



Measurement of Deposit Insurance in the US National Accounts

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ABSTRACT: The System of National Accounts (SNA) recommends that deposit insurance schemes be treated like insurance, while the National Income and Product Accounts use a different method developed prior to the publication of the current SNA. This paper discusses the available methods, and assesses the impact of moving to the SNA method on national economic accounts. The impacts on gross domestic product and household consumption would be rather small; however, government saving would be affected noticeably.

Bank runs and bank failures used to be relatively more commonplace (Diamond and Dybvig, 1993)³. Since the Great Depression, deposit insurance has protected depositors' account balances from being lost during bank failures. This paper discusses concepts for measuring the services associated with deposit insurance in the United States National Income and Product Accounts (NIPAs).

The 2008 System of National Accounts (SNA, hereafter) recommends that deposit insurance should be treated in national economic accounts in a way that is analogous to other forms of insurance, under the heading of *standardized guarantee schemes* (European Commission *et al.*, 2009). In deposit insurance schemes, payouts are made to creditors as a result of insolvency of a borrower. In this application, borrowers are the covered institutions that accept deposits; creditors are depositors in these institutions who hold insured deposit accounts. This treatment recognizes that the depositor, rather than the bank, is the insured entity, and is thus the beneficiary of the service.

In the SNA methodology, net insurance premiums (or in this case, assessments) and premium supplements (in this case, interest income on deposit insurance fund assets) are classified as payments from depositors to the insurance provider for insurance services. Insurance services are computed by subtracting adjusted claims (in this case, resolution costs of failed institutions) from actual premiums

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³ A bank run is an event in which a bank is unable to cover withdrawal demands with its cash on hand, attracting withdrawal activity; a bank failure is a case in which the bank's financial assets are not sufficient to cover its liabilities. A bank run may cause a bank failure by requiring assets to be sold at a discount to cover immediate withdrawal demands. Typically bank runs would be fueled by expectations of bank failure, generating a vicious circle leading to insolvency.

and premium supplements. The uses of such services would be allocated to depositors in all sectors covered by the insurance.

The NIPAs use a different methodology. In the NIPAs, expenses of government-run deposit insurance funds (excluding resolution costs) are treated as final expenditures of the government sector. Income from assessments is a current transfer from the depository institutions. Transfers to depositors in failed institutions, on the other hand, do not appear in the NIPAs (but presumably would be included in a non-transaction account in a full sequence of accounts). Because payments into the guarantee fund appear as current transfers, but the payments out of the guarantee fund do not appear in the accounts, there is a concern that the current method may overstate government saving. In addition, it is not known for certain how the net premiums of the deposit insurance fund compare to the expenses of these funds. However, such funds must remain capitalized at a certain percent of assets they guarantee. Premiums and supplements must cover expenses, resolution costs, and fund recapitalization.

The purpose of this paper is to assess the potential effects of adopting the SNA methodology for deposit insurance. To this end, the SNA methodology described above will be applied to data from the US Federal Deposit Insurance Corporation (FDIC). These data cover assessments, claims, and fund income/expenses.

One major concern in implementing this method relates to computing *adjusted* insurance claims. In the NIPAs, for example, the property and casualty insurance measurement methodology employs a geometrically declining moving average of claims; however, since deposit insurance claims are extremely lumpy, other treatments may be appropriate. Three different treatments are considered: In the first, I apply a modified version of the standard insurance methodology with a geometrically declining moving average of claims. In the second, if claims and assessments fall outside of a narrow band around the median of claims, I reallocate excess claims over 20 years. In the third, I assume that the service is equal to FDIC expenses excluding costs of resolving failed institutions.

There are several compelling reasons to consider moving to the SNA approach. The first has to do with the economic flows that are hidden in the current methodology. While the effective liability forgiveness that is associated with a bank failure cannot by SNA principles be classified as a transaction, the transfer of funds from the FDIC to deposit accounts that have been affected by such failures is analogous to many types of economic transactions such as insurance payouts. In the current NIPA method, these flows are hidden. The second reason to move to a new approach is that the new treatment recognizes the role of the FDIC in providing deposit insurance to all depositors, not just to households. Businesses hold many deposits, as well. The third reason has to do with the overall cost of running a deposit insurance fund. While administrative expenses are one cost of running such a fund, it is also the case that in most years, the fund is capitalized at more than 1% of deposits. Over all, assessments must exceed provisions by more than expenses to maintain the fund balance.

I prefer a specification in which deposit insurance is seen as being purchased by the depositor, although this requires rerouting the assessment payment, rather than a specification in which the depository institution purchases the insurance as an intermediate good. If the assessment is routed from the bank

to the insured, then the assessment and claims cancel each other. In the other case, net premiums are paid by banks, but claims are paid to consumers, making it appear that consumers receive the proceeds from such funds without ever paying for them. Nevertheless, since both are allowed under the SNA scheme, I look at both possibilities.

As an aside, I note that there are also reasons not to move to the SNA specification, but instead to take a more limited step of moving the insurance claim flows to a transaction account. In particular, deposit insurance is not simply a service provided to depositor, but also provides significant social benefits (Diamond and Dybvig, 1983). It may be argued that the SNA treatment underrepresents the social benefit of these schemes, whereas the current NIPA treatment assigns a much higher impact of the schemes on GDP. Since assessments and coverages are mandated, I cannot be certain that treating them as market prices results a better estimate of welfare than does a simple cost-based approach.

I begin with a very brief history of deposit insurance, followed by an analysis of the SNA's recommendations. I then discuss methods and data sources. Finally, I present results and conclude.

A brief history of deposit insurance in the United States

The United States did not have Federal deposit insurance until 1933. Prior to the establishment of Federal Deposit Insurance Corporation (FDIC), the New York safety fund (1829-1837) and state-based insurance schemes (enacted 1907-1917) provided protection to some depositors. Although Congress considered depository insurance proposals as early as 1886, it was not until the Banking Act of 1933 (often referred to as the Glass-Steagall Act) that the FDIC was created (FDIC, 2014). The FDIC has provided deposit insurance to banks, FDIC member and state nonmember banks and, since 1989, to Savings and Loans Associations (S&LAs). In addition, the FDIC provides auditing, examinations, and receivership authority to banks and S&LAs. The FDIC was originally funded through loans from the U.S. Treasury and surplus from the Federal Reserve District Banks and later financed by insurance premiums paid by insured banks (Bradley, 2000).

From 1934 to 1989, the Federal Savings and Loan Insurance Corporation provided deposit insurance for thrift deposits. The National Credit Union Administrative has provided insurance for Credit Union deposits since the 1970s. This paper will focus exclusively on the FDIC. However, should a change in methodology be applied to the NIPAs, it will be necessary to develop estimates for all deposit insurance.

What the SNA says

The SNA mentions deposit insurance directly only once, stating that “deposit insurers, issuers of deposit guarantees and other issuers of standard guarantees that are separate entities and act like insurers by charging premiums and have reserves, are classified as insurance corporations” (4.115). By including deposit insurers with issuers of standardized guarantees, I can conclude that the SNA intends that deposit insurers should be treated like other standardized guarantee schemes, as an insurance-like

activity. Regarding standardized guarantee schemes, the SNA also states that “if a standardized guarantee scheme operates as a market producer, the value of output is calculated in the same way as non-life insurance. If the scheme operates as a non-market producer, the value of output is calculated as the sum of costs” (6.206). Because in the United States, major deposit insurers charge premiums (assessments) that they believe are sufficient to cover both operating expenses and calls (costs of resolving failed depository institutions), then they may reasonably be called market producers, even if operated as government agencies. Non-market output must be supplied for free or at prices that are not economically significant (6.94).

For computing services of non-life insurance providers, the SNA uses the following formula: Total premiums earned, plus premium supplements, less adjusted claims incurred (6.185). Adjusted claims are an *ex ante* estimate of claims based on the pattern of past claims (6.189). Application of this methodology to deposit insurance schemes simply involves renaming the flows: Premiums are assessments, premium supplements are income from fund assets, and claims are the costs of resolving failed institutions.

Description of proposed method and data

The purpose of this paper is to compare a collection of potential methods for imputing services of Federal deposit insurance providers. Deposit insurance is provided exclusively in conjunction with deposits (and thus with depositor services). Thus, I start with a brief description of depositor services computation.

In the current SNA and NIPA methodology, a portion of the payment for depositor services is not observed directly (See Fixler *et al.*, 2003). Computation of these services is operationalized by assuming that banks and depositors engage in a sequence of “hidden” transactions. It will be simplest to describe these transactions using an example. Suppose that a depositor places \$10,000 in a bank. The bank may pay the depositor a 1% rate of interest, or \$100 annually. However, suppose that a market rate of interest that does not involve any type of deposit account services pays 3%, or \$300 annually. In the SNA and NIPA methodologies, it is assumed that the bank is actually paying the depositor \$300 in interest. At the same time, the depositor uses \$200 to buy the services associated with the deposit account. Thus, what appears as a \$100 transaction is actually the net of a \$300 interest payment transaction and a \$200 services purchase transaction. I say the purchase of services is *imputed* based on a service-free interest rate and the raid paid to depositors.

The deposit insurance itself can be seen as being funded by either the borrower or the depositor. In the former case, the purchase of deposit insurance is viewed as an input to depositor services; depositors consume the same amount of services from the depository institution irrespective of whether accounts are insured or not. In the latter case, imputed interest income to depositors (the \$200 payment, above) is partitioned into payments to the bank for borrower services a payment to the deposit insurer for deposit insurance services. In other words, assessments paid by banks to the deposit insurer are rerouted to consumers. The second assumption is the preferred one, as I believe it makes more sense

for the net assessment and claims to cancel each other out. I will call these routing assumptions A (depositor pays, preferred) and B (bank pays).

In addition to comparing these two routing assumptions, I compare three estimates of the level of services provided. To determine the amount of services produced, the SNA recommends that adjusted claims be subtracted from premiums plus premium supplements. However, claims of this type are unusually lumpy. While typically there are a few bank failures in a given year, funds can be entirely depleted by rushes of failures that occur in only one or two years. Between 1994 and 2007, for example, only 69 bank failures were encountered; the number of failures in this 14-year span was exceeded in each of 2009, 2010, and 2011. This lumpiness requires substantial smoothing of claims to arrive at adjusted claims. I describe the proposed methods for smoothing claims below:

Method 1: Geometrically weighted moving average

In this method, the adjusted claim (as a percent of insured deposits) is estimated as a geometrically weighted moving average of past provisions for resolving failed institutions. The geometric weights sum to 1, so that any changes in claims are eventually fully incorporated into adjusted claims. This is the same method for estimating adjusted claims used in the NIPAs for non-life insurance (Chen and Fixler, 2003). However, a much smaller parameter of 0.05 is used, implying that new claims are incorporated over a period of about 20 years.

The infrequent but catastrophic nature of claims means that these funds requires periodic recapitalization. Recapitalization is done by rapidly raising effective assessments for a short period of time. Based on preliminary results, I have elected to also smooth assessments and assessment supplements, to show a reasonable picture of output.

Method 2: Allocating excess claims

In method 2, I assume that new claims are expected to fall within a narrow band of their median value at all times. If claims go outside this range, the excess portions of these claims are spread out evenly over the next 20 years. The current period adjusted claim is the current provision, which is censored at the edge of the narrow band, plus the portion of past excess claims that are attributed to the current period. As above, I also smooth the assessment rate.

Method 3: Expenses

In this method, I assume that service provision is equal to administrative expenses. Recall that service provision equals total premiums earned, plus premium supplements, less adjusted claims incurred. I

maintain this definition, defining adjusted claims to be premiums and supplements less administrative expenses.

Data sources

The data for computing output of the FDIC are entirely available in the FDIC annual reports. This paper derives data from the 2012 FDIC annual report, which reports certain income statement items for the FDIC managed funds from the inception of the FDIC (1934) to the present year of the report (2012). Output is derived from administrative costs, interest and other income, assessment income, and provisions for resolving failed institutions.

It should be noted that provisions provide a “forward-looking” or “real time” estimate of claims, rather than cash-based estimates of actual resolution costs. In a sense, this choice is one of convenience, as the FDIC does not report a time series of actual resolution costs in its annual reports. For implementing this methodology in national economic accounts, it will be prudent to use a measure of claims that will not be revised over the years, and is available within a short timeframe after the failures of the current year have occurred. In the long run, provisions will approximately equal actual resolution costs, and smoothing will erase any excess lumpiness or variability.

In certain places, the methodology requires allocation of certain flows among sectors, such as consumption of deposit insurance services, assessments, and claims. Sector flow allocation is done by an indicator fraction. This indicator is derived as the ratio of commercial bank depositor services consumed by the sector divided by total commercial bank depositor services output. Thus, flows are allocated by that sector’s relative consumption of depositor services from banks. Instead of using (unpublished) NIPA sector consumption of commercial banks services, however, I use the experimental estimates reported by Hood (2013).

Results

Table 1 shows the impact of the experimental methods on gross domestic product (GDP), government saving, and personal consumption expenditures (PCE) for selected years. Note that these are estimated impacts in the levels of these quantities based exclusively on the authors’ calculations, from data sources that are available to the authors. They may not reflect published estimates. As a percent of GDP, these numbers are also depicted in figures 1-3, which show the entire time series (1934-2012).

Note that method 3A has the largest effect on PCE and GDP, since it implies the lowest average level of deposit insurance services consumption. Methods 1-3B show the smallest revisions to GDP, as there is no downward adjustment to consumption of depositor services. Over all, the revisions are rather small; method 3A implies an average reduction in GDP of approximately 0.03%, whereas methods 1-3B imply reductions on the order of 0.005% of GDP. Methods 1A and 2A have effects on GDP that average approximately 1 basis point, peaking at above 3 basis points in certain periods.

As can be seen from the figures, the impact of the change in methods on GDP is not constant over time. The methodological changes 1A and 2A show large revisions to GDP and PCE during financial crises (the late 1980s and the late 2000s). There is an increase in the magnitude of the effect on GDP starting in the early 1980s.

The changes in methodology can have a larger effect on government saving than on services, particularly during crisis years. This is due to the classification of deposits as a current transfer rather than a reconciliation item. The patterns are very similar between methods 1 and 2, with divergence mainly in the beginning of the sample. Method 3 shows a larger downward revision.

Tables 2-5 show sample NIPA t-accounts for methods 1A and 1B (for 2008). It should be noted that these methods would not result in a revision of the statistical discrepancy.

Table 1: Impact of experimental revisions on GDP, government saving, PCE

	1940	1960	1980	1990	1995	2000	2005	2010	2011	2012	Average
Revision in GDP (\$ millions)											
Method 1A	-10.3	-13.9	-131.0	-1367.8	-1401.2	-1560.1	-1759.0	-4760.9	-4816.4	-4810.8	
Method 2A	-15.8	-12.8	-132.7	-1826.0	-1598.8	-1930.3	-2269.5	-4066.0	-3292.4	-3552.6	
Method 3A	-39.5	-98.0	-888.2	-1946.2	-3333.9	-1647.2	-1641.1	-7740.4	-8835.1	-9985.3	
Method 1-3B	-9.4	-12.4	-118.2	-275.6	-510.6	-883.9	-965.7	-1592.6	-1625.4	-1777.5	
As a percent of GDP (in basis points)											
Method 1A	-1.0	-0.3	-0.5	-2.3	-1.8	-1.5	-1.3	-3.2	-3.1	-3.0	-1.0
Method 2A	-1.5	-0.2	-0.5	-3.1	-2.1	-1.9	-1.7	-2.7	-2.1	-2.2	-1.2
Method 3A	-3.8	-1.8	-3.1	-3.3	-4.4	-1.6	-1.3	-5.2	-5.7	-6.2	-3.0
Method 1-3B	-0.9	-0.2	-0.4	-0.5	-0.7	-0.9	-0.7	-1.1	-1.0	-1.1	-0.5
Revision in government saving (\$ millions)											
Method 1A/B	-34.4	-9.1	-454.6	-2037.0	-2961.6	455.1	1609.7	-12474.7	-13759.2	-14868.0	
Method 2A/B	-13.2	23.7	-279.9	-2270.2	-2551.1	429.3	1205.3	-9783.4	-9378.1	-11262.3	
Method 3A/B	-46.5	-132.2	-1188.7	-2929.1	-4672.8	-1652.9	-1451.0	-12457.1	-14843.8	-16898.7	
As a percent of GDP (in basis points)											
Method 1A/B	-3.3	-0.2	-1.6	-3.4	-3.9	0.4	1.2	-8.3	-8.9	-9.2	-2.1
Method 2A/B	-1.3	0.4	-1.0	-3.8	-3.3	0.4	0.9	-6.5	-6.0	-7.0	-1.4
Method 3A/B	-4.5	-2.4	-4.2	-4.9	-6.1	-1.6	-1.1	-8.3	-9.6	-10.5	-4.0
Revision in PCE (\$ millions)											
Method 1A	-0.8	-1.3	-10.9	-957.1	-772.5	-577.5	-690.8	-2773.5	-2774.2	-2637.2	
Method 2A	-5.5	-0.3	-12.4	-1358.7	-944.0	-893.6	-1135.3	-2165.2	-1449.3	-1543.3	
Method 3A	-25.8	-73.3	-659.1	-1464.0	-2449.2	-651.9	-588.1	-5381.7	-6268.2	-7135.9	
Method 1-3B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
As a percent of GDP (in basis points)											
Method 1A	-0.1	0.0	0.0	-1.6	-1.0	-0.6	-0.5	-1.9	-1.8	-1.6	-0.4
Method 2A	-0.5	0.0	0.0	-2.3	-1.2	-0.9	-0.9	-1.4	-0.9	-1.0	-0.6
Method 3A	-2.5	-1.3	-2.3	-2.4	-3.2	-0.6	-0.4	-3.6	-4.0	-4.4	-2.1
Method 1-3B	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Author's calculations. Revision refers to the implied revision (in levels) due to the experimental procedure. Abbreviations: GDP gross domestic product. PCE personal consumption expenditures.

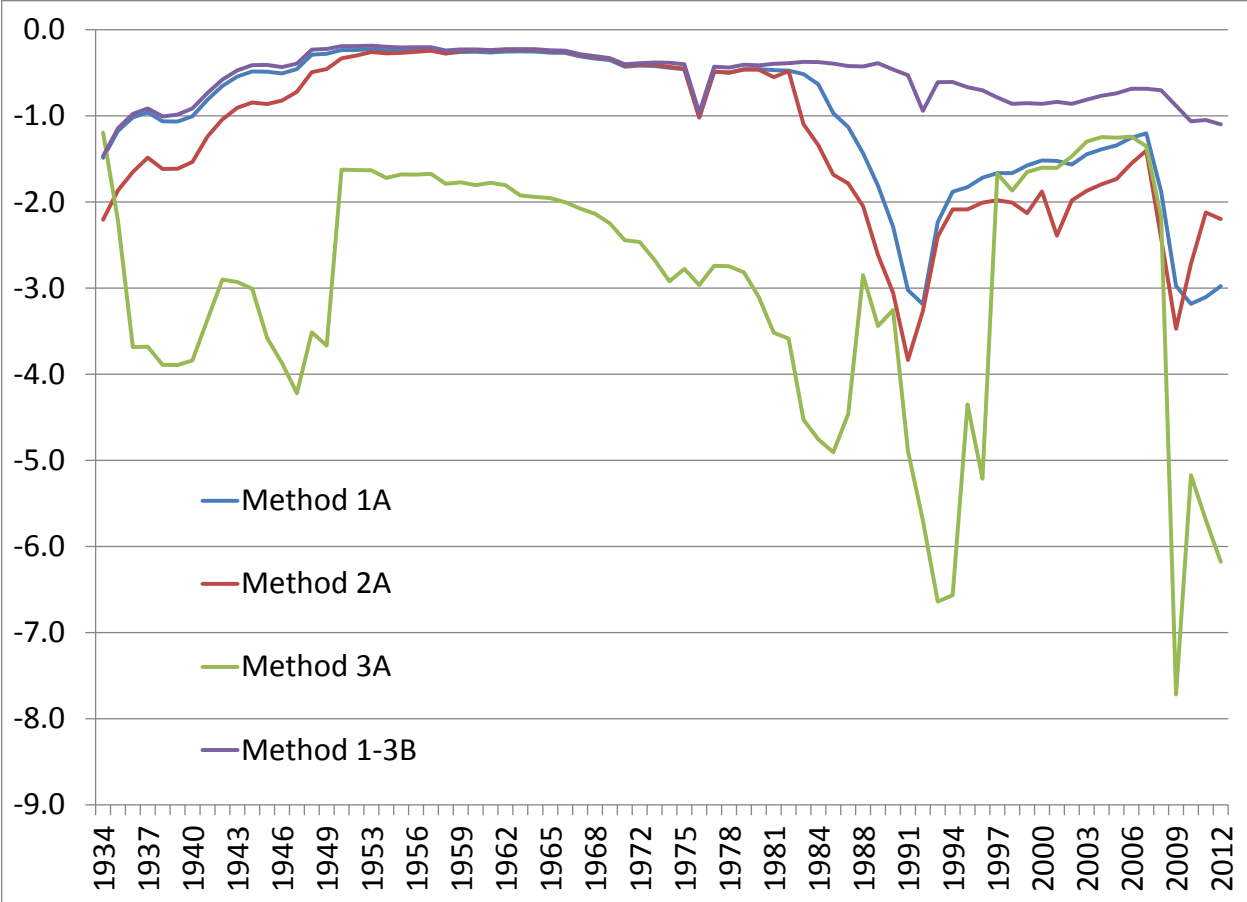


Figure 1: Estimated revisions to GDP due to experimental methods, expressed in basis points

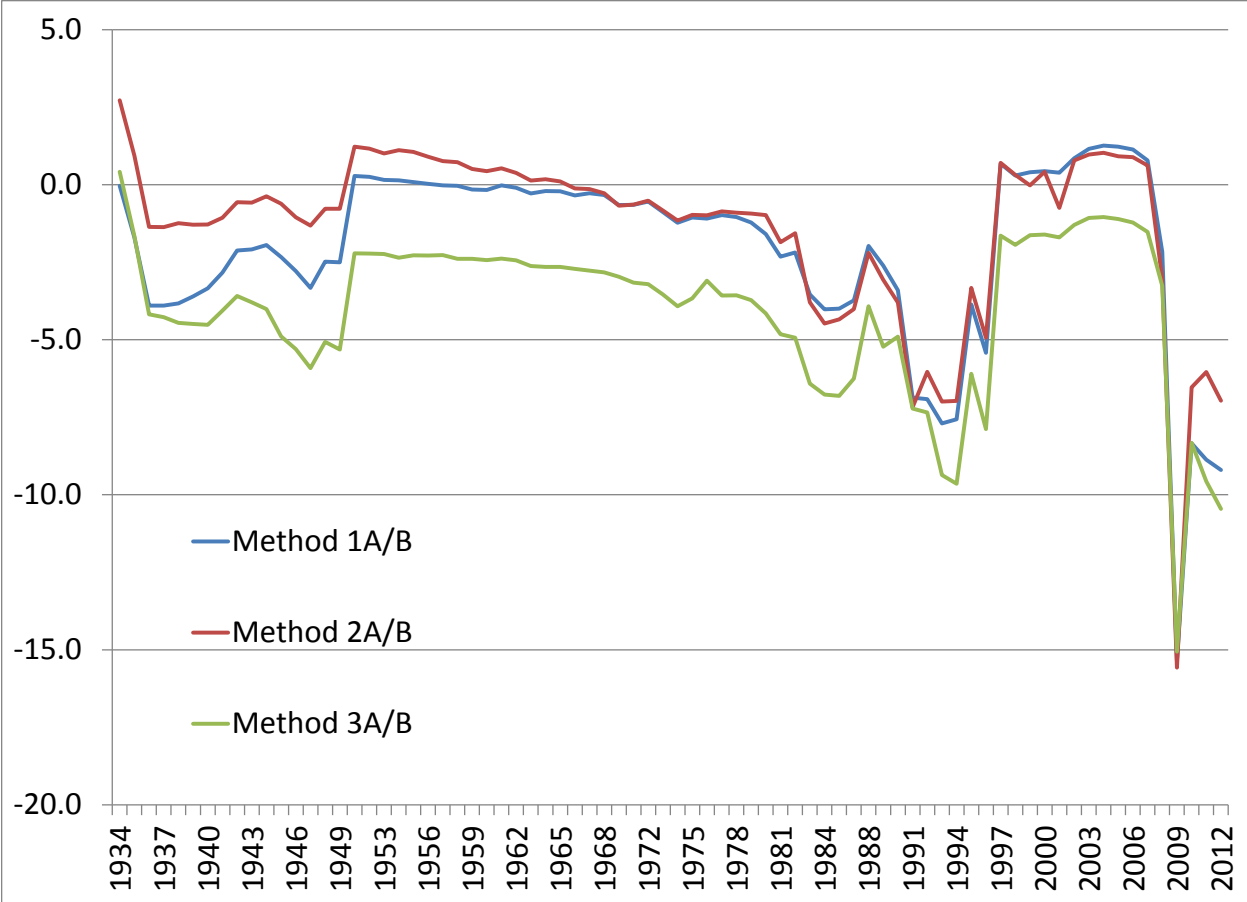


Figure 2: Estimated revisions to government saving as a percent of GDP due to experimental methods, expressed in basis points

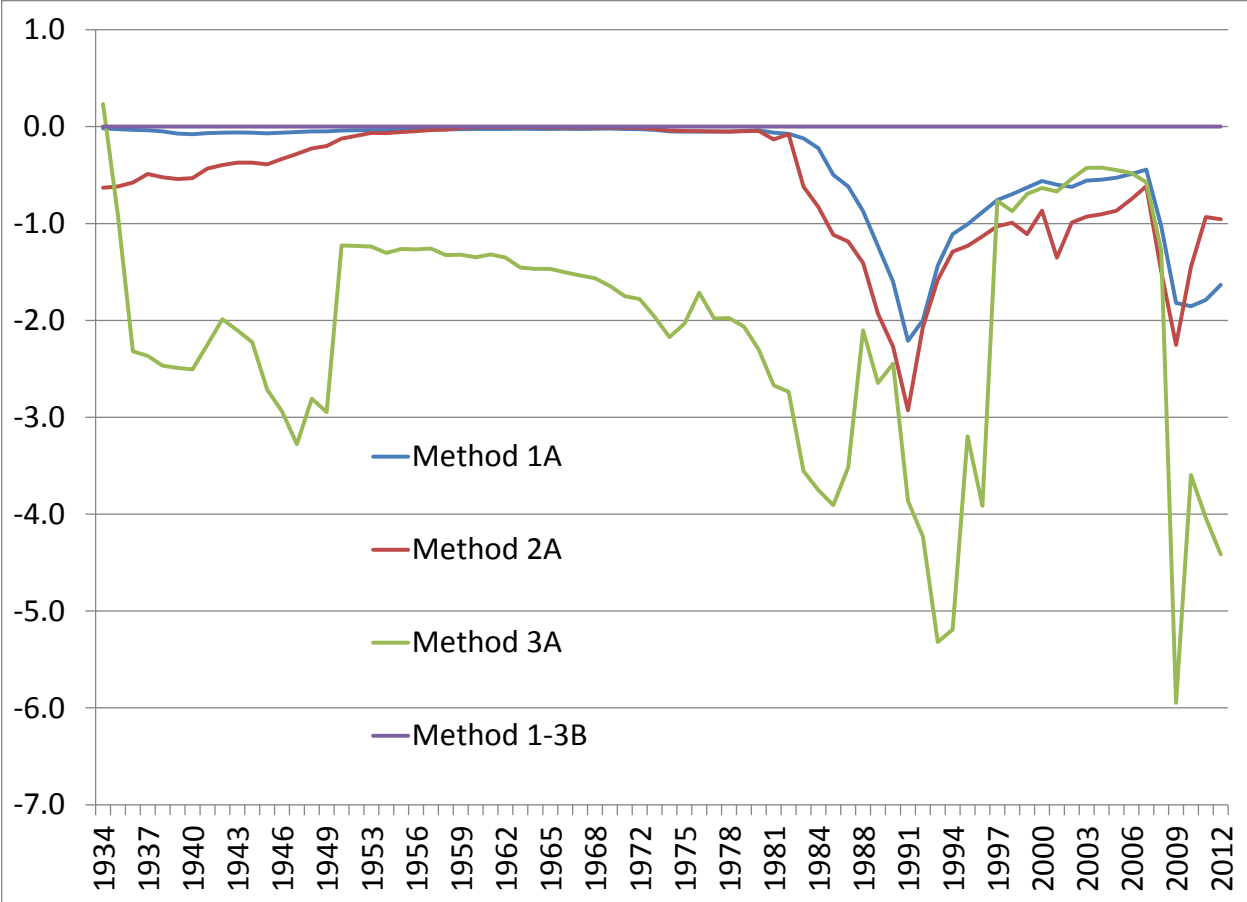


Figure 3: Estimated revisions to PCE as a percent of GDP due to experimental methods, expressed in basis points

Table 2: Sample revisions, 2008, method 1A, part 1

Account 1. Domestic Income and Product Account

Line			Line		
1	Compensation of employees, paid	0	15	Personal consumption expenditures	-2774
2	Wage and salary accruals	0	16	Durable goods	0
3	Disbursements	0	17	Nondurable goods	0
4	Wage accruals less disbursements	0	18	Services	-2774
5	Supplements to wages and salaries	0	19	Gross private domestic investment	0
6	Taxes on production and imports	0	20	Fixed investment	0
7	Less: Subsidies	0	21	Nonresidential	0
8	Net operating surplus	-4816	22	Structures	0
9	Private enterprises	-5901	23	Equipment and software	0
10	Current surplus of government enterprises	1084.6	24	Residential	0
11	Consumption of fixed capital	0	25	Change in private inventories	0
			26	Net exports of goods and services	-211
12	Gross domestic income	-4816	27	Exports	-211
			28	Imports	0
13	Statistical discrepancy	0	29	Government consumption expenditures and gross investment	-1831
			30		
			31		
			32		
			33		
14	GROSS DOMESTIC PRODUCT	-4816	34	GROSS DOMESTIC PRODUCT	-4816

Account 2: Private Enterprise Income Account

Line			Line		
1	Income payments on assets	0	19	Net operating surplus	-5901
2	Interest and miscellaneous payments	0	20	Income receipts on assets	0
3	Dividend payments to ROW	0	21	Interest	0
4	Reinvested earnings on FDI in US	0	22	Dividend receipts from ROW	0
5	Business current transfer payments (net)	-16469	23	Reinvested earnings on US direct investment abroad	0
6	To persons (net)	0			
7	To government (net)	-16469			
8	To the ROW (net)	0			
9	Proprietors' income with inventory valuation and capital consumption adjustments	0			
10	Rental income of persons with capital consumption adjustment	0			
11	Corporate profits with inventory valuation and capital consumption adjustments	10568			
12	Taxes on corporate income	0			
13	To government	0			
14	To ROW	0			
15	Profits after tax with inventory valuation and capital consumption adjustments	10568			
16	Net dividends	0			
17	Undistributed corporate profits with inventory valuation and capital consumption adjustments	10568			
18	USES OF PRIVATE ENTERPRISE INCOME	-5901	24	SOURCES OF PRIVATE ENTERPRISE INCOME	-5901

Table 3: Sample revisions, 2008, method 1A, part 2

Account 3: Personal Income and Outlay Account

Line			Line		
1	Personal current taxes	0	10	Compensation of employees, recd	0
2	Personal outlays	-2774	11	Wage and salary disbursements	0
3	Personal consumption expenditures	-2774	12	Domestic	0
4	Personal interest payments	0	13	ROW	0
5	Personal current transfer payments	0	14	Supplements to wages and salaries	0
6	To government	0	15	Employer contributions for employee pension/insur	0
7	To the ROW	0	16	Employer contributions for government social insura	0
8	Personal saving	2774	17	Proprietors' income IVA and CCA	0
			18	Rental income of persons with IVA and CCA	0
			19	Personal income receipts on assets	0
			20	Personal interest income	0
			21	Personal dividend income	0
			22	Personal current transfer receipts	0
			23	Government social benefits	0
			24	From business (net)	0
			25	Less: Contributions for government social insurance, d	0
9	PERSONAL TAXES, OUTLAYS, AND SAVING	0	26	PERSONAL INCOME	0

Account 4: Government Receipts and Expenditures Account

Line			Line		
1	Consumption expenditures	-1625	14	Current tax receipts	0
2	Current transfer payments	0	15	Personal current taxes	0
3	Government social benefits	0	16	Taxes on production and income	0
4	To persons	0	17	Taxes on corporate income	0
5	To ROW	0	18	Taxes from the ROW	0
6	Other current transfer payments to ROW	0	19	Contributions for government social insurance	0
7	Interest payments	0	20	Income receipts on assets	0
8	Subsidies	0	21	Interest and miscellaneous receipts	0
9	Less: Wage accruals less disbursements	0	22	Dividends	0
10	Net government saving	-13759	23	Current transfer receipts	-16469
11	Federal	-13759	24	From business (net)	-16469
12	State and local	0	25	From persons	0
13	GOVERNMENT CURRENT EXPENDITURES AND NET SAVING	-15385	26	Current surplus of government enterprises	1085
			27	GOVERNMENT CURRENT RECEIPTS	-15385

Account 5: Foreign Transactions Current Account

Line			Line		
1	Exports of goods and services	-211	9	Imports of goods and services	0
2	Income receipts from ROW	0	10	Income payments to ROW	0
3	Wage and salary receipts	0	11	Wage and salary payments	0
4	Income receipts on assets	0	12	Income payments on assets	0
5	Interest	0	13	Interest	0
6	Dividends	0	14	Dividends	0
7	Reinvested earnings on US direct investment abroad	0	15	Reinvested earnings on foreign direct investment in	0
			16	Current taxes and transfer payments to ROW (net)	0
			17	From persons (net)	0
			18	From government (net)	0
			19	From business (net)	0
			20	Balance on current account, NIPAs	211
8	CURRENT RECEIPTS FROM ROW	-211	21	CURRENT PAYMENTS TO ROW AND BALANCE ON CURR	211

Table 4: Sample revisions, 2008, method 1B, part 1

Account 1. Domestic Income and Product Account

Line			Line		
1	Compensation of employees, paid	0	15	Personal consumption expenditures	0
2	Wage and salary accruals	0	16	Durable goods	0
3	Disbursements	0	17	Nondurable goods	0
4	Wage accruals less disbursements	0	18	Services	0
5	Supplements to wages and salaries	0	19	Gross private domestic investment	0
6	Taxes on production and imports	0	20	Fixed investment	0
7	Less: Subsidies	0	21	Nonresidential	0
8	Net operating surplus	-1625	22	Structures	0
9	Private enterprises	-2710	23	Equipment and software	0
10	Current surplus of government enterprises	1084.6	24	Residential	0
11	Consumption of fixed capital	0	25	Change in private inventories	0
12	Gross domestic income	-1625	26	Net exports of goods and services	0
13	Statistical discrepancy	0	27	Exports	0
			28	Imports	0
			29	Government consumption expenditures and gross investment	-1625
			30		
			31		
			32		
			33		
14	GROSS DOMESTIC PRODUCT	-1625	34	GROSS DOMESTIC PRODUCT	-1625

Account 2: Private Enterprise Income Account

Line			Line		
1	Income payments on assets	0	19	Net operating surplus	-2710
2	Interest and miscellaneous payments	0	20	Income receipts on assets	0
3	Dividend payments to ROW	0	21	Interest	0
4	Reinvested earnings on FDI in US	0	22	Dividend receipts from ROW	0
5	Business current transfer payments (net)	-9899	23	Reinvested earnings on US direct investment abroad	0
6	To persons (net)	0			
7	To government (net)	-9899			
8	To the ROW (net)	0			
9	Proprietors' income with inventory valuation and capital consumption adjustments	0			
10	Rental income of persons with capital consumption adjustment	0			
11	Corporate profits with inventory valuation and capital consumption adjustments	7189			
12	Taxes on corporate income	0			
13	To government	0			
14	To ROW	0			
15	Profits after tax with inventory valuation and capital consumption adjustments	7189			
16	Net dividends	0			
17	Undistributed corporate profits with inventory valuation and capital consumption adjustments	7189			
18	USES OF PRIVATE ENTERPRISE INCOME	-2710	24	SOURCES OF PRIVATE ENTERPRISE INCOME	-2710

Table 5: Sample revisions, 2008, method 1B, part 2

Account 3: Personal Income and Outlay Account

Line			Line		
1	Personal current taxes	0	10	Compensation of employees, recd	0
2	Personal outlays	0	11	Wage and salary disbursements	0
3	Personal consumption expenditures	0	12	Domestic	0
4	Personal interest payments	0	13	ROW	0
5	Personal current transfer payments	0	14	Supplements to wages and salaries	0
6				Employer contributions for employee	
7	To government	0	15	pension/insurance	0
				Employer contributions for government social	
	To the ROW	0	16	insurance	0
			17	Proprietors' income IVA and CCA	0
8	Personal saving	2774	18	Rental income of persons with IVA and CCA	0
			19	Personal income receipts on assets	0
			20	Personal interest income	0
			21	Personal dividend income	0
			22	Personal current transfer receipts	2774
			23	Government social benefits	0
			24	From business (net)	2774
				Less: Contributions for government social insurance,	
			25	domestic	0
9	PERSONAL TAXES, OUTLAYS, AND SAVING	2774	26	PERSONAL INCOME	2774

Account 4: Government Receipts and Expenditures Account

Line			Line		
1	Consumption expenditures	-1625	14	Current tax receipts	0
2	Current transfer payments	211	15	Personal current taxes	0
3	Government social benefits	0	16	Taxes on production and income	0
4	To persons	0	17	Taxes on corporate income	0
5	To ROW	0	18	Taxes from the ROW	0
6	Other current transfer payments to ROW	211.5	19	Contributions for government social insurance	0
7	Interest payments	0	20	Income receipts on assets	0
8	Subsidies	0	21	Interest and miscellaneous receipts	
9	Less: Wage accruals less disbursements	0	22	Dividends	0
10	Net government saving	-3654	23	Current transfer receipts	-6153
11	Federal	-3654	24	From business (net)	-3379
12	State and local	0	25	From persons	-2774
			26	Current surplus of government enterprises	1085
13	GOVERNMENT CURRENT EXPENDITURES AND NET SAVING	-5068	27	GOVERNMENT CURRENT RECEIPTS	-5068

Account 5: Foreign Transactions Current Account

Line			Line		
1	Exports of goods and services	0	9	Imports of goods and services	0
2	Income receipts from ROW	0	10	Income payments to ROW	0
3	Wage and salary receipts	0	11	Wage and salary payments	0
4	Income receipts on assets	0	12	Income payments on assets	0
5	Interest	0	13	Interest	0
6	Dividends	0	14	Dividends	0
7	Reinvested earnings on US direct investment abroad	0		Reinvested earnings on foreign direct investment in	
			15	the US	0
			16	Current taxes and transfer payments to ROW (net)	211
			17	From persons (net)	0
			18	From government (net)	211
			19	From business (net)	0
			20	Balance on current account, NIPAs	211
8	CURRENT RECEIPTS FROM ROW	0		CURRENT PAYMENTS TO ROW AND BALANCE ON CURR ACCT	423

Discussion

In this paper, I have produced experimental estimates for services produced by the largest deposit insurer in the United States, the FDIC, for the years 1934-2012. These estimates show the effects of moving to a methodology that is analogous to the insurance methodology. Three methods are considered for computing adjusted claims. I believe that a compelling case can be brought for including resolution costs as transaction flows in the NIPAs, and I suggest that a treatment that attributes the output of depositor services to depositors could more accurately reflect their consumption. However, I note that the current NIPA treatment of output as general government consumption may better reflect the social impact of deposit insurance.

Computing adjusted claims in a way that is analogous to non-life insurance methods generates increases in revisions to PCE and GDP revisions during banking crises, which is not readily seen when using a cost-based approach. This suggests the somewhat perverse result that deposit insurance has a smaller impact on the economy during these time periods. Over all, downward revisions to GDP result from any of these treatments, which allocate what was a government consumption expenditure at least partly to an intermediate expenditure.

While not resulting in large average revisions in GDP, the computed figures imply significant revisions in government saving. Large average negative revisions in government saving should be cause for concern, as resolution costs are rightly thought of as transactions between economic agents. These results highlight the need to further explore revisions in the NIPAs that cover all deposit insurers.

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