whether pure private deposit insurance would be economically viable over long periods of time.

Another endpoint, in which the mutual aspect of insurance is removed completely, might be termed the user-fee or priced service model of deposit insurance. The insurer collects premiums on an expected-loss or risk-adjusted basis from each institution. The premium is simply a payment for a service, namely the use of the deposit guarantee for a specified time. In this "demutualized" model, the premium payer has neither an ownership interest in collected premiums nor a responsibility to pay for the insurance losses of other banks. An insurance fund to provide rapid resolution flexibility is consistent with this model, provided government reaps all surplus funds during good times and readily recapitalizes it to cover all insurance losses.

The pure priced service model, taken to its logical extreme, makes moot a number of issues raised in this article. Concentrations of deposit insurance exposure — although an issue for the government insurer and its ability to diversify risks — are not an issue for insured institutions because they are never asked to help pay for the failures of other banks. Rebates from the insurance funds are ruled out, but conversely banks are relieved of the responsibility to rebuild a fund during periods of economic hardship.

Whereas history casts doubt on the long-term economic viability of a pure private deposit insurance model, it also casts doubt on the long-term political sustainability of a pure user-fee model. It is human nature to keep score. As assessment revenues mount far above cumulative insurance losses during good times, bankers will point out that