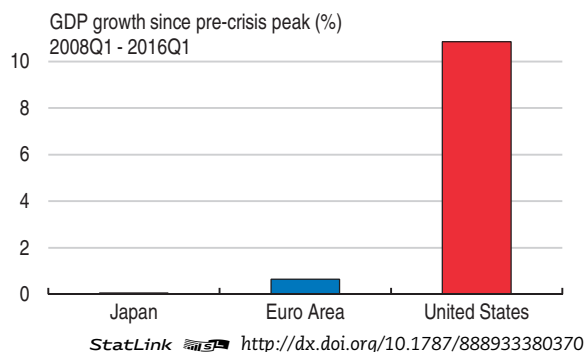


## Executive summary

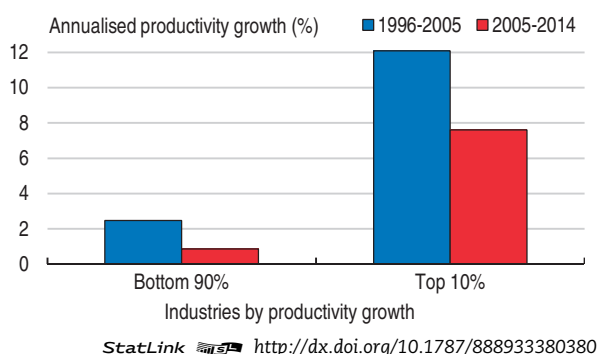
- *The US economy has rebounded from the crisis*
- *Productivity has slowed in most industries*
- *Income inequality continues to increase*

## The US economy has rebounded from the crisis



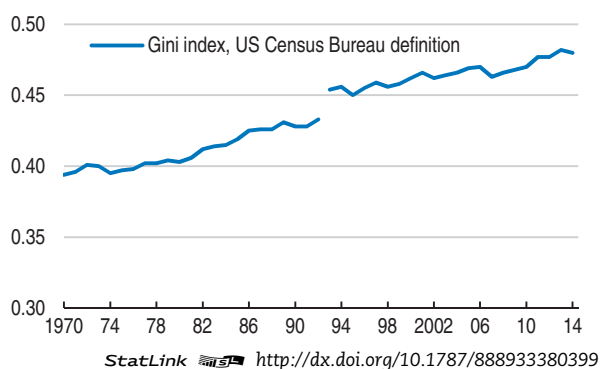
Seven years after the financial crisis, the US economy has rebounded: output has surpassed its pre-crisis peak by 10%, robust private-sector employment gains have sharply reduced unemployment, fiscal sustainability has been largely restored and corporate profits are high. The short-term outlook is for further growth near potential (albeit crisis-reduced at about 2%), where well-designed investments in infrastructure, skills and green growth would contribute to a more robust and sustainable expansion.

## Productivity has slowed in most industries



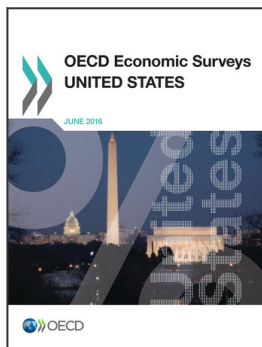
Productivity growth has been sluggish recently in most sectors of activity, even in “frontier firms” of industries such as ICT and pharmaceuticals. Should it persist, slow productivity growth will create challenges, notably for addressing income inequality, welfare promises, raising standards of living and investment incentives. Restoring the traditional dynamism of the American business sector may be one way to boost productivity growth. This requires competitive market forces, skilled and mobile workers and policies to promote innovation.

## Income inequality continues to increase



While growth has rebounded, it remains unequally distributed across socioeconomic groups. Income inequality continues to increase, women typically receive lower salaries than men, and some groups are disadvantaged in the labour market with little prospect to return to work, notably those with criminal records. Children of poor families often lack the opportunity to do better than their parents because they do not have access to high-quality schools and tend to drop out of college. For those lacking skills demanded by employers, vocational training and continuing education have had mixed results.

POLICY CHALLENGES	KEY RECOMMENDATIONS
<b>Rebalancing the policy mix</b>	
Weak global growth and fiscal consolidation are weighing down on prospects.	Boost public investment spending with long-term benefits: infrastructure, skills, innovation, health and environmental protection.
Monetary policy is overburdened	Raise policy interest rates at a pace that gradually tightens financial conditions so as not to jeopardise the recovery and to promote a return of inflation to the Fed's target.
Systemic financial risks remain	Continue to implement Dodd Frank and Basel III requirements.
Incomplete financial exchange may enable tax evasion	Implement the OECD Common Reporting Standard on automatic exchange of financial account information
<b>Strengthening productivity growth</b>	
The poor state of infrastructure is holding back productivity and contributing to pollution and congestion.	Boost investment in, and maintenance of infrastructure; in particular, promote mass transit. Use federal programmes to encourage co-ordination across State and local jurisdictions.
Business dynamism and entrepreneurship have weakened, harming productivity	Make R&D tax credits refundable for new firms. Ensure personal bankruptcy procedures do not undermine incentives for entrepreneurship. Continue to speed up patenting decisions in line with targets without compromising patent quality.
Incumbents have acquired more market power	Adapt antitrust policy to new trends in digitalisation, financial innovation and globalisation. Strengthen compliance with merger remedies. Continue to strengthen pro-competitive policies, including in telecoms. Use federal funding to remove unnecessary occupational licensing requirements and make others more easily portable across States.
<b>Making growth more inclusive and sustainable</b>	
Children from poor families lack the opportunity to do better than their parents.	Use federal funding for targeted programmes to reduce disparities in student opportunities and encourage states to be ambitious in lifting educational attainment
Women's opportunities will improve further, but the pace could be faster	Require paid parental leave and improve access to quality childcare to help reduce wage gaps and improve career prospects.
Reduce social and racial inequalities	Expand the Earned Income Tax Credit and raise the minimum wage. Make tax expenditures less regressive. Continue to roll out the Affordable Care Act.
With population ageing, helping displaced workers is gaining importance COP21 and SDG goals to reduce carbon emissions risk being missed	Reduce pre-screening for employment on criminal records Develop reskilling programmes with established effectiveness in helping people back to work. Work towards putting a price on carbon, such as by implementing the proposed \$10 per barrel tax on oil and the Clean Power Plan.



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