

UNITED STATES

Material living standards are high on average, and trend growth remains strong despite indications of a slowdown. Nevertheless, further efficiency gains can be achieved in several areas.

Policy priorities

Improve primary and secondary education

Challenge and recommendations: To lift school performance, it was recommended that schools be made accountable for results, students at under-performing schools be free to choose other schools and pressures to lower students' performance standards be resisted.

Actions taken: No action taken since the 2002 "No Child Left Behind Act", which aims to raise standards, increase accountability and facilitate choice, and which is being implemented by the states.

Restrain health care costs

Challenge and recommendations: To reduce the overuse of health services, it was recommended that the current open-ended tax deductibility of health insurance premiums be limited. To ensure the long-term solvency of Medicare, it was recommended that reform should focus on reducing cost per enrollee.

Actions taken: The administration's 2008 Budget proposed a standard deduction for health insurance, which would cap the tax exemption of employer health insurance premiums and a downward adjustment in Medicare provider payments, encouraging providers to take advantage of new technologies.

Reduce agricultural subsidies

Challenge and recommendations: To strengthen market forces and reduce trade distortions, it was recommended that subsidies for agricultural producers be reduced and not tied to specific inputs or outputs.

Actions taken: The 2008 Budget proposed a reduction in farm subsidies, in particular by tightening both payment limits and eligibility requirements for higher income producers. To reduce greenhouse gas emissions, the administration has proposed to change mandatory fuel standards to increase the share of renewables in overall fuel use, with the aim of displacing 15% of projected gasoline use by 2017. This will put upward pressure on prices of agricultural products.

Reform the tax system

Challenge and recommendations: To reduce distortions and discourage pollution, it was recommended that the tax base be broadened and that personal income tax be reduced and replaced with taxes on consumption, especially of carbon-based energy.

Actions taken: No action taken.

Reform disability benefits

Challenge and recommendations: Given that rising replacement rates and relaxed eligibility conditions are encouraging many workers to leave the labour force, it was recommended that disability insurance be made less generous and more selective.

Actions taken: No action taken.