



Basis Points – August 9, 2022

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Above the Fold

What's Really in the “Inflation Reduction Act”?

A new bill dubbed the “Inflation Reduction Act” has passed the Senate and will now move to the House and eventually to the President. But while the name is very vague as to its specific policies, it is important that Americans understand what the bill contains. While observing the contents of the bill will not reveal very clear measures to reduce inflation, what it does provide for is climate, health care and tax concerns.

The bill that was passed is a rather scaled-down version of its first iterations, but the compromises that led to this point have created a bill that aims to “tackle voters’ main economic concern” (inflation), by investing heavily into key sectors of the country. More than \$300 billion is slated to be invested in energy and climate reform, a number that represents the largest clean energy investment by the federal government in U.S. history. This is intended to support transportation and electricity generation projects with renewable energy infrastructure, as well as provide tax credits for electric vehicles and energy-efficient home renovations.

Prescription drugs are also a heavy focus, with the federal health secretary being allowed to negotiate the prices of key prescription drugs for Medicare each year. This negotiation will come into effect in 2026. The bill also moves to cap out-of-pocket prescription drug costs at \$2,000 a year for people on Medicare; however, this won’t take effect until 2025. One initiative that will be felt immediately is the extension of subsidies provided for the Affordable Care Act that have been estimated to keep premiums at \$10 per month or lower for most people covered through the exchange.

Finally, tax reform was a focal point, with a major piece of legislation establishing a 15% minimum tax for corporations making \$1 billion or more, which should bring in more than \$300 billion in revenue. Another talking point that is soon to develop over the coming weeks is the power extended to the IRS, as this bill allocates around \$80 billion to the department, which is more than six times their current annual budget. When viewing this bill in its entirety, Americans may not feel much effect in the near future (specifically around inflation), but in the coming years, more of the broad effects of this bill will begin to take shape.

Three Things

Amazon Wants to Help Clean Your House

Amazon is set to acquire iRobot Corp, maker of the Roomba robotic vacuum cleaner, in an all-cash deal worth about \$1.7 billion. This is in line with the vision of Amazon’s Senior Vice President Dave Limp, who in 2021 proclaimed, “In five to 10 years, we believe every home will have at least one robot that will become a core part of your everyday life.” While Amazon already has a growing lineup of smart devices, including their line of Alexa-enabled speakers and other electronics, along with Ring doorbells and security cameras, this will be the first major foray into consumer robotics solutions.

HBO Max Gets the Axe

While there is still time to enjoy your HBO Max subscription, you will want to be prepared for the summer of 2023, when the app will be officially terminated and replaced with a new service. This new service is reported to replace and combine the HBO Max and Discovery+ streaming services, as Warner Bros Discovery looks to utilize the superior infrastructure of the Discovery+ platform to support improved performance for their service going forward. This announcement was accompanied by fears of what that would mean for the future of projects slated for either platform, as the company also announced they would not be releasing their anticipated Batgirl film. Users found that many other HBO Max exclusive films were gone from the service as well, raising questions about Warner Bros Discovery's strategy moving forward.

Prices of This Popular Commodity Have Fallen for 50 Days Straight

After reaching record high prices in June, U.S. gas prices have fallen for 50 days straight. Last Tuesday, the average cost of a gallon of regular unleaded gasoline was recorded at \$4.19, which represents a 17% decrease from the yearly high of \$5.02 recorded on June 14. This decrease can be attributed to a lessened demand for oil across the globe, as well as data that suggests that Americans are driving less in response to these high prices. This decline in prices could continue, barring any major unforeseen complications or an escalation in the already tumultuous Russian invasion of Ukraine.

In the Know

One Wild Day at the White House

On this day in 1974, Gerald R. Ford was sworn in as the 38th President of the United States and became the first president who was appointed to the office, rather than elected. This is due to the fact that the sitting president, Richard M. Nixon, would resign that very same day, in another first for the White House. The famous image of President Nixon boarding a helicopter while flashing peace signs was taken on this day, as Nixon was entering the helicopter that would fly him and his family home to San Clemente, California.

Oddly enough, Ford also only had the position of vice president for eight months, as he replaced Spiro Agnew who had also resigned due to charges related to income tax evasion and political corruption. Meanwhile, Nixon resigned due to pressure from the nation concerning his connections and contributions to the Watergate scandal. President Ford would go on to pardon Nixon in September of that year, in an effort to move the country past its focus on Watergate.

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