

UNITED STATES

Priorities supported by indicators

Improve primary and secondary education (2005, 2007, 2009)

Recommendations: Complete implementation of “No Child Left Behind” and extend its framework to upper-secondary education. Pressures to lower performance standards should be resisted and students at under-performing schools should be free to choose alternative schools.

Actions taken: “No Child Left Behind” (enacted in 2002) was re-authorized in 2007. The Administration is committed to helping states strengthen their school assessment and accountability systems so that they provide information about the progress of individual students, and to improving the quality of early childhood education. The American Recovery and Reinvestment Act 2009 provided funding to support these objectives.

Restrain health care costs (2005, 2007, 2009)

Recommendations: Require community-rated and guaranteed issue policies and make health insurance compulsory. Introduce means-tested subsidies to help low-income persons afford health insurance. Cap or terminate the open-ended tax exclusion for employer-provided health insurance. Reduce cost per enrollee under Medicare.

Actions taken: The 2003 Medicare legislation increased competition and efficiency in health care delivery, but also included an expensive expansion of prescription drug benefits. The State Children’s Health Insurance Program, which provides free health insurance cover for children in low-income families, was renewed and expanded in February 2009. Legislation before Congress establishes state-based exchanges for individual health insurance policies, requires them to be issued on a community-rated and guaranteed-issue basis, provides means-tested subsidies for their purchase, makes health insurance coverage compulsory, and penalises employers that do not provide health insurance benefits.

Reduce producer support to agriculture (2005, 2007, 2009)

Recommendations: Reduce support for agricultural producers, notably tariffs on imported ethanol, and decouple support from specific inputs or outputs.

Actions taken: The Food, Conservation and Energy Act of 2008 was a backward action, as it maintained the existing agricultural subsidies through 2013 and provided new incentives for the local production of cellulosic biofuels. However, the Administration intends to cut direct payments to large farms and reduce other subsidies.

Other key priorities

Reform the tax system (2005, 2007, 2009)

Recommendations: Broaden the tax base and shift the weight of taxation from personal income towards consumption-based taxes, *inter alia* by raising current low taxes on carbon-based energy use.

Actions taken: No action has been taken but the Administration plans to limit itemised deductions for high-income earners so as to reduce the budget deficit. Legislation before Congress to cap greenhouse gas emissions would price carbon emissions more widely and yield revenue from the sale of emission permits if enacted.

► Improve and streamline financial regulation (2009)

Recommendations: Improve and streamline the regulatory framework to make it more unified and comprehensive. Systemically, important financial institutions should be subject to strict and conservative prudential standards. Housing financing should be gradually turned over to a well-regulated private sector.

Actions taken: No action has been taken but the Administration has proposed an overhaul of financial supervision and regulation.

Reform disability benefits (2007)

Recommendations: Tighten eligibility criteria for the disability insurance system.

Actions taken: No action taken.

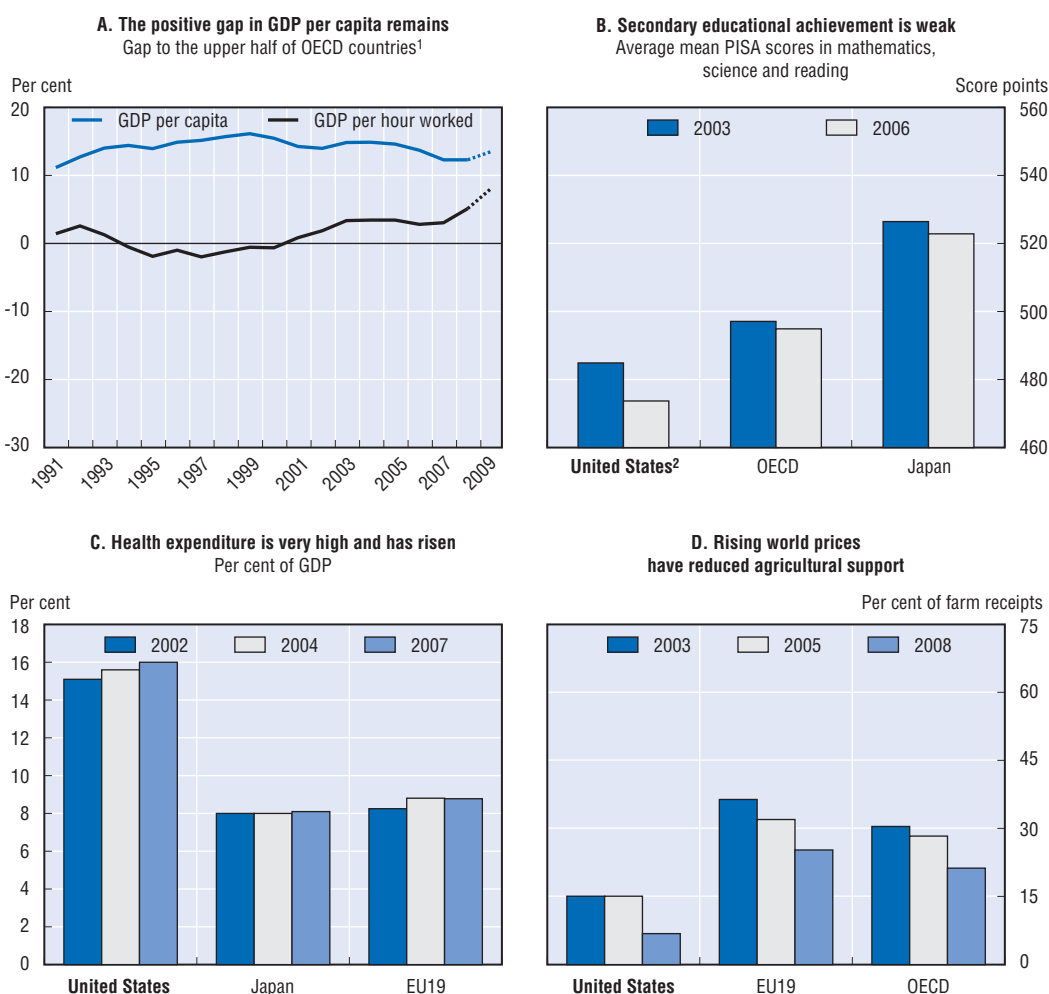
Continue corporate governance and accounting reforms (2005)

Recommendations: Promote transparency and accountability in corporate governance and accounting.

Actions taken: No action taken but the Administration intends to strengthen investor protection, especially in the financial sector.

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- GDP per capita has declined somewhat relative to the upper half of OECD countries owing to declining labour utilisation, but remains high. Labour productivity has grown at a rapid pace relative to most other OECD countries and is also high. Income inequality is high and rising.
- In key priority areas, some minor efforts have been undertaken to contain health care costs and reduce agriculture support, leaving ample scope for further reforms. This also applies in education. The health care reform before Congress and the Administration's financial regulation reform plans should be swiftly implemented.



1. Percentage gap with respect to the simple average of the upper half of OECD countries in terms of GDP per capita and GDP per hour worked (in constant 2005 PPPs). The gaps for 2009 are OECD estimates, based on the OECD Economic Outlook, No. 86.
2. Average in mathematics and science only in 2006.

Source: Chart A: OECD, National Accounts and Economic Outlook 86 Databases; Chart B: OECD, PISA 2003 and 2006 Databases; Chart C: OECD, Health Database; Chart D: OECD, Producer and Consumer Support Estimates Database.

StatLink  <http://dx.doi.org/10.1787/786611566183>