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July 15, 2021

**Statement by Mr. Hilbers and Mr. Voinea on United States
(Preliminary)
Executive Board Meeting
July 19, 2021**

We thank Mr. Chalk and his team for their insightful report and Ms. Shortino and Mr. Sturm for the comprehensive and informative Buff statement. While the U.S. was hard hit by the pandemic, the new Administration has planned and implemented a highly effective vaccination campaign which led to the recovery being strongly underway and normal activities largely resumed.

The massive combined fiscal and monetary support has been instrumental for the U.S. recovery, but also brings positive spillovers to the global economy. The American Rescue Plan is helping low and middle-income households and businesses across the nation bridge the gap to a full recovery. At the same time, the effect of fiscal stimulus measures may be further strengthened by prioritizing spending towards programs that have the biggest impact on productivity, labor force participation, reducing poverty, and facilitating a shift to a low-carbon economy. While debt is not a concern at the current juncture, we agree with staff that additional steps are required to set the debt ratio on a downward trajectory in the medium term.

On tax policy, we welcome the direction towards a more progressive income taxation of individuals, aimed to reward work and not wealth, and benefitting lower-middle income families, including through the child tax credit, block grants to state-and-local governments, eldercare, and subsidies for childcare. We welcome a more equitable contribution of large corporations, including the support for a minimum global corporate tax.

On monetary policy, the swift policy response helped maintain the well-functioning of the U.S. and the international financial system, and preserved liquidity in various EMEs. The revised monetary policy framework increased inflation targeting flexibility and allowed for temporarily higher inflation rates to

compensate for longer-lasting episodes of low inflation. However, the inflation dynamics in recent months need to be assessed with caution; while the hike appears to be transitory, driven by supply bottlenecks as the economy reopens and by one-off demand stimulus measures reflected in higher disposable income, the perspective of a gradual return to policy normalization requires fine tuning as the implications of anchoring inflationary expectations in the U.S. are paramount for the global economy.

In addition, both the commercial and residential real estate markets require close monitoring in light of rapidly changing demand conditions due to the pandemic and other structural factors. In particular home prices have been rising very rapidly which can have financial stability implications.

Finally, we welcome the ambitious path of structural transformation on which the new U.S. Administration has embarked, based on investment prioritization and labor market reforms that would raise the medium and long-term equilibrium and would “build back better” a greener, more digital and more inclusive economy. We wholeheartedly commend the decision to rejoin the Paris Treaty on climate and the important commitments to lower carbon emissions and increased resilience to climate change. Overall, we welcome the return of the U.S. towards multilateralism be it in fiscal cooperation, climate change mitigation, and trade policies, and trust that the positive spillovers of the Administration’s policies will benefit the global economy.