

August 11, 2022

The Honorable Charles Schumer
Majority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Nancy Pelosi
Speaker of the House
U.S. House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
U.S. Senate
Washington, D.C. 20510

The Honorable Kevin McCarthy
Minority Leader
U.S. House of Representatives
Washington, D.C. 20515

Dear Leader Schumer, Leader McConnell, Speaker Pelosi, and Leader McCarthy,

The U.S. economy is at a dangerous crossroads. Forty-year high inflation is causing immense strain for households and small businesses, and it is prompting steep interest rate hikes that, while necessary to counter fiscal policy excess, increase the chance of a deepening recession. As such, taming inflation must be the top short-term economic priority to avoid further economic decline and hardship. Unfortunately, the inaptly named "Inflation Reduction Act of 2022" would do nothing of the sort and instead would perpetuate the same fiscal policy errors that have helped precipitate the current troubling economic climate.

At a time when the economy already faces supply-demand imbalances from the residual effects of stimulus, labor shortages, and supply chain disruptions, this bill would compound rather than alleviate many of these problems. In particular, its \$433 billion in proposed government spending would create immediate inflationary pressures by boosting demand, while the supply-side tax hikes would constrain supply by discouraging investment and draining the private sector of much-needed resources.

Of particular concern, the corporate minimum tax would fall heavily on capital-intensive manufacturing, thereby undercutting efforts to shore up the resilience of America's supply chains. In addition, the prescription drug provisions would impose price controls that threaten healthcare innovation, creating a human health toll that would add to the financial woes that Americans are already experiencing. Even the one superficially appealing aspect of the bill—deficit reduction—is likely to prove illusory due to implausible spending phaseouts. In summary, we agree with the urgent need to reduce inflation, but the "Inflation Reduction Act of 2022" is a misleading label applied to a bill that would likely achieve the exact opposite effect.

Sincerely,

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