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Experimental Account for Nonprofit Institutions Serving Households in the United States and Cross-Country Comparison

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This paper constructs an experimental account for nonprofit institutions serving households (NPISH) in the United States for 1997-2017 following the SNA guidelines and analyzes the sector's characteristics in the U.S. economy. The NPISH sector accounts for about 5.5 percent of Gross Domestic Products (GDP) in 2017, an increase from 4.7 percent in 1997. The sector is mildly counter-cyclical, growing when the overall economy contracts and growing more slowly than the other sectors when the economy booms. One of the most striking aspects of the U.S. NPISH sector is that the sector was a net lender to the rest of the economy until 2000 but turned a net borrower after 2001. This contrasts with the households sector that, despite turning a net borrower for a short period, 2004-2006, has been consistently a net lender. By separating the NPISH sector from the personal sector, the U.S. personal saving rate would improve slightly by 0.9 percentage points. By combining my current account and the balance sheet of the sector from the Federal Reserve's Financial Statistics of the U.S., I also show that it keeps a very low debt-to-net-worth ratio (similar to the debt-equity ratio of the corporate sector) of about 0.30, an improvement from 0.35 in 1997, despite the fact the sector remains a net borrower and accumulate more liabilities. This improvement of the debt-to-net worth ratio stems from the robust stock market performance of the past two decades, propelling the sector to spend more on final consumption expenditures.

The paper also makes international comparison of nonprofit institutions accounts using satellite accounts of 10 OECD countries and examines cross-country differences of some important aggregates; the United States has the highest share of NPISH gross value added in GDP among the comparison countries; there is a negative relationship between the share of NPISH and the share of government purchases in GDP; there is also a negative relationship between the share of personal taxes in total tax revenue and the share of NPISH gross value added in GDP.

The paper then shows that NPISHs in the health and education sectors are market producers, as they recover more than 60% of their operating cost from sales to households by charging economically significant prices. This finding points to the direction that the U.S. should treat certain nonprofit institutions as market producers, which could have implications for GDP.