

UNITED STATES

Labour productivity has accelerated significantly since the mid-1990s from an already high level, while employment rates have remained high.

Priorities supported by indicators

Restrain health care costs

With a renewed rise in cost pressures, health spending is likely to have absorbed 15½ per cent of GDP in 2004. This boosts non-wage labour costs and seems not to be fully reflected in current health outcomes.

Actions taken: The 2003 Medicare reform legislation included initiatives to introduce competition and increase efficiency in health care delivery, but these measures are not expected to offset the costs of introducing an outpatient prescription drug benefit.

Recommendations: Medicare reform should focus on reducing cost per enrollee to ensure long-term solvency. Address over-consumption of health services by promoting cost-conscious decisions (e.g. by rolling back the unlimited tax exclusion of employer-furnished health benefits and through individual health savings accounts).

Improve educational achievements at the primary and secondary levels

The outcomes of compulsory education are only average, despite much higher spending per pupil than in most other OECD countries, and there is evidence that the productivity of the education system has fallen.

Actions taken: The 2002 “No Child Left Behind” Act provided for testing, greater accountability, increased choice in public schooling and additional federal funding for schools in lower-income areas.

Recommendations: If the financial means or incentives provided by the Act prove to be insufficient to improve educational outcomes, further funding should be envisaged and other measures examined.

Reduce support to agriculture

While support to agricultural producers remains well below the OECD average, it is above the levels of the mid-1990s, and trade-distorting forms of support are still significant.

Actions taken: The 2002 Farm Act reversed the previously intended move toward liberalisation by both increasing support to farmers and doing so in a manner that is distorting production decisions.

Recommendations: Roll back the extra support given to farmers in the past few years, and reverse the recent move away from market-based outcomes. Ensure that the recent agreement on a framework for continuing the Doha trade round – including notably the commitment to eliminate export subsidies – results in reforms.

Other key priorities

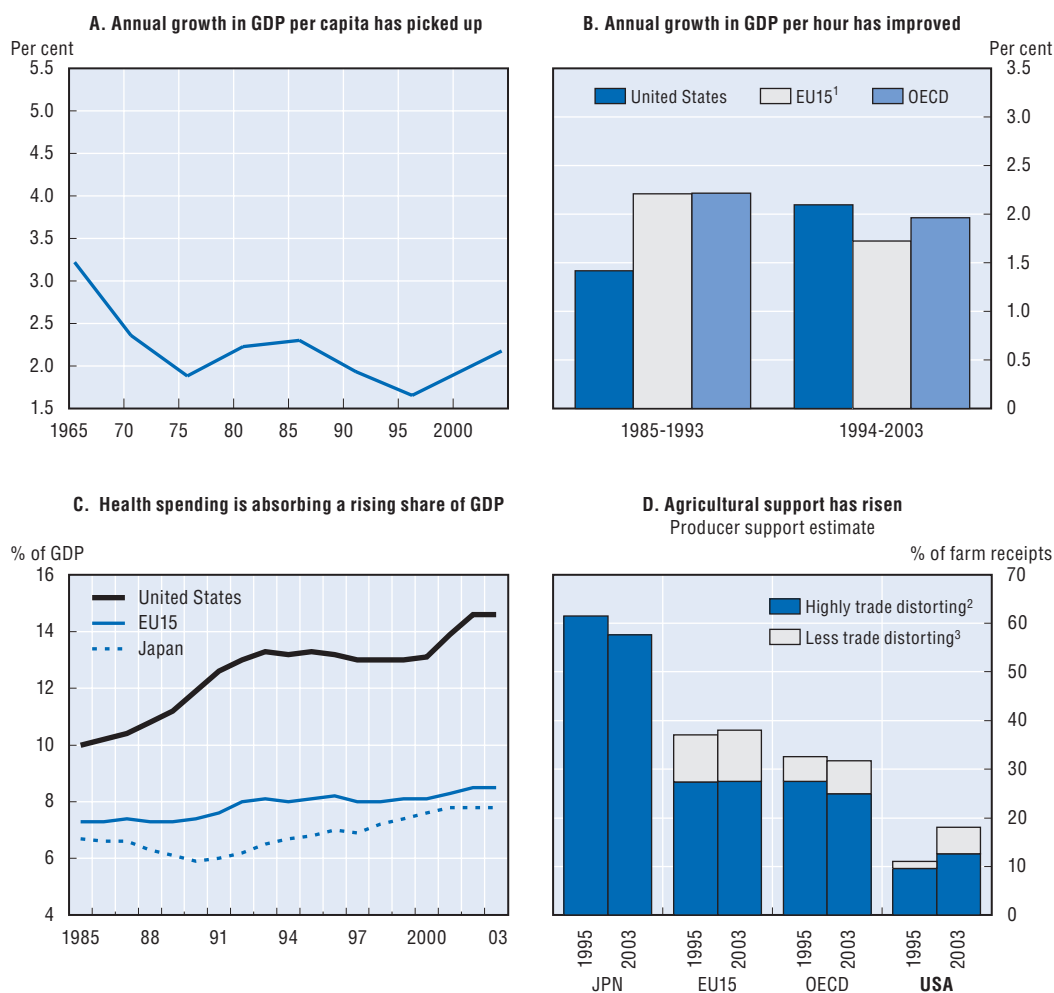
- Broaden the tax bases where exemptions create inefficiencies and move from personal income taxation toward a consumption-based tax system to encourage saving.
- Stand firm on promoting transparency and accountability in corporate governance and accounting. Eliminate the special status of government-sponsored housing finance companies.

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Structural indicators

	1990	1995	2000	2003
Trend GDP per capita (% growth rate)	1.7	2.0	2.1	1.8
Trend employment rate	71.6	73.7	74.2	71.5
Trend participation rate	76.1	77.9	78.1	75.1
Structural unemployment rate (NAIRU)	5.9	5.3	4.9	4.8

Source: Estimates based on OECD Economic Outlook, No. 76.



1. Excluding Austria and Luxembourg.

2. Market price support and payments based on output and input use.

3. Payments based on area planted/animal numbers, historical entitlements and overall farm income.

Source: Charts A and B: National Accounts of OECD Countries, 2004; OECD Labour Force Statistics, 2004; OECD Economic Outlook, No. 76; Chart C: OECD, Health database; Chart D: OECD, Producer and consumer support estimates database.