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## **Real Output of Bank Services: What Counts Is What Banks Do, Not What They Own**

**Robert Inklaar and J. Christina Wang\***

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**Abstract:** The measurement of bank output, long a difficult and contentious issue, has become even more important in the aftermath of the devastating financial crisis of recent years. In this paper, we argue that models of banks as processors of information and transactions imply a quantity measure of bank service output based on transaction *counts* instead of *balances* of loans and deposits. Using data for the U.S. and a range of European countries, we show that the counts-based output measure exhibits significantly different growth patterns than the balances-based output series over the years 1997 to 2009. Since the U.S. statistics rely on counts while European statistics rely on balances, this implies a considerable bias in the estimate of bank output growth in Europe vis-à-vis that in the U.S.

**JEL Classifications:** E01, E44, O47

\*Inklaar: University of Groningen; r.c.inklaar@rug.nl

Wang: Research Department, Federal Reserve Bank of Boston; christina.wang@bos.frb.org  
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