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**Statement by Mr. Bevilaqua, Mr. Saraiva, and Mr. Barroso on United States  
(Preliminary)  
Executive Board Meeting  
July 19, 2021**

We thank staff for the detailed and insightful report and Mrs. Shortino and Mr. Sturm for their informative statement. We broadly agree with staff's assessment on the outlook and risks and take note that fiscal and monetary policies are consistent with previous IMF policy advice, providing much needed support for the recovery. The ambitious policy program also attempts to lay the foundation for sustainable and inclusive growth and has generated consequential positive spillovers for the global economy. At the same time, while the U.S. continues to play a crucial role in supporting the global recovery, close monitoring of developments and underlying risks is warranted.

**A robust recovery underpinned by strong and sustained policy support and a successful vaccination strategy is under way in the United States.** With mobility increasing on par with immunization, economic activity in different sectors is safely resuming or surpassing pre-pandemic levels. The new administration's American Rescue Plan has much to its credit, as it doubled down on already large emergency support and funded a massive vaccination drive. The expectation of strong support for infrastructure (Jobs Plan) and labor force participation (Family Plan) has also contributed to the pickup in confidence levels. The accompanying tax package and the net growth effect should in principle mitigate the impact on indebtedness and ensure fiscal sustainability. Monetary policy embraced further accommodation as a built-in feature in its framework, adding complementary support. In a sense, policies have been so successful that overheating has become a meaningful tail risk. That said, the main downside risk in the outlook stems from the still lingering pandemic, with vaccination efforts running against new variants.

**We welcome the ambitious public spending plans, combined with the associated fiscal responsibility features.** As underscored by Ms. Shortino and Mr. Sturm, fiscal measures have been crucial to bolster the ongoing recovery, including with clear and positive global spillovers. On top of that, the proposed measures could prove instrumental to lift potential

growth in the medium run. We welcome the renewed engagement with the international community to reach agreement on corporate tax coordination, constraining profit shifting and base erosion, with important equity results. Progress in this area is a pre-requisite to implement a successful tax reform and secure at least partial funding for the planned discretionary spending. Indeed, the positive impact on growth and revenues of the envisaged policies translates into very low risks for fiscal sustainability. That said, the lack of domestic agreement on the fiscal package and the remaining coordination hurdles for the international implementation of corporate tax plans add uncertainty to the scenario.

**We take note that staff assumes full implementation of all fiscal plans in its baseline scenario, and welcome staff's suggestions for improvement.** There is no question that infrastructure investment and innovation (American Jobs Plan), and labor market participation and human capital (American Family Plan) are key to secure higher potential growth. Nevertheless, policies could conceivably be better targeted, with greater focus on lower income groups and more enduring support measures. The accompanying fiscal consolidation efforts could also be better focused or strengthened. We are not convinced by staff's proposal of a cashflow based corporate profit tax and wonder about possible hurdles. We agree with staff that further revenue mobilization measures could support the advance of other policy goals, including on the areas of climate policies and social inclusion.

**The Federal Reserve new monetary policy framework complements unconventional policies and forward guidance, clearly adding steam to the recovery.** The commitment to keep policy rates low for longer (as soon as policy rates hit the effective lower bound) is now a built-in feature of the policy framework. There is sufficient flexibility to allow timely reaction to labor market and financial stability developments – which is a desirable characteristic from a policy perspective, even if uncertainty is added to the future path of monetary policy. While some degree of overheating is an inherent feature of the new framework, there is a risk that it may start to unfold much sooner than expected. In that scenario, there would be less time to consolidate the productivity gains envisioned by fiscal policies, more spillbacks from weak trade partners, and higher financial stability risks stemming from increased debt levels.

**We take note of the dialogue between staff and the authorities on alternatives for structural reforms in some segments.** We agree with the authorities that the announced fiscal plans go a long way in advancing the new administration priorities, including on health, social inclusion, and climate policies. There is, of course, ample scope for a constructive dialogue. Two areas not covered in the Rescue, Jobs and Family plans but dully addressed by staff were the financial sector and international trade. On finance, we support staff's call for greater liquidity buffers for a range of non-bank market participants to minimize the need for extraordinary official support to liquidity in the future, and also take note of the authorities' ongoing review of the current framework in light of the stress experienced during the pandemic. On trade, we support staff's call to strengthen multilateral trade and the international monetary system and take positive note of the authorities' ongoing review of trade tariffs and restrictions, as well as the close engagement with the international community on these fronts.

With these remarks, we wish success to the U.S. authorities in their plans.