files/working_papers/w29315/w29315.pdf
- Federal Open Market Committee. (2023). *Decisions regarding monetary policy implementation. Implementation note issued March 22, 2023*. <https://www.federalreserve.gov/newsevents/pressreleases/monetary20230322a1.htm>
- Ferreira, G., & Critelli, J. (2022). China's global monopoly on rare-earth elements. *The US Army War College Quarterly*, 52(1), 57–72. <https://press.armywarcollege.edu/cgi/viewcontent.cgi?article=3129&context=parameters>
- Gallup. (2022). *Gallup poll social series: Values and beliefs. Final topline*.

- Hooker Jr., R. D. (2014). *The Grand Strategy of the United States*. [INSS Strategic Monograph]. National Defense University Press, 1–44. <https://ndupress.ndu.edu/portals/68/documents/books/grand-strategy-us.pdf>.
- Inflation Reduction Act of 2022, Public Law 117–169, 117th Congress, 16 August 2022.
- Infrastructure Investment and Jobs Act of 2021, Public Law 117–58, 117th Congress, 15 November 2021.
- Jones, J. (2022). *Economic pessimism growing in US*. Gallup. <https://news.gallup.com/poll/393176/economic-pessimism-growing.aspx>
- Kennedy, M. R. (2022). Geopolitics, competition, and the Inflation Reduction Act. In *Wilson Center Expert Analysis of the Inflation Reduction Act*, Washington, DC. Wilson Center. <https://www.wilsoncenter.org/article/wilson-center-expert-analysis-inflation-reduction-act>
- Larsen, J., King, B., Kolus, H., Dasari, N., Hiltbrand, G., & Herndon, W. (2022). *A turning point for US climate progress: Assessing the climate and clean energy provisions in the Inflation Reduction Act*. Rhodium Group. https://rhg.com/wp-content/uploads/2022/08/A-Turning-Point-for-US-Climate-Progress_Inflation-Reduction-Act.pdf
- Layne, C. (1998). Rethinking American Grand Strategy: Hegemony or balance of power in the 21st century. *World Policy Journal*, 15(2), 8–28.
- Lizak, R., & Skuza, S. (2023). AI enables the control of public finances – the US federal government initiatives, *Białostockie Studia Prawnicze*, 28(2), 175–195. <https://repozytorium.uwb.edu.pl/jspui/handle/11320/15061>
- Long, C. (2005). *Lawmakers turn to catchy names for bills*. The Hill. <https://thehill.com/homenews/news/8710-lawmakers-turn-to-catchy-names-for-bills/>
- Luttwak, E. (1987). *Strategy: The logic of war and peace*. Harvard University Press.
- McDermott, B. (2022, 20 October). IRS-related funding in the Inflation Reduction Act. Congressional Research Service. <https://crsreports.congress.gov/product/pdf/IN/IN11977>
- Morningstar, R. L., & Webster, J. (2022). *Putin's energy war against Europe also targets the US. Here's how Washington can fight back*. Atlantic Council. <https://www.atlanticcouncil.org/blogs/new-atlanticist/putins-energy-war-against-europe-also-targets-the-us-heres-how-washington-can-fight-back/>
- OECD. (2019–2021). *OECD economic outlook, vols. 2019–2021*. https://www.oecd-ilibrary.org/economics/oecd-economic-outlook_16097408
- Patient Protection and Affordable Care Act, Public Law 111–148, 111th Congress, 23 March 2010.
- Pipa, T., Rasmussen, K., & Pendrak, K. (2022). *The state of the Sustainable Development Goals in the United States*. Center for Sustainable Development at the Global Economy and Development Program at the Brookings Institution, United Nations Foundation. <https://www.brookings.edu/articles/the-state-of-the-sustainable-development-goals-in-the-united-states/>
- Rifkin, J. (2015). *The third industrial revolution: How lateral power is transforming energy, the economy, and the world*. Palgrave Macmillan.
- Roy, N., Burtraw, D., & Rennert, K. (2022). *Retail electricity rates under the Inflation Reduction Act of 2022* [Resources for the Future issue brief]. https://media.rff.org/documents/IB_22-07_HcK-DycO.pdf

- Schmidt, E., et al. (2021, 5 March). *Final Report*. National Security Commission on Artificial Intelligence.
- statista.com. (2023). *Monthly 12-month inflation rate in the United States from February 2020 to February 2023*. <https://www.statista.com/statistics/273418/unadjusted-monthly-inflation-rate-in-the-us/>
- Stiglitz, J., et al. (2022, 2 August). *Letter from economists to congressional leadership*. <https://www.documentcloud.org/documents/22124998-letter-from-economists-to-congressional-leadership>
- The White House. (2021a, 27 January). Executive Order 14008: On tackling the climate crisis at home and abroad. <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/01/27/executive-order-on-tackling-the-climate-crisis-at-home-and-abroad/>
- The White House. (2021b, 8 December). Executive Order 14057: Catalyzing clean energy industries and jobs through federal sustainability. <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/12/08/executive-order-on-catalyzing-clean-energy-industries-and-jobs-through-federal-sustainability/>
- The White House. (2021c). *Fact Sheet: The American Families Plan*. <https://www.whitehouse.gov/briefing-room/statements-releases/2021/03/31/fact-sheet-the-american-jobs-plan/>
- The White House. (2022). National Security Strategy, Washington, DC. <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>
- The White House. (2023). Building a clean energy economy: A guidebook to the Inflation Reduction Act's investments in clean energy and climate. Version 2.
- The White House. (2023a). The Build Back Better Framework, President Biden's plan to rebuild the middle class. <https://www.whitehouse.gov/build-back-better/>
- The White House. (2023b). The president's budget cuts the deficit by nearly \$3 trillion over 10 years. <https://www.whitehouse.gov/briefing-room/statements-releases/2023/03/09/fact-sheet-the-presidents-budget-cuts-the-deficit-by-nearly-3-trillion-over-10-years/>
- Tooze, A. (2022). Welcome to the world of the polycrisis. *Financial Times*. <https://www.ft.com/content/498398e7-11b1-494b-9cd3-6d669dc3de33>
- United Nations. (2015a). Addis Ababa Action Agenda of the Third International Conference on Financing for Development. https://sustainabledevelopment.un.org/content/documents/2051AAAA_Outcome.pdf
- United Nations. (2015b). General Assembly resolution 70/1, Transforming our world: 2030 Agenda for Sustainable Development, A/RES/70/1 (25 September 2015). https://www.un.org/en/development/desa/population/migration/generalassembly/docs/globalcompact/A_RES_70_1_E.pdf
- US Department of Treasury. (2021.) The American Families Plan Tax Compliance Agenda.
- Wall Street Journal. (2023). *The real cost of the Inflation Reduction Act subsidies: \$1.2 trillion*. <https://www.wsj.com/articles/inflation-reduction-act-subsidies-cost-goldman-sachs-report-5623cd29>
- World Economic Forum. (2023). *The global risks report* (2nd ed.). https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf