



By: **Dani Rodrik**

# “One Big Beautiful Bill” – When Ideology Trumps Economic Interests



Among the disasters of US President Donald Trump's "One Big Beautiful Bill," one is particularly stinging for political economists. The bill radically **phases** out the clean-energy subsidies introduced during President Joe Biden's administration three years ago.

These subsidies were considered by many as immune to a change of presidents since they created new jobs and profit opportunities for firms in traditionally Republican-voting "red" states.

As allergic as the Trump-controlled Republican Party is to green policies, conventional wisdom went, it would not dare take away these benefits. But then it did.

Where did the conventional wisdom go wrong? Scholars who study how political decisions are made tend to focus on economic costs and benefits.

They reason that legislation that creates material gains for organized, well-connected groups at the expense of diffuse losses to the rest of society are more likely to be passed.

Many elements of Trump's bill are indeed well explained by this perspective: in particular, it engineers a dramatic transfer of income to the wealthy at the expense of the poor.

By the same token, legislation that creates concentrated losses for powerful economic interests is unlikely to make much headway.

This explains, for example, why raising the price of carbon, a requirement for fighting climate change but a big hit to fossil-fuel interests, has been a politically toxic non-starter in the US.

## Biden's green-energy program

Biden's green-energy program, the so-called Inflation Reduction Act (IRA), was **designed** to overcome this political obstacle. Instead of wielding a stick – carbon taxation – it offered carrots in the form of subsidies for solar, wind, and other renewables.

These incentives not only made the IRA possible; they were expected to prove durable. Even if Republicans regained power, the subsidies' beneficiaries would resist their removal.

In time, as the green lobbies strengthened, perhaps even a direct push against fossil fuels would become politically feasible.

These hopes have been shattered. The green lobbies did try to soften the bill's anti-IRA provisions, and they managed to delay the phasing out of wind and solar tax credits until mid-2026.

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Those who subscribe to the materialist version of political economy will find ways to rationalize the reversal. The regressive tax cuts for the rich required that revenues be found elsewhere.

So perhaps a less influential interest group was sacrificed for a more powerful one, or maybe three years were not enough for IRA subsidies to create a strong enough lobby in their favor.

As one advocate **put** it: "We'll never know, but if we'd had another four years for these manufacturing investments to take hold, it would be a lot harder for lawmakers to undo them."

## Ideology sometimes trumps material interests

Ultimately, though, these excuses ring false. We need to accept that ideology sometimes **trumps** material interests.

There can be little doubt that many Republican lawmakers voted against their constituents' economic interests. Some did so because they feared reprisals from Trump; others because they truly are climate skeptics and, like Trump, oppose anything that smacks of green activism.

Regardless, it was ideas about what is important and how the world works, rather than economic lobbies or vested interests, that prevailed.

There is a broader lesson here about political economy. Narratives can be as important as interest-group politics in gaining traction for a party's agenda.

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Those who have it can persuade people to make choices that seem to conflict with their economic interests.

In fact, interests themselves, economic or otherwise, are shaped by ideas. In order to figure out whether we gain or lose from a particular policy, we need to know how the policy will play out in the real world, and also what would happen in the absence of the policy.

Few among us have the ability or inclination to figure it out. Ideologies offer shortcuts to such complicated decision-making processes.

Some of these ideologies take the form of stories and narratives about how the world works. A right-wing politician, for example, might say "government intervention always backfires" or "elite universities produce knowledge that is self-serving and unreliable."

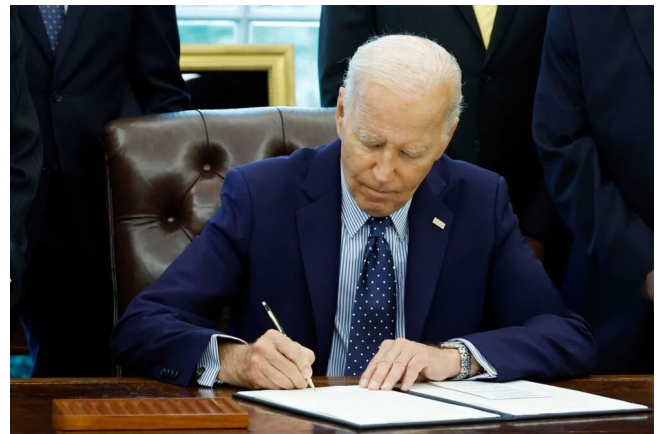
Others focus on increasing the salience of

various types of identities – ethnic, religious, or political. Depending on context, the message could be "immigrants are your enemy" or "Democrats are your enemy."

## A lesson for Trump's opponents

Importantly, the concept of "self-interest" itself relies on an implicit idea about who the "self" is: who we are, distinct from others, and what our purpose is.

These ideas are not fixed in nature or at birth. An alternative tradition in political economy views interests as socially constructed rather than determined by material circumstances.



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Depending on whether we identify as "white male," "working class," or "evangelical," for example, we will see our interests differently. As constructivists might say, "interest is an idea."

There is a lesson here for Trump's opponents. To succeed, they must do more than produce well-designed policies that yield material benefits for targeted groups.

Whether it is in fighting climate change, promoting America's national security, or creating good jobs, they need to win the larger battle of ideas, particularly the ideas that shape voters' understanding of who they are and where their interests lie.

Democrats, in particular, must recognize that the narratives and identities they promoted until recently left many ordinary Americans behind, just like the pre-Biden economic policies that contributed to the rise of Trump.

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