

UNITED STATES

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

Policy priorities

Restrain health care costs

Challenge and recommendations: To curb pressures on health spending and non-wage labour costs, it was recommended that Medicare reform should focus on reducing cost per enrollee and over-consumption of health services by rolling back the unlimited tax exclusion of employer-furnished benefits and through individual savings accounts.

Actions taken: No recent legislative action.

Improve educational achievements at the primary and secondary levels

Challenge and recommendations: To improve the outcomes of compulsory education, it was recommended that further funding be envisaged and other measures be examined, if the financial means or incentives provided by the 2002 No Child Left Behind Act prove to be insufficient.

Actions taken: The 2002 Act, which provides for nationwide annual testing, greater accountability and increased parental choice if public schools were found to be failing, is being implemented by the states.

Reduce support to agriculture

Challenge and recommendations: To strengthen market forces and reduce trade distortions, it was recommended that the move away from market-based outcomes implied by the 2002 Farm Act be reversed and that the extra support given to farmers in recent years be rolled back.

Actions taken: The Administration has proposed legislative changes to reduce assistance to farmers under the 2002 Farm Act. Other actions are pending the outcome of the Doha trade round.

Reform the tax system

Challenge and recommendations: To reduce inefficiencies and foster saving, broadening tax bases by curbing exemptions and moving from an income-based toward a consumption-based system were recommended.

Actions taken: The President appointed an Advisory Panel on Federal Tax Reform that made recommendations on how to improve the tax system in a revenue-neutral manner in November 2005.

Continue corporate governance and accounting reforms

Challenge and recommendations: To bolster financial market confidence, it was recommended that the authorities stand firm on promoting transparency and accountability in corporate governance and accounting and that the special status of government-sponsored housing enterprises be eliminated.

Actions taken: The implementation of the 2002 Sarbanes-Oxley Act has continued. The government has proposed reforms to avoid under-funding of private defined-benefit pensions.