

UNITED STATES

GDP per capita continues to be among the highest in the OECD, mainly reflecting high labour productivity. A surge in labour productivity during the recent recession has increased the performance of US workers relative to the OECD average, but relative labour utilisation has declined. Health care and financial sector reforms have recently been enacted, but more needs to be done in the following areas.

Priorities supported by indicators

Improve primary and secondary education

Despite high levels of expenditures per pupil, international student test (PISA) scores are below the OECD average.

Actions taken: The Race to the Top fund offers competitive grants to encourage states to adopt education standards, improve student assessment, and strengthen teacher evaluations. The Blueprint for Elementary and Secondary Education Act (ESEA) reform includes measures to improve early education.

Recommendations: Improve teacher education and development using evidence on approaches that have proven to be effective in raising student achievement. Strengthen schools' accountability for student progress.

Improve the efficiency of the health care sector

Total health care expenditures are high and rising quickly. There is considerable scope to improve the efficiency of the system.

Actions taken: The 2010 health reform expands coverage and pays for it through health expenditure savings and additional taxes. The reform includes measures to reduce expenditure in the long term but there is much uncertainty about their effects.

Recommendations: Congress should not override the Medicare expenditure restraints in the 2010 reform. Medicare provider payment reforms that prove to be successful in pilot tests should be adopted. The health tax exclusion (i.e. the exclusion from taxable income and payroll tax of compensation in the form of health insurance cover) should be limited further than planned to reduce incentives to buy health plans with little cost sharing.

Improve the efficiency of the tax system

Large inefficient tax expenditures and a relatively low reliance on consumption taxes increase the excess burden of taxation.

Actions taken: No action taken.

Recommendations: Broaden the tax base by reducing the value of the mortgage-interest deduction on owner-occupied housing and limiting the health tax exclusion. Shift the weight of taxation from personal income towards consumption-based taxes such as a VAT.

Other key priorities

Reduce agricultural subsidies

Higher prices have reduced agricultural subsidies as a share of gross farm receipts further below the OECD average, but significant subsidies in the form of import restrictions and price support remain.

Actions taken: No action taken.

Recommendations: Reduce support for agricultural producers – notably tariffs on imported ethanol and sugar – and dairy price supports.

Strengthen policies to promote social mobility

Intergenerational mobility in the United States is notably lower than in most other OECD countries with data. Lower mobility may undermine the allocation of human capital across the economy and thereby reduce productivity.

Actions taken: The Administration has set an ambitious goal to increase the share of college graduates. The Blueprint for ESEA Reform, the Race to the Top fund, and the Investing in Innovation fund all provide incentives for states to raise student achievement in low-achievement schools.

Recommendations: Improve equality of opportunity in education by increasing participation in early childhood education, increasing the socio-economic mix of students in schools, giving schools incentives to reduce the impact of socio-economic backgrounds on outcomes, reducing the large disparities in funding per student across schools, and reducing financial barriers to participation in tertiary education. Reduce childhood poverty.

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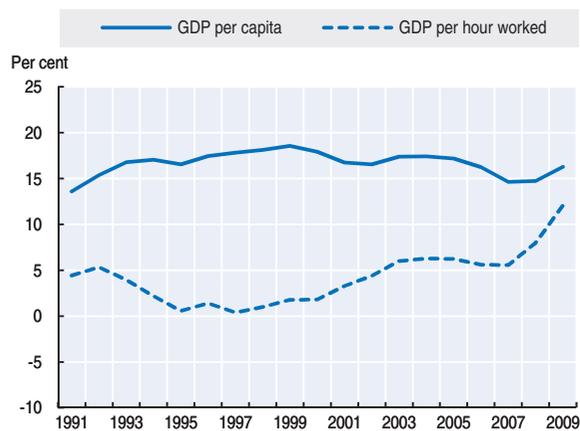
Structural indicators

Average annual trend growth rates, per cent

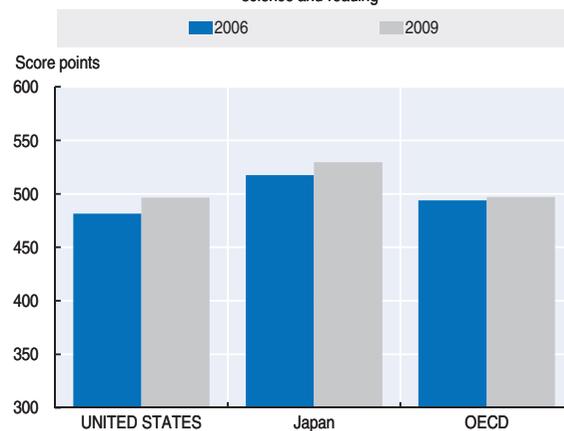
	1999-2009	1999-2004	2004-09
GDP per capita	1.5	1.8	1.2
Labour utilisation	-0.4	-0.3	-0.6
of which: Employment rate	-0.3	-0.1	-0.4
Average hours	-0.2	-0.2	-0.2
Labour productivity	1.9	2.1	1.7
of which: Capital intensity	1.2	1.3	1.1
Multifactor productivity	0.7	0.8	0.7

Source: Estimates based on OECD (2010), OECD Economic Outlook No. 88: Statistics and Projections Database.

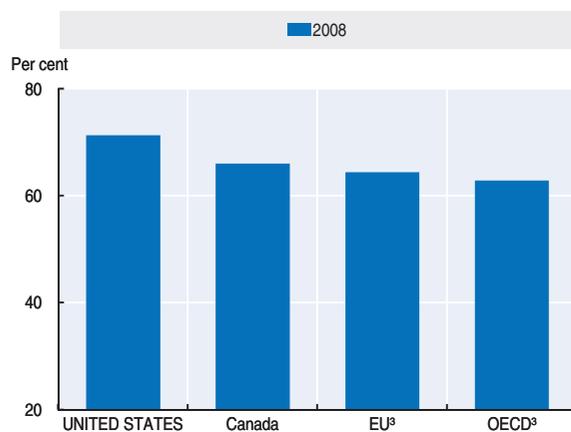
A. The positive gap in GDP per capita persists
Gap to the upper half of OECD countries¹



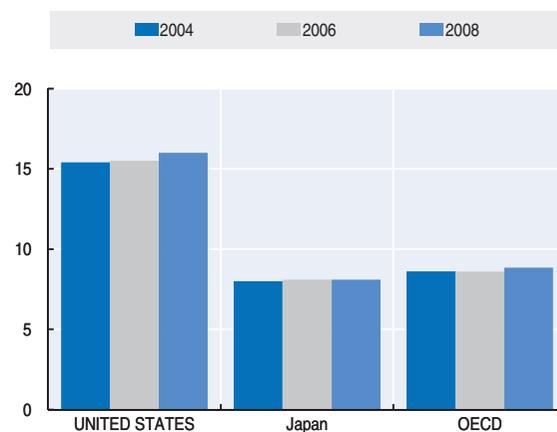
B. Secondary educational performance is fairly poor
Average of PISA scores in mathematics, science and reading²



C. Taxation is skewed towards direct taxes, 2008
Share in the total revenue



D. Health expenditure is very high and has risen
Percentage of GDP



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs).
2. For the United States average in mathematics and science only in 2006.
3. Average of European countries in the OECD. EU and OECD averages exclude Chile, Estonia, Israel and Slovenia.

Source: Chart A: OECD, National Accounts and OECD Economic Outlook No. 88 Databases; Chart B: OECD, PISA 2009 Database; Chart C: OECD, Tax Revenue Database; Chart D: OECD, Health Database.

StatLink  <http://dx.doi.org/10.1787/888932374369>