

Gründler, Klaus; Heil, Philipp; Potrafke, Niklas; Wochner, Timo

**Research Report**

## The global impact of the U.S. inflation reduction act: Evidence from an international expert survey

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## The Global Impact of the U.S. Inflation Reduction Act: Evidence from an International Expert Survey

Klaus Gründler, Philipp Heil, Niklas Potrafke, and Timo Wochner



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# The Global Impact of the U.S. Inflation Reduction Act: Evidence from an International Expert Survey

*Klaus Gründler, Philipp Heil, Niklas Potrafke, and Timo Wochner\**

## Abstract

The US Inflation Reduction Act (IRA) promotes renewable energy and contributes to climate protection, but also offers generous tax credits and subsidies to incentivize production in the United States. While the planned generosity of the program has sparked an intense debate about potential negative spillover effects on the global economy, little is known about the quantity of potential adverse effects. We conduct a large-scale international survey among leading economic experts worldwide to quantify the effect of the US Inflation reduction act on the global economy. On a global scale, experts are little concerned about negative effects of the IRA on their domestic economy, estimating both the impact on national output and the risk of business outflows to be low. However, we uncover large heterogeneity in the potential impact of the IRA across countries and regions. In Europe, particularly in France and Germany, economic experts are highly concerned about the IRA and expect a significant effect of the IRA on the domestic economy. In terms of economic policy reactions, roughly 41% of the respondents support economic countermeasures. We elicit experts' views about policy measures in open-ended text questions to prevent any priming of the respondents. The respondents propose active industrial policy, including subsidies, but also advocate for increased investment in infrastructure and green sectors. The call for subsidies is particularly strong in Europe.

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## Executive Summary

Through the Inflation Reduction Act (IRA), the United States promote renewable energy and contribute to climate protection. The IRA also offers tax credits and subsidies to firms to attract investment and promote domestic production in the United States. The planned generosity of the program has sparked an intense discussion about potential negative spillover effects of the IRA on the economies outside the United States, particularly those of U.S. trading partners. The potential impact of the IRA on the U.S. economy has been analyzed, but its **effects on other countries**, including Europe, remains uncertain.

To quantify the potential impact of the IRA on the global economy, we conducted a **large-scale international survey** among leading economic experts worldwide. The rationale of our strategy is that experts have profound knowledge about their home countries' economies and current developments, and aggregating expert assessments provides us with access to manifold sources of information that would otherwise not be possible to acquire or process.

Our main result is that, on a global scale, **experts are little concerned** about negative effects of the IRA on their domestic economy. Almost 75% of the experts worldwide report that they do not perceive the IRA to be a prominent topic in the public debate of their home countries. Most experts also do not anticipate significant impacts on their domestic economies or firm outflows towards the United States.

We also uncover **substantial heterogeneity across countries and regions** on the globe. In Europe, particularly in France and Germany, economic experts are highly concerned about the IRA and expect a significant effect of the IRA on the domestic economy. For Europe, experts are also much more worried about firms leaving their countries in response to the generous tax credits and subsidies that come along with the IRA.

In terms of economic policy reactions, roughly 41% of the respondents support **economic countermeasures** against the IRA. We elicit experts' views about policy measures in open-ended text questions to prevent any priming of the respondents. The respondents propose active industrial policy, including subsidies, but also advocate for increased investment in infrastructure and green sectors. The call for subsidies is particularly strong in Europe.

# 1 Introduction

The Inflation Reduction Act (IRA) is a large-scale economic stimulus program of the United States. The IRA was passed already in August 2022, but governments in Europe became increasingly aware of the IRA and its potential negative impact on European economies by the end of 2022. The IRA is intended to contribute to climate protection, primarily through numerous industrial policy measures such as subsidies that promote renewable energy. These measures are intended to help the climate, but also to make the United States more attractive as a location for investment and production. The aim is to attract companies and promote production in the United States. Given the large scale of the IRA, other countries are threatening to become less attractive as investment locations for companies. This raises the question among European governments and other trading partners of the United States whether and to what extent their national economies will be affected by the IRA and whether there is need to respond to the IRA through own industrial policy measures.

In this study, we examine the impact of the IRA and the need for countermeasures at the global level. The analysis is based on a large-scale international survey among more than 1,300 leading economic experts that provide expertise for more than 130 countries. Our survey was conducted via a special module of the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP). The EES is the world's largest survey of international economic experts. The survey was in the field from March 9 to March 23, 2023. We ask experts about the role of the IRA in the national economic debates, their assessment about the impact on national production, their view about the potential of the IRA to trigger firm outflows, and the need for policy measures to tackle potential adverse effects initiated by the IRA.

We document three main results. The first main result is that the on a global scale, the IRA has not received much attention in the countries of our experts. Around 74% of the participants in our survey reported that the IRA is not (yet) a significant topic in the public debates in their country. However, we uncover substantial heterogeneity across countries and regions on the globe. In Europe, particularly in Germany (58%) and France (50%), a large proportion of the participants indicated that the IRA has sparked a heated debate in the public discourse.

Our second main result is that there is large heterogeneity also in the expectations about the effects that the IRA might have on national production. Globally, 7% of participants rate the potential effects on the national economy as very negative, 39% as slightly negative, 26% as slightly positive and 4% as strongly positive. Around 23% of the international experts see no effect of the IRA on the national economy. In Europe,

however, experts expect a substantially negative effect of the IRA on national economies. A large majority in many European countries, particularly in Germany and France (>80%) assume that the IRA will have a negative effect on their national economies. As a general pattern, we find that experts from countries with high gross domestic product (GDP) are more likely to perceive the IRA as a threat to national production than experts from countries with low GDP. Relatedly, the global share of experts who fear firm outflows in response to the IRA is also low (about 25%). Of the experts from Europe, 29% expect companies to migrate because of the IRA. Again, a majority of experts in France (78%) and Germany (51%) expect companies to relocate because of the IRA.

How should national governments deal with the IRA? Our third main result is that a noticeable share of the global experts (41%) recommends that national governments should respond to the IRA. In Canada (60%) and Western Europe (51%) in particular, the need for action is considered to be great. We employ open-ended text questions to elicit our respondents' opinions about the type of measures they perceive should be taken to tackle negative effects of the IRA. In free-text answers, the participants had the opportunity to describe which economic policy measures should be taken in response to the IRA. Free-text questions have the advantage that respondents are not influenced by predefined answer categories. Almost 42% of respondents favor an active national industrial policy or subsidies in response to the IRA. At around 43%, an equally large proportion is in favor of improved investment conditions. Another 22% of experts – mainly from the European Union – state that there should be a supranational response to the IRA. Few experts consider trade policy measures in response to the IRA.

Our international survey describes the assessments of experts worldwide and thus estimates the extent of spillover effects on U.S. trading partners. In a survey specially tailored for participants from the United States, we also determined what effects experts from the United States expect the IRA to have. The results show that for the United States as a whole, the IRA is expected to have a positive effect on the U.S. economy. Around one-fifth (19%) of the U.S. experts expect the IRA to have a strongly positive effect on the U.S. economy, while a further 55% expect it to have a slightly positive effect. Few of the participants expect a strongly negative (8%) or slightly negative (15%) effect. Consistent with the findings for Europe, a majority of U.S. experts (55%) expect a negative effect of the IRA on the United States' trading partners.

Reliable data based on which the real economic impact of the IRA on national economies could be estimated are not yet available. Our global expert survey is intended as an aggregation of information from leading experts who possess a higher level of information on the potential impact of the IRA on national economies than could be uncovered using incomplete data. The underlying heuristics based on which the participating



experts make their assessments, on the other hand, are unknown. Our study design assumes that experts from countries that trade a lot with the United States and are particularly affected by IRAs measures expect stronger effects. The strong correlation of the reported degree of affectedness with economic performance of experts' home countries provides evidence for the plausibility of this assumption.

Our results provide initial insights into the global impact of the IRA and the resulting need for economic policy action. The evidence presented provides policymakers worldwide with a global cartography of how economies are affected by the IRA.

**Contribution to the literature:** Our main contribution is to provide first evidence on the impact of the IRA on global economies. To date, studies only assessed the impact of the IRA on the U.S. economy. The extent to which the IRA will make the United States more attractive as an investment location has been heatedly debated, also in the United States. To finance the planned subsidies, the IRA also includes tax increases. The most important measure is a new effective minimum tax rate of 15% for large corporations with more than one billion U.S. dollars (USD) in profits per year. Also affected by the tax increases are multinational companies that have subsidiaries in the United States. The IRA also makes profit shifting more difficult, which has been shown to decrease attractiveness of investment locations (e.g., Büttner et al., 2018; Suárez Serrato, 2018).

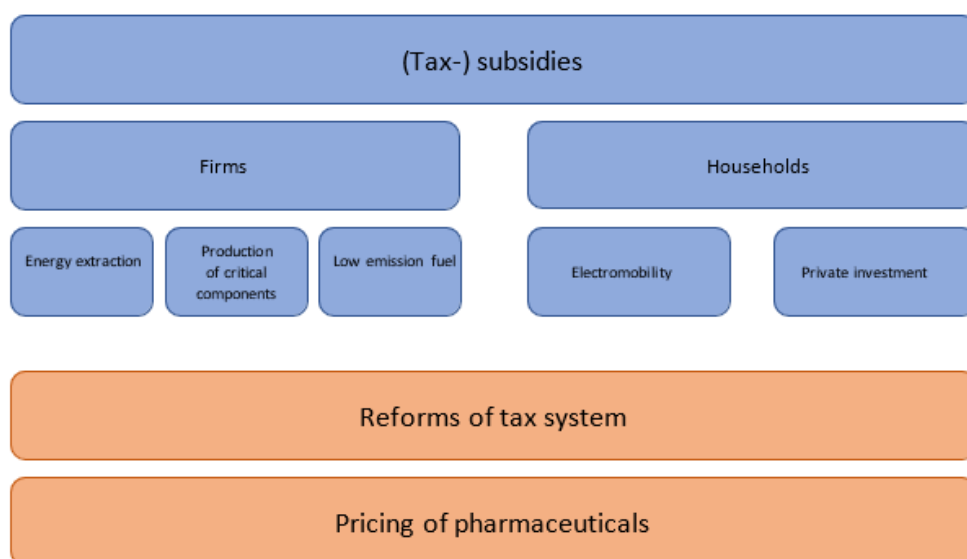
Previous studies that have assessed the impact of the IRA on the national economy in the United States have arrived at mixed results. The calculations of the Congressional Budget Office (CBO) quantify the revenue and spending effects of the IRA. By 2031, the CBO expects positive effects on the U.S. government budget. Other studies, such as Mulligan (2022), report negative effects on gross domestic product (GDP) and employment. Studies on the impact of the IRA on the economies of the United States' trading partners are not yet available. Options for action and the affectedness of the German economy are described by Baur et al. (2023). We contribute to this literature by providing a first evaluation about potential effect of the IRA on a global scale.

Our study is also related to empirical studies that have evaluated the impact of programs comparable to the IRA. Although empirical economic research has examined the effects of national industrial policies, it has mainly focussed on their national effects, and to a much lesser extend on their international effects (e.g., Becker et al., 2010; Criscuolo et al., 2019; Barwick et al., 2021; Choi and Levchenko, 2021; Lane, 2020). We contribute to this broader literature by showing that international spillover effects of large-scale industrial policy programs can be sizable.

## 2 The Inflation Reduction Act

The Inflation Reduction Act was passed by the United States Congress and signed into law by President Joe Biden on 16 August 2022. On the one hand, the IRA measures generate additional revenues for the U.S. government (highlighted in orange in Figure 1) and, on the other hand, are associated with further government spending (highlighted in blue in Figure 1).

**Figure 1: Key Measures of the Inflation Reduction Act**



Note: Government expenditure highlighted in blue, government revenue highlighted in orange.

Source: Own representation and Baur et al. (2023).

Most of the IRA's measures are designed to promote sustainable energies or investments to decarbonize the economy. To this end, subsidies are provided in the form of uncapped tax credits. These subsidies are effective from 2023 and expire after 2031.

In the area of energy production, existing production and investment subsidies on selected technologies will initially be extended until the end of 2024. From 2025, these subsidies will be extended to all low-emission energy production, regardless of the use of specific technologies. The IRA also creates new production subsidies for low-emission energy production. Subsidy amounts in power generation are trending upward, with eligibility for higher subsidy amounts dependent on, among other things, the use of American steel, iron, and American components in construction. This constitutes discrimination against foreign suppliers of goods.

The IRA also provides for the promotion of environmentally friendly transport. As with energy production, existing subsidies for the sale of sustainable fuel will initially be extended, and from 2025 will be extended to all low-emission fuels. New subsidies for low-

emission hydrogen production in the United States will go into effect as early as 2023. In addition to promoting sustainable fuel, stronger incentives will be created for the purchase of electric cars (Clean Vehicle Credit). The \$7,500 tax credit for the purchase of electric cars will be continued and previously applicable limits, including those on the number of eligible electric cars per manufacturer, will be eliminated. In addition to a new price and income cap, restrictions on the origin of critical minerals and components as well as the location of final assembly will also apply to subsidies from 2023. This would exclude European auto exports from being eligible. However, there is currently discussion about whether the United States will extend subsidies for electric cars to imports from countries that have a free trade agreement with the United States. In contrast, there are no local content requirements for the Commercial Clean Vehicle Credit, which includes all leased electric vehicles.

Another goal of the IRA is to help households invest in sustainable technologies. To achieve this, existing tax credits for investments in the energy efficiency of private and commercial property will be continued. What is more, both the share of the acquisition costs that may be deducted from the tax and the maximum allowable credit amount will be significantly increased.

The IRA also contains other provisions designed to support the transition to a more sustainable economy. For example, the production of components required in the production of sustainable technologies are also supported by subsidy programs. Support for this transition is largely provided by the various U.S. ministries. These are provided with funding through the IRA.

In addition to climate protection measures, the IRA also encompasses tax increases. A key element is the introduction of a minimum corporate tax rate of 15% for large companies. This increase is expected to provide a large part of the additional tax revenue needed to reduce the budget deficit. Further relief for the state budget is being sought through reforms in the pricing of pharmaceuticals. These reforms allow Medicare to negotiate drug prices directly with manufacturers and limit the possibility of price increases. Manufacturers based in Europe may also be affected by these regulations.

## 3 Previous Evidence on the IRA's Economic Impact

### 3.1 Impact on the U.S. economy

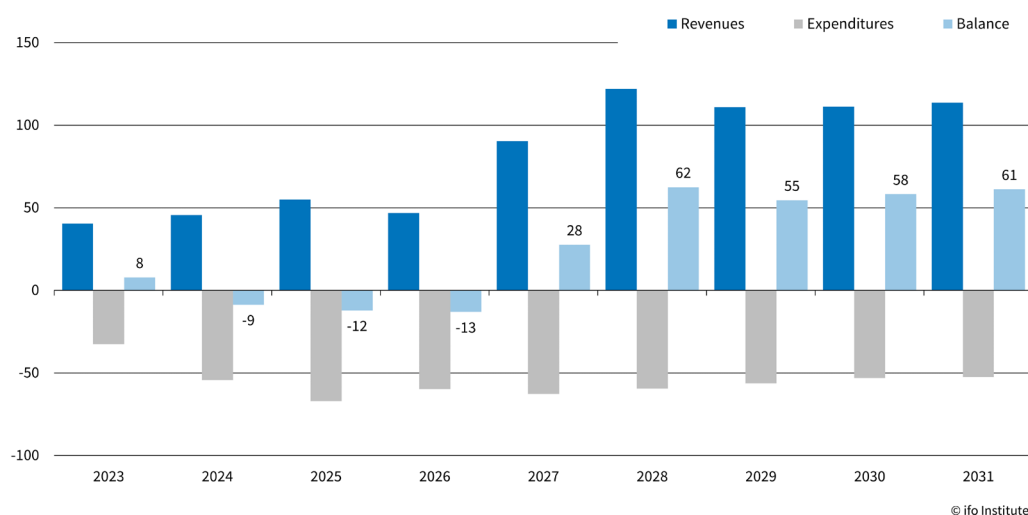
The Congressional Budget Office (CBO) calculates the effects of legislative changes on government spending and revenues. The CBO estimates that the IRA will reduce the budget deficit by \$238 billion from 2022 to 2031. Figure 2 shows spending and revenue trends over that period. The spending shown combines additional spending and reduced revenues (e.g., from tax cuts). Additional spending increases to about \$50 billion per year through 2024 and then remains relatively stable around that level through 2031. Revenues account for roughly \$50 billion per year through 2026 and then rise to as much as \$100 billion. This results in an increase in the budget deficit of about \$10 billion per year for each of the years 2024 through 2026. The IRA hence gives rise to a reduction in the budget deficit of \$50 to \$60 billion per year.

Other studies are less optimistic regarding the impact of the IRA on the US economy. Credit Suisse (2022), for example, assumes about \$400 billion more in government spending than calculated by the CBO. Moreover, studies arrive at mixed effects regarding the impact of the IRA on GDP and inflation in the United States (see, e.g., Mulligan, 2022; Huntley et al., 2022; Zandi et al., 2022). Uncertainty about the effects of the IRA on the national economy is likely to carry over to an even greater extent to potential effects of the IRA on economies outside the United States.

### 3.2 Reactions of trading partners to the IRA

Towards the end of 2022, political leaders in Europe expressed their concerns about the impact of the IRA on the European economy. For example, French President Macron said that *"when you have two superpowers massively subsidize some sectors, you could decide not to do anything, to respect the rules and the purity of (free-market) doctrine ... but nothing much will be left (in Europe) in the end"* (Reuters, 2022). At the same time, demand for counter-reactions increased. Macron's proposal, for example, envisaged that up to 2% of European economic output should be used as a reaction to the IRA via national and European instruments.

**Figure 2: CBO Estimates of Revenue and Spending Effects of the IRA in Future Years.**



Note: All figures in USD billion. Balance denotes the difference between revenues and expenditures.

Source: CBO, own presentation from Baur et al. (2023).

Other voices, such as the British finance minister Jeremy Hunt, warn against a global subsidy race and too much protectionism. At the same time, however, the United Kingdom has announced a response to the IRA, which is intended to be *"different - and better"* and will only affect sectors in which the *"UK has a clear competitive advantage"* (Politico, 2023).

Various European think tanks warn against subsidy competition. Instead, structural competitiveness should be increased and a trade policy response that includes reform of the international subsidy system be adopted (e.g., Bruegel, 2023).

Although fears about the IRA's possible negative impact on the global economy are widespread, no study to date has examined possible spillover effects of the IRA on other economies.

## 4 Study Design

### 4.1 Economic Experts Survey

The Economic Experts Survey (EES) is regularly conducted by the ifo Institute in Munich and the Institute for Swiss Economic Policy (IWP) and comprises a survey of around 8,000 economic experts from more than 130 countries. The aim of the survey is to gather the opinions of economic experts on various economic policy measures and the political situation in their host countries. Expectations and assessments of current economic indicators, such as economic growth and inflation expectations, are also recorded. The survey is conducted quarterly and replaced the World Economic Survey (WES), which focused primarily on the economic outlook and surveyed around 1,500 experts from 100 countries. The EES includes the 1,500 WES experts and a further 6,500 experts recruited through the CESifo research network, the ifo Institute's international networks, and the RePEc research network. With participants from countries covering 99% of the world's GDP, 95% of the world's population, and 92% of the global land area, the EES is significantly larger than any other comparable international expert panel (for a detailed description of the EES, see Gründler et al., 2023a).

The participants in the EES are influential experts who coin the public debate in their home countries. Most of the experts hold a Ph.D. in economics. The experts participating play an important role both in academia and in policy advisory, including also members of national expert councils and other influential committees. The influence of the experts on the scientific community, on the formation of public opinion, and on policy advice can also be measured by quantitative criteria. For example, the scientific papers of the participants from Europe were cited an average of 4,000 times (according to Google Scholar). The Twitter accounts of the experts in the European sample are followed by around 1,300 followers.<sup>1</sup>

The primary objective of the EES is to contribute to the public debate. The results are published on the ifo Institute's website and prepared in press releases to inform the public about the results. The survey is conducted with Qualtrics, the most widely used survey experiment software (Fuster and Zafar, 2022). The survey is also designed to provide up-to-date expert opinions on current economic policy debates, such as the drastic increase in inflation in 2022. The expert assessments are also used in studies on macro-economic expectations tax reform, government debt, fiscal rules, and terrorism (e.g., Boumans et al., 2018, 2020; Andre et al., 2022; Arnemann et al., 2021; Dräger et al., 2023; Gründler and Potrafke, 2020, 2023; Gründler et al., 2023b).

<sup>1</sup> The figures refer to the sample of participants with Google Scholar accounts and Twitter accounts.

## 4.2 Design of the Global Survey

The survey was conducted as a special module of the EES. We survey experts outside the United States and U.S. experts in two separate surveys. The core idea of aggregating expert responses is that complex and detailed information that participants possess about their economies can be aggregated into an estimate about the impact of the IRA on national economies.

**Global survey:** Experts outside the United States are first asked whether the IRA is an important topic of the public debate in their country. This provides insights into the importance attached to the IRA on a global level. The experts are then asked about their assessment of the impact of the IRA on their country's economy and whether they fear that companies will leave their country because of the IRA. In the last step, we ask our participants whether they support economic policy measures in their countries to tackle the impact of the IRA on the national economy. In open text questions, we also ask the participants about the type of economic policy countermeasures they support. Using open-ended text questions allows us to elicit experts' views and opinions without any priming.

**U.S. survey:** Experts in the United States are asked about the impact of the IRA on the U.S. economy. We also ask for assessments of the impact of the IRA on trading partners of the United States.

**Information:** All experts received the following information prior to the IRA question block: *The Inflation Reduction Act (IRA), passed by the U.S. Congress and signed by President Joe Biden in August 2022, is a comprehensive U.S. government spending program to encourage investment in renewable energy and mitigate climate change. It also includes reforms of the Affordable Care Act and the imposition of a minimum corporate income tax on large enough companies to fund the deficit created by the program. One of the goals of the program is to attract businesses to the U.S. by subsidizing production and investment. The estimated budget is \$369 billion.*

**Sample:** A total of 1,314 experts responded to the IRA questionnaire, 75 of whom are from the United States and 1,239 are from outside the United States.

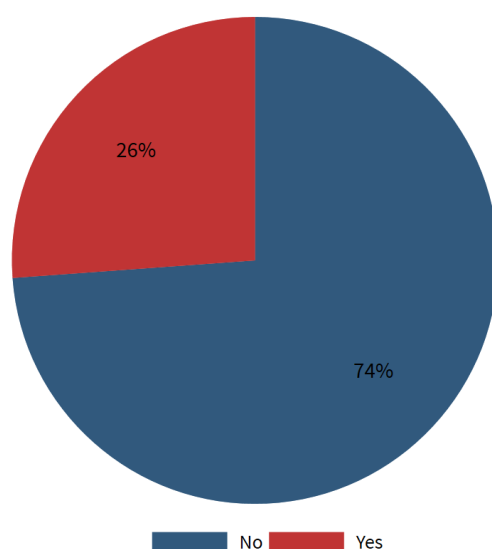
## 5 Expert Assessments of the Impact of the Inflation Reduction Act

### 5.1 Results for Experts outside the United States

#### 5.1.1 Global Assessments of the Significance of the IRA

Figure 3 shows the answers to the question of whether the IRA plays a significant role in the countries of the participants. Worldwide, almost three quarters of all participants state that the IRA is not an important topic in the public debate in their countries.

**Figure 3: Is the IRA an Important Topic in Your Countries' Public Debate? (All Experts)**

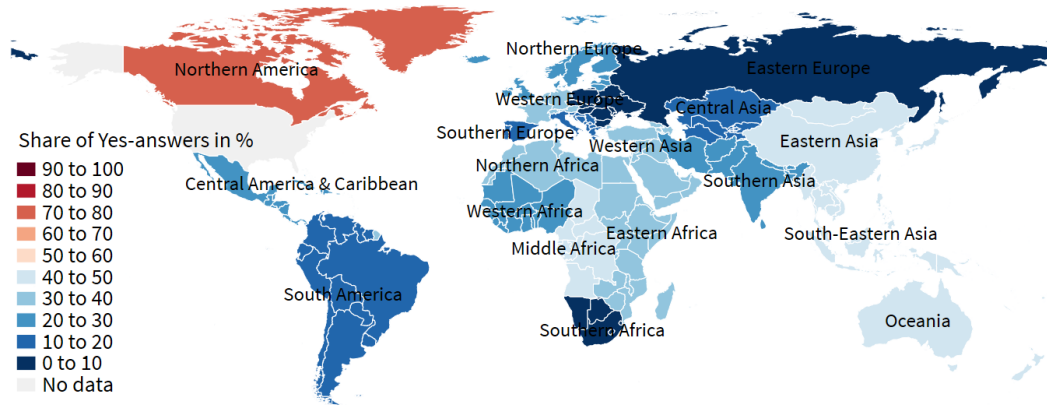


Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

While our results indicate that the IRA is only an important topic in a few countries, we also uncover substantial heterogeneity across countries. Figure 4 shows that the IRA is perceived very differently across the various regions of the world. On the one hand, in South America, Eastern Europe, and South Africa, the IRA has hardly played a role in the public debate. In Canada, on the other hand, the consequences of the IRA are subject of an intense debate. The other regions of the world fall between these two extremes. About half of the experts in Western Europe consider the IRA to be an important topic in the public debate in their home country.



**Figure 4: Is the IRA an Important Topic in Your Countries' Public Debate? (By Region)**



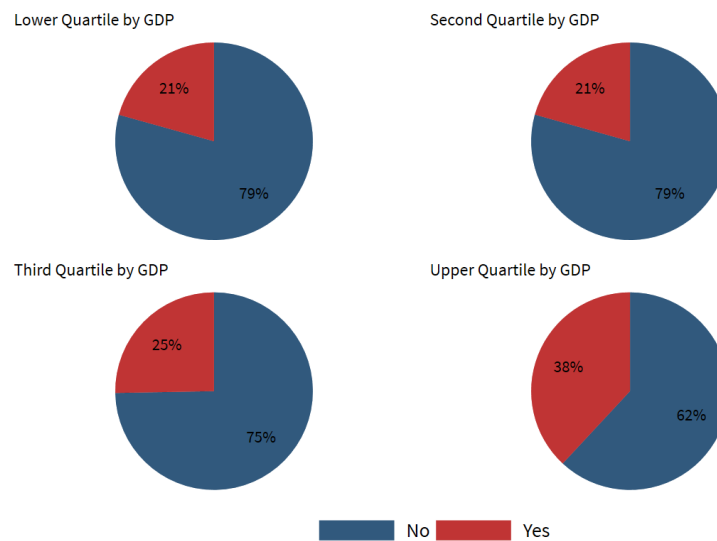
Source: Economic Experts Survey Q1 2023.

© ifo Institute /IWP

Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA). The figure shows the mean values of the averages of the respective countries in the regions.

Since the IRA is, at its core, a major investment program designed to strengthen the U.S. domestic economy, the IRA may be particularly important in high-GDP countries. Indeed, our results show that the higher the country's GDP, the more likely it is that the IRA is rated as an important issue in the public debate (Figure 5). For the analysis, we divide countries into four equally sized groups ("quartiles"). Countries in the lowest quartile are relatively poor in terms of GDP, while countries in the upper quartile are relatively rich. In countries with low economic performance compared to the rest of the world, only 21% of the experts consider the IRA to be a relevant issue. In countries with high GDP, on the other hand, 38% of experts consider the IRA to be a relevant issue.

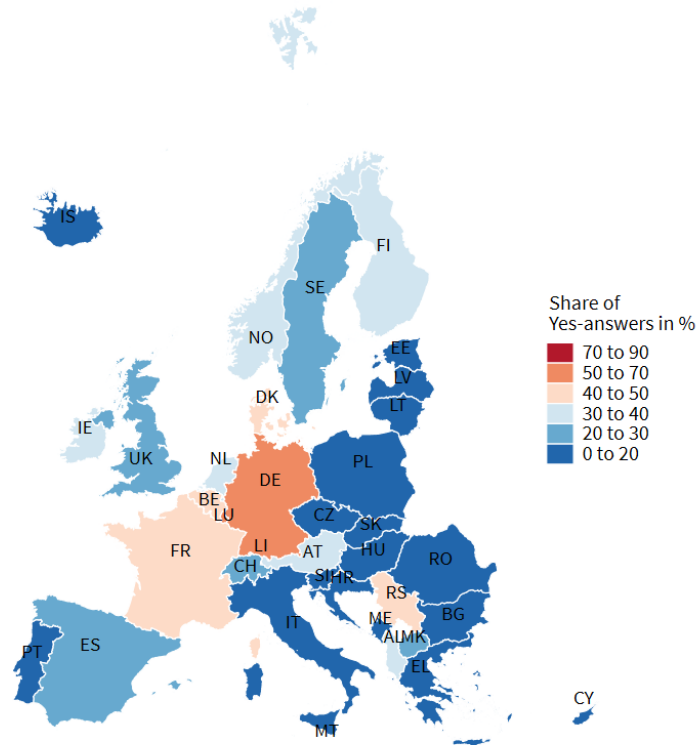
**Figure 5: Is the IRA an Important Topic in Your Countries' Public Debate? (By GDP)**



Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

**Results for Europe:** Our results show that the IRA plays a major role in the public debate particularly in European countries. We therefore also consider the experts' responses in the individual countries of Europe. Figure 6 shows country-level responses of experts in Europe. The figure points to a strong East-West difference in the perception of the IRA in the public debate. The IRA hardly plays any role in Eastern European countries such as Poland, the Czech Republic, or Hungary. In Western European countries, especially in Germany and France, however, the effects of the IRA are intensely discussed in national public debates.

Figure 6: Is the IRA an Important Topic in Your Countries' Public Debate? (Europe)



Source: Economic Experts Survey Q1 2023.

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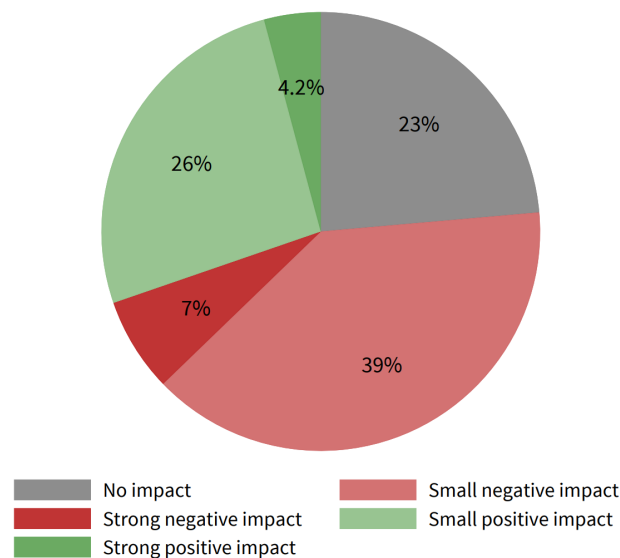
Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

One reason for the discrepancy in the public debate between East and West could be that in Eastern European countries, other topics, including the ongoing Russian invasion of Ukraine, dominate the current national debates. Additionally, trade with the United States is larger in Western European countries than in most of the countries in Eastern Europe. Hence, fear of a potential negative effect of the IRA in Western European countries might be an important reason for the differentials in the public debate.

### 5.1.2 Impact of the IRA on the National Economy

On a global scale, almost half of the participants expect a negative effect of the IRA on the national economy, with 39% expecting a slight negative effect and 7% a strong negative effect (Figure 7). In contrast, about a quarter of the participants expect a positive effect of the IRA (26% slightly positive, 4% strongly positive) or no effect.

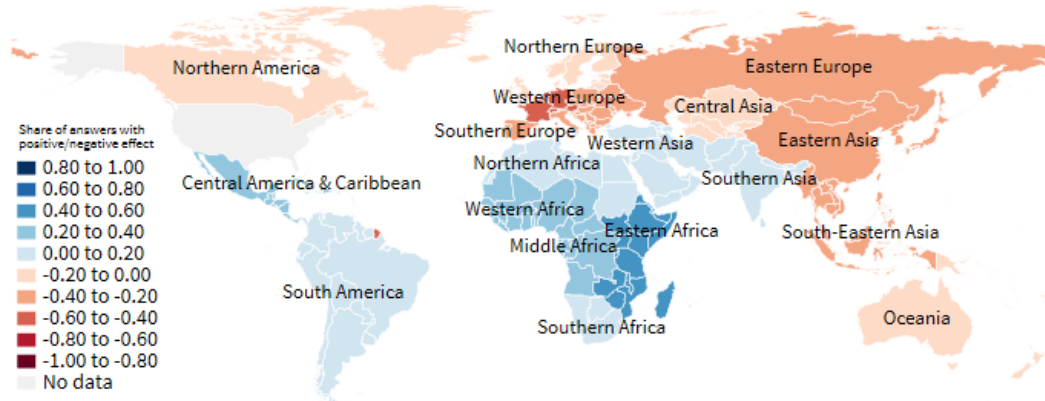
**Figure 7: How Large Do You Think Will Be the Impact of the IRA on Your Countries' Economy? (All Experts)**



Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

Again, we find substantial heterogeneity in the expert assessments across regions and countries. Figure 8 shows the average of experts' responses across global regions. To aggregate the responses of experts, we first subtract the number of responses indicating a negative effect of the IRA from the responses with a positive effect and divide them by the total number of responses. We obtain values between -1 (very pessimistic view regarding the consequences of the IRA) and +1 (very optimistic view regarding the consequences of the IRA).

**Figure 8: How Large Do You Think Will Be the Impact of the IRA on Your Countries' Economy? (By Region)**



Source: Economic Experts Survey Q1 2023.

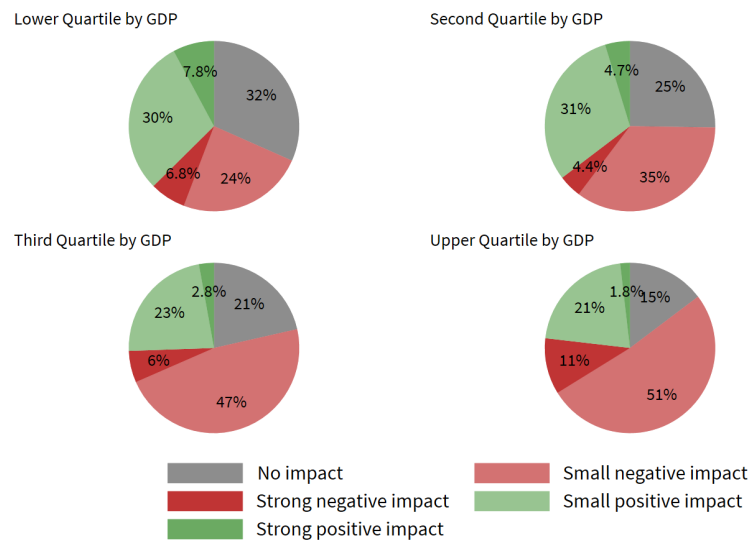
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Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA). Value calculated as the balance of responses with a positive effect (slightly positive/strongly positive) minus responses with a negative effect (slightly negative/strongly negative), divided by the total number of responses.

Many experts in Europe, Canada and the eastern regions of Asia expect the IRA to have a negative impact on their countries' domestic economies. Experts from countries of Western Europe are particularly pessimistic. In contrast, assessments in South and Central America, Africa, and the countries of southern and western Asia are predominantly positive about the impact of the IRA.

We again find a correlation between the assessment about the economic impact of the IRA and production levels in the host countries of experts. Our results, shown in Figure 9, indicate that in high-GDP countries, the majority expects the IRA to have a negative effect on the domestic economy. Again, we divide countries into four quartiles to examine heterogeneity across production levels. In the richest economies, almost two thirds of the experts fear a negative impact of the IRA on the domestic economy.

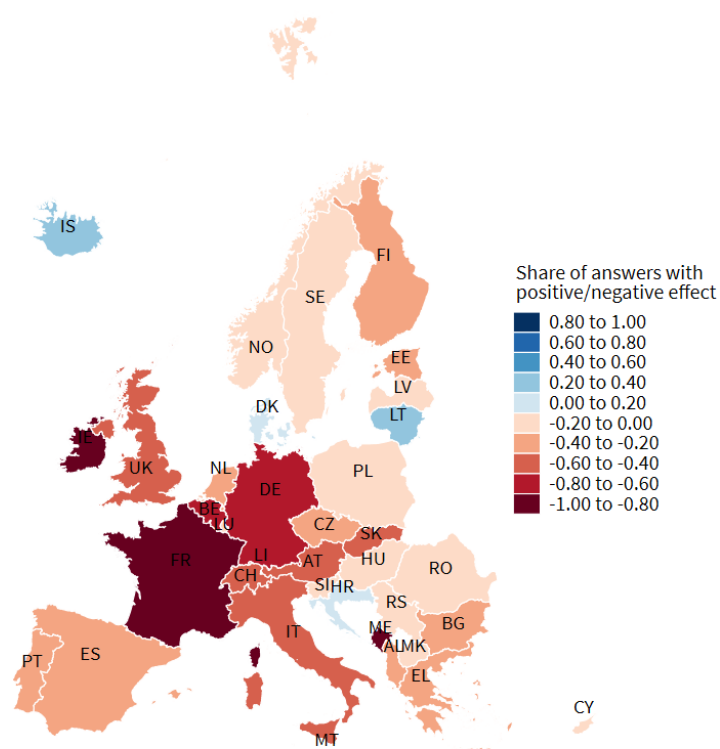
**Figure 9: How Large Do You Think Will Be the Impact of the IRA on Your Countries' Economy? (By GDP)**



Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

**Results for Europe:** We again specifically zoom in into the potential impact on European countries. The debate in Europe in recent months has focused on the extent to which the IRA will endanger the industrial sector and production. Many experts in Europe believe that the IRA will have a negative effect on the domestic economy (Figure 10). Heterogeneity in expert assessments is, however, also pronounced within Europe. A lower proportion of experts in the countries of Eastern and Northern Europe fear negative consequences of the IRA, while participants from large European economies, such as Germany and France, in particular fear negative effects.

**Figure 10: How Large Do You Think Will Be the Impact of the IRA on Your Countries' Economy? (Europe)**



Source: Economic Experts Survey Q1 2023.

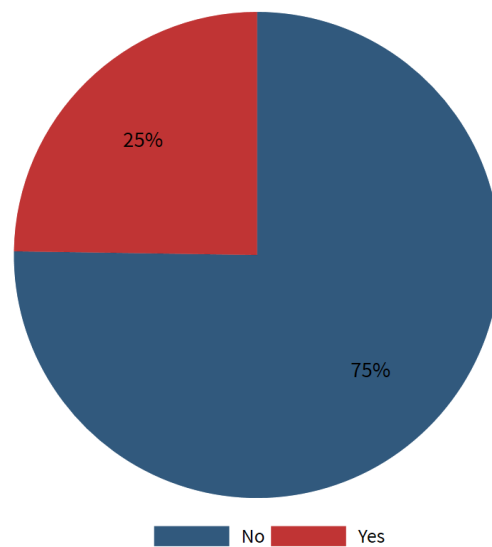
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Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA). Value calculated as the balance of responses with a positive effect (slightly positive/strongly positive) minus responses with a negative effect (slightly negative/strongly negative), divided by the total number of responses.

### 5.1.3 Will Firms Leave?

A major concern voiced regarding potential consequences of the IRA relates to deindustrialization and the relocation of businesses from the affected countries to the United States. When asked about their fears that firms could leave their country because of the IRA, a large majority of survey participants respond that they think it is unlikely that firms relocate in response to the IRA (Figure 11).

**Figure 11: Are You Concerned That Firms Will Leave Your Country in Response to the IRA? (All Experts)**

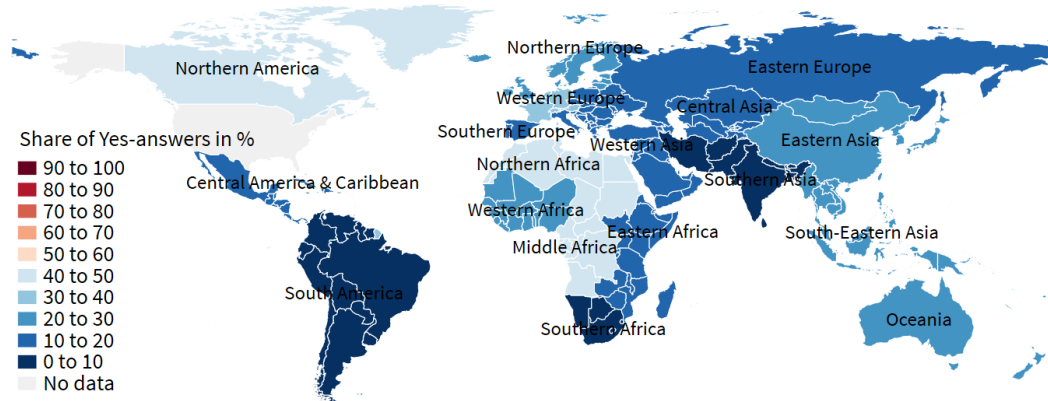


Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

Experts in all regions of the world believe that the IRA is unlikely to cause companies to relocate (Figure 12). Participants from countries in South America, South Africa, and South Asia have particularly low concerns; here, the proportion of responses that see the risk of firm relocations is below 10%. In other regions, including Western Europe, Canada, and parts of Africa, participants are more concerned about the consequences of business location of the IRA. In these regions, around half of the participants believe that outflows are likely because of the IRA.



**Figure 12: Are You Concerned That Firms Will Leave Your Country in Response to the IRA? (By Region)**



Source: Economic Experts Survey Q1 2023.

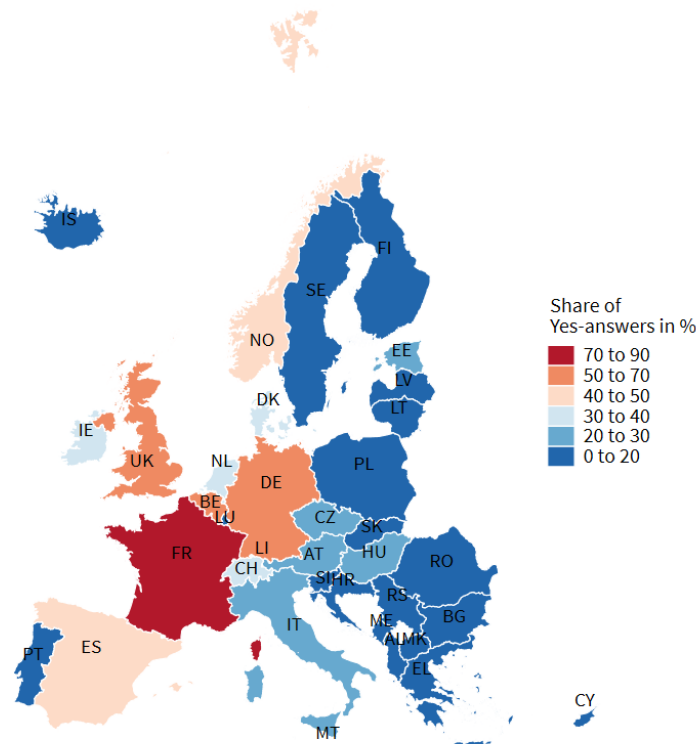
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Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA). The figure shows the mean values of the averages of the respective countries in the regions.

**Results for Europe:** The concerns about firms leaving are highest in Europe, especially in Western Europe. However, the assessments of European experts differ strongly between the countries of Europe (Figure 13). In particular, many participants from the large economies in Western Europe fear that firms leave because of the IRA.

The greatest concerns are expressed by participants from France, where 78% of the experts see the risk of firms leaving. But also in Germany, more than 50% of the experts state concerns about future location decision of domestic firms.

**Figure 13: Are You Concerned That Firms Will Leave Your Country in Response to the IRA? (Europe)**



Source: Economic Experts Survey Q1 2023.

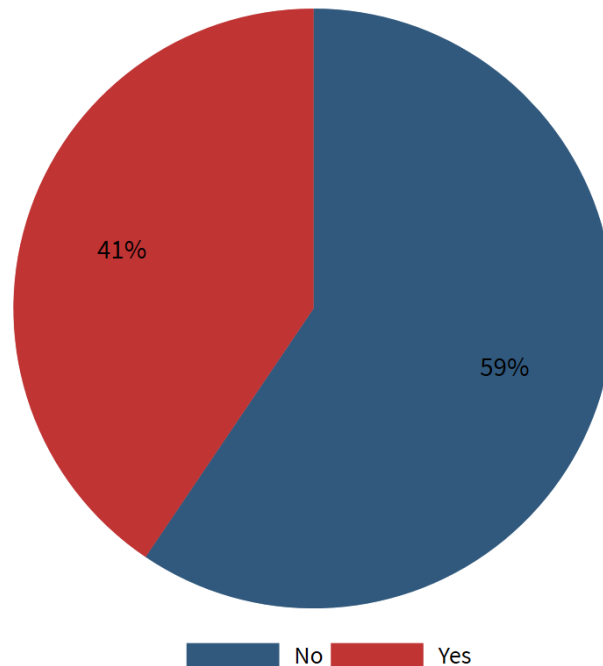
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Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

#### 5.1.4 Assessments of Economic Policy Countermeasures

A major question is whether international experts believe that counter measures should be taken to tackle potential adverse effects of the IRA. On a global scale, we find that 41% of the experts are in favor of an economic policy response to the IRA (Figure 14).

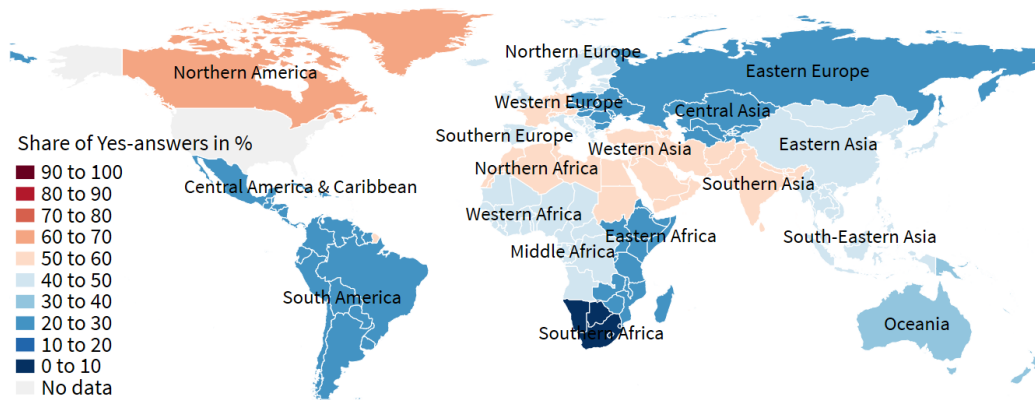
**Figure 14: Do You Think Your Country Should Launch Economic Policy Measures to Cope with the Impact of the IRA on the National Economy? (All Experts)**



Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

We uncover large heterogeneity in experts' views also regarding economic policy measures (Figure 15). The majority of participants from Canada and Western Europe are in favor of a political response to the IRA. Consistent with little fear of firm relocations and a positive overall assessment of the IRA on national economies, experts in South and Central America see no need for political action. While experts from large parts of Africa and Asia are similarly hesitant to recommend countermeasures, a majority of experts from North Africa, the Gulf states, and India are in favor of economic policy measures that respond to the IRA. Compared with the low expected impact of the IRA on the domestic economies of these countries, the strong demand for countermeasures in this group of countries stands out noticeably.

**Figure 15: Do You Think Your Country Should Launch Economic Policy Measures to Cope with the Impact of the IRA on the National Economy? (By Region)**



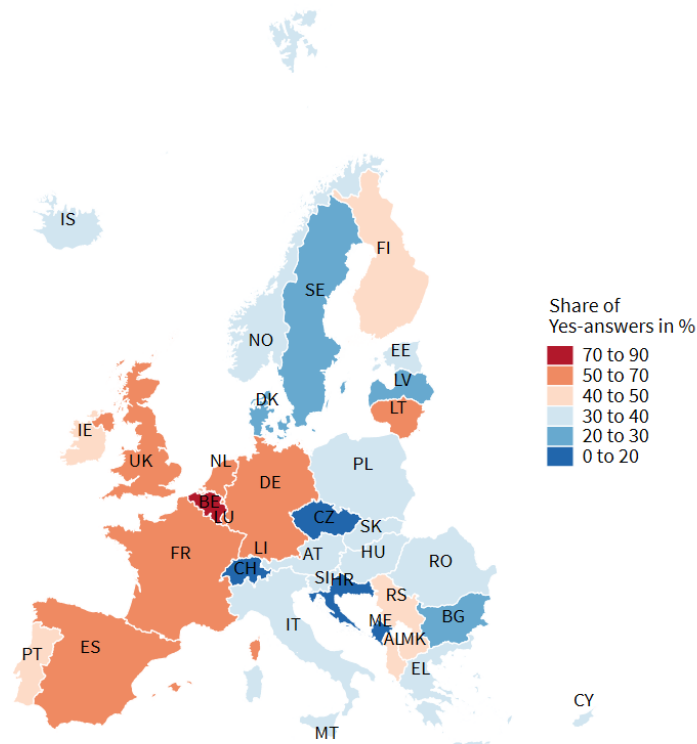
Source: Economic Experts Survey Q1 2023.

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Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA). The figure shows the mean values of the averages of the respective countries in the regions.

**Results for Europe:** With the exception of Canada, demands for political responses to the IRA are strongest in Europe. Looking at the individual countries in Europe, Figure 16 reveals substantial differences between Eastern and Western Europe. In Western Europe, a large majority of experts is in favor of economic policy measures to tackle the impact of the IRA on their national economies. Support is particularly strong in Germany, France, the United Kingdom, and Spain, with Belgium showing the highest level of support at 77%. In Eastern European regions, in contrast, experts are much more hesitant to recommend countermeasures.

**Figure 16: Do You Think Your Country Should Launch Economic Policy Measures to Cope with the Impact of the IRA on the National Economy? (Europe)**



Source: Economic Experts Survey Q1 2023.

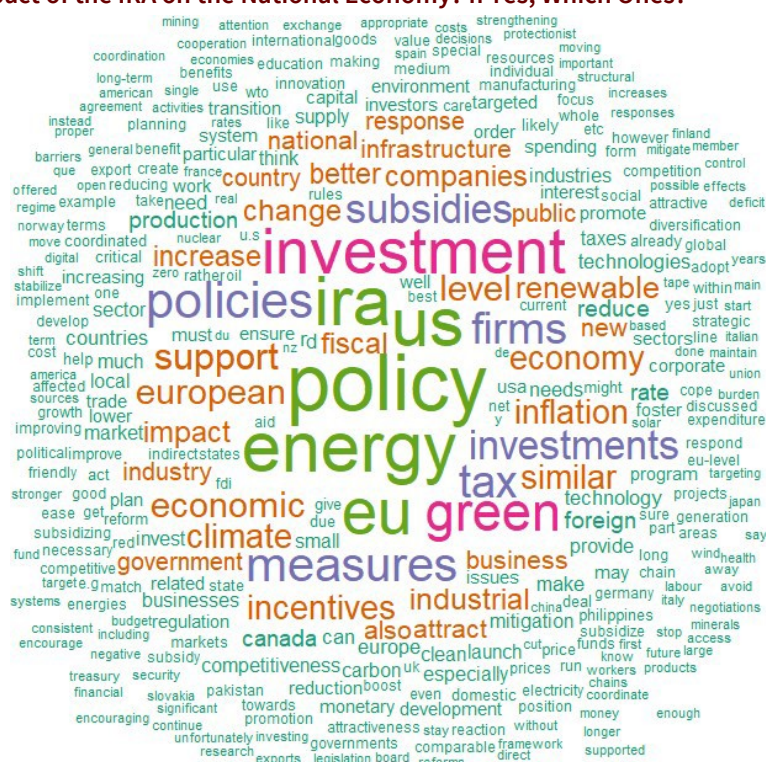
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Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

### 5.1.5 Nature of Economic Policy Countermeasures

Which type of policy response do the experts have in mind? To find out the nature of the recommended economic policy countermeasures, our survey contains open-ended questions which the experts answer in open text fields. This type of question gives participants the opportunity to share their views and economic policy recommendations in their own words. One advantage of open-ended text questions is that participants are not influenced by predefined answer options.

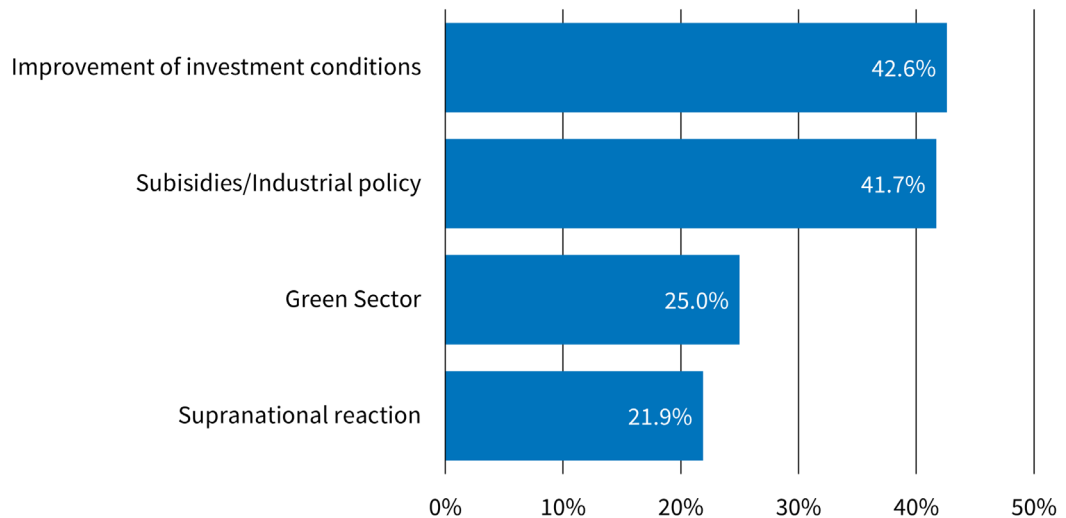
mining attention exchange appropriate costs strengthening  
cooperation international goods value decisions protectionist



Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA). The figure shows the words mentioned by participants in free-text responses to the question of which economic policy countermeasures they favor. The size of the words corresponds to the relative frequency of the word in the responses.

A first look at the experts' assessment is provided by a word cloud that visualizes the word used in experts' answers (Figure 17). The size of the words is proportional to the frequency of words mentioned in the free-text answers. In accordance with the objective of the IRA (about which we informed the participants at the beginning of the survey), words like “investment” and “energy” are frequently used. However, the word cloud also provides a first insight into proposed countermeasures. For example, terms such as “subsidies”, “infrastructure”, “industry” or “industrial”, and references to the EU clearly stand out.

**Figure 18: Experts' Policy Recommendations for Action**



Source: Economic Experts Survey Q1 2023.

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Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA). Manual coding of open-ended responses. Categories: 1) Subsidies/industrial policy 2) Improving investment conditions 3) Responses referring to the “Green Sector” and 4) Responses referring to a supranational response.

To classify the responses and to provide a systematic overview over the recommended policies, we manually code the answers into the following categories: (1) Subsidies/industrial policy (2) Improvement of investment conditions (3) answers referring to the “green sector” and (4) answers referring to a supranational response. The answers are coded in multiple categories, e.g., if participants are in favor of improved investment conditions and subsidies.

Figure 18 shows the results of the categorization. With a total of 42.6% of the responses, most experts are in favor of improved investment conditions. Often mentioned, for example, is the reduction of bureaucracy for foreign direct investments (FDIs). An active industrial policy or subsidy programs similar to those included in the IRA is recommended by 41.7% of the participants. Industrial policy is particularly recommended for critical areas such as battery production or the industrial sector that produces environmentally friendly technologies. This is also reflected in the fact that 25% of the answers show a direct reference to the “Green sector”.

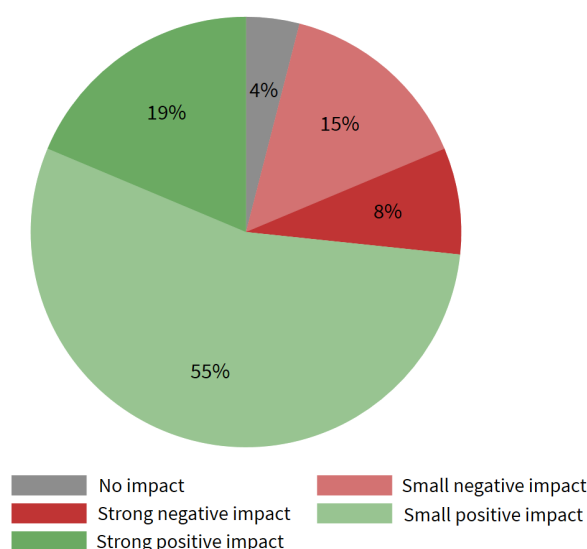
Around 22% of the participants refer to a supranational response to the IRA in their answers. This proportion is particularly high in Europe: Overall, 34.2% of European experts favored a supranational response to the IRA.

The low proportion of experts considering trade measures is striking. Only a total of 8 experts referred to trade measures in their answers (e.g., trade agreements with the United States).

In Germany and France, two countries in which experts assume a particularly negative effect of the IRA, participants are also disproportionately calling for countermeasures. In Germany, about half of the participants call for subsidies to support the domestic economy. The fraction of experts that recommend subsidies is even higher in France (75%). In both cases, the call for subsidies is accompanied by the demand for a supra-national response.

## 5.2 Results for the United States

**Figure 19: How Large Do You Think Will Be the Impact of the IRA on the U.S. Economy?**



Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

The explicitly stated goal of the IRA is to promote the expansion of renewable energy with an accompanying increase in economic output in the United States. Although previous studies calculated the national effect of the IRA for the United States (Mulligan, 2022; Huntley et al., 2022; Zandi et al., 2022), they differ significantly in their conclusions. To obtain a broader picture about the economic impact of the IRA in the United States, we surveyed U.S. experts separately on the impact of the IRA (Figure 19).

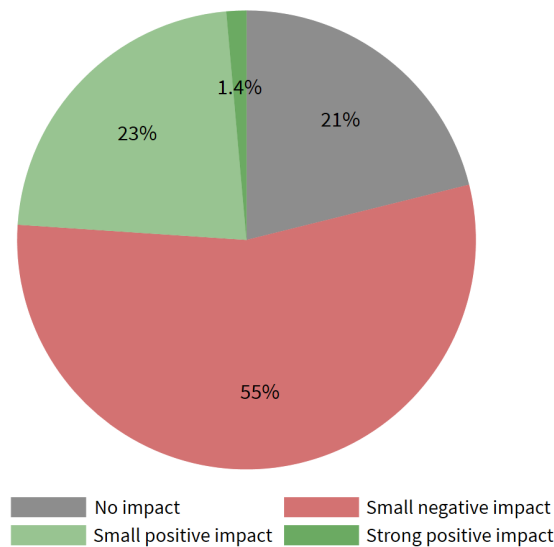
Almost three quarters of the participants expect the IRA to have a positive effect on the U.S. economy. However, the majority of the optimistic U.S. experts only expect a slightly positive effect (Fig. 21). Among the pessimistic responses, 8% see a strongly negative effect and 15% a slightly negative effect. Very few of the respondents tend to assume that the IRA will not have an impact on the U.S. economy.



## Conclusion

When asked to what extent the IRA will affect the economic performance of the United States' trading partners, the experts are very much in agreement (Figure 20). With 55%, a majority of the participants expect a (slightly) negative effect of the IRA on the economies of their trading partners. Only a quarter of the participants sees positive effects of the IRA on the economies of trading partners. The remaining 21% of participants expect no effect on trading partners.

**Figure 20: To what extent do you think will trade partners of the US be affected by the IRA?**



Notes: The figure shows responses collected in the Economic Experts Survey (EES) of the ifo Institute and the Institute for Swiss Economic Policy (IWP) in Lucerne as part of a special module on the U.S. Inflation Reduction Act (IRA).

## 6 Conclusion

This study provides a first assessments by renowned economic experts from over 130 countries on the impact of the IRA on their home countries.

Globally, the IRA does not worry economic experts. Neither do the experts worldwide perceive the IRA as significant in the public debate in their home country, nor do they fear a major impact on their domestic economy or that firms will leave their countries. Yet 41% of participants would like to see economic policy countermeasures on the IRA.

In Europe, however, experts are very much sensitized by the IRA. This is particularly the case in France and Germany. The IRA plays an important role in the country's public debate, effects of the IRA on the domestic economy are expected to be substantial, and firms are expected to leave. Especially in France, a country with a decades-long history of active industrial policy, subsidies are primarily called for in response to the IRA.

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