

UNITED STATES

- The advantage in GDP per capita relative to the upper half of the OECD has been persistent while narrowing somewhat during the financial crisis. In large part the positive gap has been driven by strengthening labour productivity whereas falls in labour force participation have been acting on the opposite direction.
- Important reforms in the areas of healthcare, education and activation policies are being implemented. Mixed progress has been made in the areas of agriculture and tax reform.
- Growth will be supported by policies raising employment and human capital accumulation, reducing distortions in the tax system and agricultural support and raising the efficiency of the health sector.
- In addition to boosting productivity, improving access to high-quality education and helping the return to work of the unemployed would help reduce inequality.

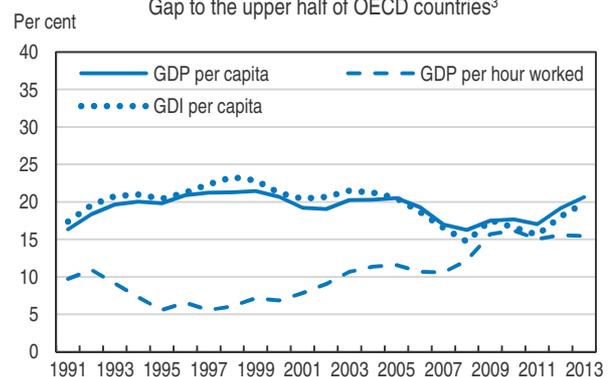
Growth performance indicators

A. Average annual trend growth rates

Per cent

	2003-08	2008-13
Potential GDP per capita	1.3	0.9
Potential labour utilisation	-0.4	-0.5
<i>of which:</i> Labour force participation rate	-0.2	-0.5
Employment rate ¹	0.0	0.0
Trend employment coefficient ²	-0.3	-0.1
Potential labour productivity	1.7	1.4
<i>of which:</i> Capital deepening	0.0	-0.3
Labour efficiency	1.6	1.5
Human capital	0.1	0.1

B. The positive gap in GDP per capita persists

Gap to the upper half of OECD countries³

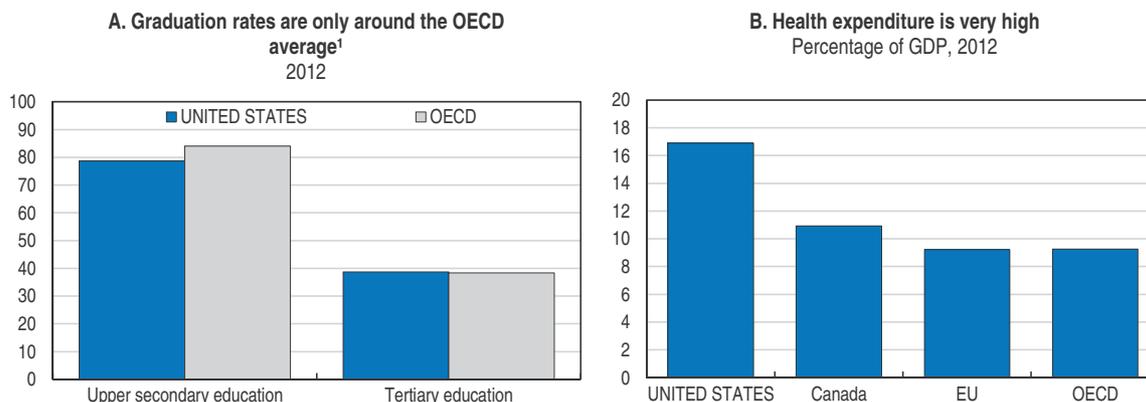
1. The employment rate is defined with respect to the economically active population; a positive growth rate corresponds to a decline in the structural unemployment rate and vice versa.
2. This adjustment variable is added to the decomposition to capture the impact of non-resident workers.
3. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita, GDP per hour worked and GDI per capita (in constant 2005 PPPs).

Source: Panel A: OECD, *Economic Outlook 96 Database*. Panel B: OECD, *National Accounts and Productivity Databases*.

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Policy indicators



1. First-time graduation rates for typical age at upper secondary level and at tertiary-type A level.

Source: Panel A: OECD (2014), *Education at a Glance 2014: OECD Indicators*, OECD Publishing, <http://dx.doi.org/10.1787/eag-2014-en>. Panel B: OECD, Health Database.

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Going for Growth 2015 priorities

Priorities supported by indicators

Strengthen active labour market policies. Enhanced activation programmes would help reduce unemployment persistence and the incidence of long-term unemployment. More effective disability programmes would raise labour force participation.

Actions taken: In 2013, the third round of the Trade Adjustment Assistance Community College and Career Training grants programme supported partnerships between community colleges and businesses to (re)train the unemployed as well as underemployed workers. In 2014, support was provided to “Ready to Work” partnerships that support public-private efforts to put the long-term unemployed back to work. The 4th round of the Disability Employment Initiative launched in 2013 seeks to improve education, training and employment opportunities.

Recommendations: Continue to broaden and enhance activation measures, such as training. Support for adult training should aim to strengthen quality assurance and establish better links to local employers. Expand successful pilot programmes conducted under the Disability Employment Initiative.

Improve the efficiency of the health care sector. Healthcare spending is comparatively high and inefficient while coverage is low.

Actions taken: The continued roll out of the Affordable Care Act of 2010 in 2013 and 2014 included a number of programmes that act to improve quality and reduce costs in government health care provision as well as to facilitate greater risk pooling in the individual and small-group market.

Recommendations: Continue to conduct pilot programmes of Medicare provider payment systems, assessments of the comparative effectiveness of prescription drugs and research by the Patient Centred Outcome Research Institute. Ensure that cost-saving measures identified by research and in the pilot programmes are rolled out and their impact monitored. Monitor developments in coverage.

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Improve the efficiency of the tax system. Numerous exemptions to corporate and personal income tax distort economic activity and are often regressive.

Actions taken: Since the FY2013 budget, the values of tax claims for tax deductions and exclusions for personal income taxation has been limited to 28%.

Recommendations: Cut the statutory marginal corporate income tax rate and broaden its base to reduce the incentive to shift business activity to non-corporate forms. Act towards rapid international agreement and take measures to prevent base erosion and profit shifting. Eliminate regressive exemptions such as mortgage interest deductions for owner-occupied housing. Simplify eligibility procedures for numerous (and often changing) tax provisions. Reduce record keeping requirements when the tax authorities already possess the underlying information from other sources with a view to lower the cost of tax compliance and raise the efficiency of taxation. Increase reliance on consumption and environmental taxation.

Other key priorities

Improve equality of opportunity and outcomes in education. A more inclusive education system would foster gains in productivity and income.

Actions taken: The Bipartisan Student Loan Certainty Act of 2013 bases interest rates for new Federal Direct Student Loans on long-term treasury bonds. The Preschool for All initiative aims to increase access to preschool education for 4-year olds.

Recommendations: Expand effective targeted pre-school initiatives such as Head Start, Early Head Start and evidence-based home visiting programmes. Ensure states meet quality standards to receive federal support, including requiring pre-school teachers to have the required skills and competencies. Support the adoption and introduction of common core standards in primary and secondary education.

Reduce producer support to agriculture. Producer support to agriculture distorts trade and production, leading to inefficiencies and damping productivity.

Actions taken: The Agriculture Act of 2014 introduced a number of reforms, notably eliminating a number of fixed annual payments based on historical production and modifying the cotton support regime to reduce production and trade distortions. However, the reforms also introduced new crop insurance options, which act like production-related subsidies.

Recommendations: Continue to reduce production-related subsidies (including the subsidised crop insurance programmes) and the remaining agricultural-produce import barriers.

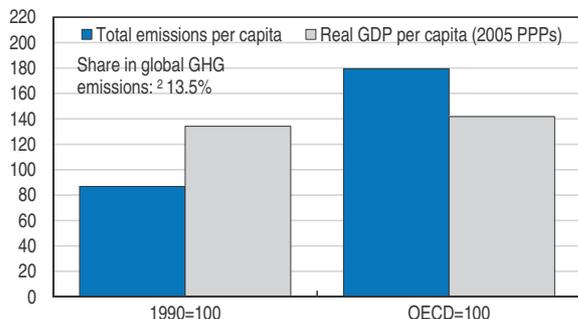
Reform areas no longer considered a priority in *Going for Growth*

For the United States, all priority areas from the 2013 issue of *Going for Growth* are maintained.

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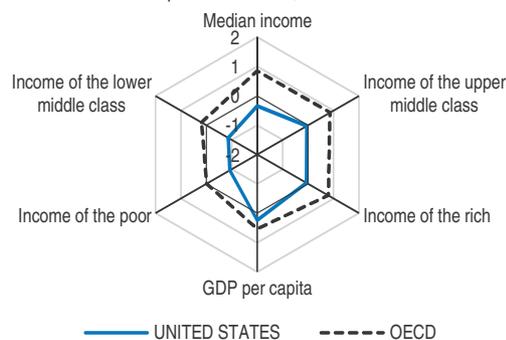
Beyond GDP per capita: Other policy objectives

A. Emissions per capita are below the 1990 level but well above OECD average
Average 2008-12¹



B. Household real income, especially among the poor fell while GDP per capita increased³

Average annual growth rate in real household disposable income, 2005-11⁴



1. Total GHG emissions including LULUCF in CO₂ equivalents (UNFCCC). The OECD average (excluding Chile, Israel, Korea and Mexico) is calculated according to the same definition.
2. Share in world GHG emissions is calculated using International Energy Agency (IEA) data.
3. Household income across the distribution is measured by income standards with varying emphasis on different points of the distribution – from the low to the top-end of the distribution. See methodological notes at the end of the chapter for the computation of household income across the distribution.
4. Data refer to 2005-12 for the United States.

Source: Panel A: OECD, *National Accounts and Energy (IEA) Databases*; and United Nations Framework Convention on Climate Change (UNFCCC) Database. Panel B: OECD, *National Accounts and Income Distribution Databases*.

StatLink  <http://dx.doi.org/10.1787/888933178879>