

THE ECONOMETRIC SOCIETY ANNUAL REPORTS

REPORT OF THE TREASURER

VIENNA, AUSTRIA  
AUGUST 23–24, 2006

THE 2005 ACCOUNTS of the Econometric Society show a surplus of \$158,565. This surplus is higher than the estimate at this time last year (Table III, Line G) because revenues were \$64,869 higher and expenses were \$62,042 lower than expected. The former is mainly explained by the smaller reduction in *Econometrica* circulation revenues (Table II, Line A), while the latter is mainly explained by the smaller than budgeted amount spent on travel grants for the 2005 World Congress (Table III, Line E4, and Table VII, Line B1). The net worth of the Society on 12/31/2005 reached \$1,046,755 (Table I, Line C). Consequently, the ratio of net worth to adjusted total revenue (total revenue minus capital gains) on 12/31/2005 was 85 percent, a figure slightly higher than the target of 80 percent agreed by the Executive Committee in August 2004.

Table I shows the balance sheets of the Society for the years 2001–2005, distinguishing between unrestricted assets and liabilities, whose difference gives the Society's net worth, and four restricted accounts: The World Congress Fund, which is a purely bookkeeping entry that serves to smooth the expenses every five years on travel grants to the World Congress, the Jacob Marschak Fund, devoted to support the Marschak lectures at regional meetings outside Europe and North America, and the Far Eastern and Latin American Funds, which are held in custody for the convenience of the Far Eastern and Latin American regions. Tables IV, V, VI, and VII show the movements in the restricted accounts for the years 2001–2005. It should be noted that the figures that correspond to the Jacob Marschak, the Far Eastern, and the Latin American Funds have been reduced, relative to the figures in the 2005 Report of the Treasurer, by \$881, \$4,988, and \$1,005, respectively, to correct some minor past errors. These corrections imply an increase of \$6,874 in the value of unrestricted assets (Table I, Line A) relative to the 2005 figures. Table I also corrects the double-billing error made by Blackwell, reducing the 2002 accounts payable figure by \$52,231.

Tables II and III show the actual revenues and expenses for 2004, the estimated and actual revenues and expenses for 2005, and the estimated revenues and expenses for 2006 and 2007. The *Econometrica* circulation revenues (Table II, Line A) are expected to decline in 2006, due to the continued fall in institutional subscriptions. Other expected revenues and expenses are roughly in line with those for 2005, except for the transition expenses (Table III, Line E6) that disappear in 2007. The surpluses expected for 2006 and 2007, after allocating \$80,000 each year to the World Congress Fund, are \$155,000 and \$230,000, respectively. Thus the ratio of net worth to adjusted total revenue is

TABLE I  
ECONOMETRIC SOCIETY BALANCE SHEETS, 2001–2005

	12/31/01	12/31/02	12/31/03	12/31/04	12/31/05
	\$	\$	\$	\$	\$
<i>A. Unrestricted Assets</i>	1,115,733	1,131,205	1,372,807	1,771,179	1,707,080
1. Short Term Assets	101,745	163,575	364,781	453,857	123,106
2. Investments at Fair Value	665,742	656,641	776,278	855,848	1,115,025
3. Accounts Receivable	306,136	268,209	201,281	436,678	450,198
4. Back Issue Inventory	9,205	10,774	11,203	7,285	7,067
5. Furniture and Equipment	19,888	16,627	12,214	10,448	5,791
6. Other Assets	13,017	15,379	7,050	7,063	5,893
<i>B. Unrestricted Liabilities</i>	525,539	648,312	794,112	882,989	660,325
1. Accounts Payable	51,457	33,266	52,082	19,470	68,293
2. Deferred Revenue	354,082	435,046	502,030	563,519	512,032
3. World Congress Fund	120,000	180,000	240,000	300,000	80,000
<i>C. Unrestricted Fund Balance</i>	590,194	482,893	578,695	888,190	1,046,755
<i>D. World Congress Fund Balance</i>	120,000	180,000	240,000	300,000	80,000
<i>E. Jacob Marschak Fund Balance</i>	27,605	28,175	27,490	27,876	28,955
<i>F. Far Eastern Fund Balance</i>	59,489	60,484	61,036	61,710	63,587
<i>G. Latin American Fund Balance</i>	23,696	24,078	24,292	14,489	22,047

TABLE II  
REVENUES, 2004–2007

	Actual 2004	Estimate 2005	Actual 2005	Estimate 2006	Budget 2007
	\$	\$	\$	\$	\$
<i>A. Econometrica Circulation</i>	1,141,289	1,080,000	1,121,663	1,060,000	1,060,000
<i>B. Other Revenue</i>	132,736	94,000	117,206	105,000	105,000
1. Back Issues (net)	8,363	10,000	5,693	4,000	4,000
2. Reprints (net)	(133)	1,000	(318)	0	0
3. Advertising (net)	6,330	6,000	6,653	6,000	6,000
4. List Rentals (net)	2,748	3,000	1,571	1,000	1,000
5. North American Meetings (net)	19,176	14,000	3,745	3,000	3,000
6. Monograph Series	(4,261)	(5,000)	(5,000)	(5,000)	(5,000)
7. Permissions	25,147	15,000	18,145	16,000	16,000
8. Interest-Dividends	36,877	50,000	75,577	80,000	80,000
9. Capital Gains on Investments	38,489	0	11,140	0	0
<i>C. Total Revenue</i>	1,274,025	1,174,000	1,238,869	1,165,000	1,165,000
<i>D. Adjusted Total Revenue (minus Capital Gains)</i>	1,235,536	1,174,000	1,227,729	1,165,000	1,165,000

TABLE III  
EXPENSES, 2004–2007

	Actual 2004 \$	Estimate 2005 \$	Actual 2005 \$	Estimate 2006 \$	Budget 2007 \$
<i>A. Publishing</i>	627,499	655,000	647,527	620,000	610,000
1. Composition-Printing	101,056	100,000	110,476	120,000	120,000
2. Circulation Fulfillment	77,908	80,000	77,296	80,000	80,000
3. Postage-Freight	167,407	160,000	156,703	150,000	140,000
4. Editorial	271,756	300,000	263,407	250,000	250,000
5. Co-Editors' Meeting	9,372	15,000	39,645	20,000	20,000
<i>B. Administrative</i>	175,438	183,000	190,426	169,000	169,000
1. Salaries-Fringe	150,261	158,000	158,407	140,000	140,000
2. Supplies-Xerox	2,861	3,000	4,008	2,000	2,000
3. Office Postage-Express	2,621	2,500	4,826	1,000	1,000
4. Telephone	2,525	2,500	2,208	1,000	1,000
5. Depreciation	5,118	4,000	4,657	5,000	2,000
6. Insurance-Audit	5,229	5,500	5,438	10,000	10,000
7. Other	4,746	5,000	5,650	5,000	8,000
8. Member Solicitation	2,077	2,500	5,232	5,000	5,000
<i>C. Web Site</i>	65,757	20,000	16,897	20,000	20,000
1. Web Development	33,323	10,000	12,254	15,000	15,000
2. Web Maintenance	32,434	10,000	4,643	5,000	5,000
<i>D. Executive Committee Expenses</i>	29,455	45,000	31,753	35,000	35,000
<i>E. Special Expenses</i>	66,301	239,346	193,701	166,000	101,000
1. IRS (UBI Tax) and Misc.	1,212	1,500	1,084	1,000	1,000
2. Interest Expense	0	0	143	0	0
3. Other Expenses	89	0	0	0	0
4. World Congress Fund	60,000	180,000	106,385	80,000	80,000
5. Regional Conferences	5,000	5,000	5,000	10,000	20,000
6. Transition: Salaries	0	52,846	81,089	75,000	0
<i>F. Total Expenses</i>	964,450	1,142,346	1,080,304	1,010,000	935,000
<i>G. Surplus</i>	309,575	31,654	158,565	155,000	230,000
<i>H. Fund Balance</i>	888,190	919,844	1,046,755	1,201,755	1,431,755
<i>I. Ratio of Fund Balance to Adjusted Total Revenue</i>	0.72	0.78	0.85	1.03	1.23

TABLE IV  
JACOB MARSCHAK FUND, 2001–2005

	2001 \$	2002 \$	2003 \$	2004 \$	2005 \$
<i>A. Income</i>	1,378	572	316	387	1,079
<i>B. Expenses</i>	2,000	0	1002	0	0
<i>C. Fund Balance</i>	27,605	28,176	27,490	27,876	28,955

TABLE V  
FAR EASTERN FUND, 2001–2005

	2001	2002	2003	2004	2005
	\$	\$	\$	\$	\$
A. <i>Income</i>	2,397	995	552	674	1,877
B. <i>Expenses</i>	2,000	0	0	0	0
D. <i>Fund Balance</i>	59,489	60,484	61,036	61,710	63,587

TABLE VI  
LATIN AMERICAN FUND, 2001–2005

	2001	2002	2003	2004	2005
	\$	\$	\$	\$	\$
A. <i>Income</i>	924	384	212	197	558
1. Interest and Dividends	924	384	212	197	558
2. Refund Previous Withdrawal	0	0	0	0	7,000
B. <i>Expenses</i>	0	0	0	(10,000)	0
C. <i>Fund Balance</i>	23,696	24,078	24,292	14,489	22,047

TABLE VII  
WORLD CONGRESS FUND, 2001–2005

	Actual 2001	Actual 2002	Actual 2003	Actual 2004	Estimate 2005
	\$	\$	\$	\$	\$
A. <i>Income</i>	60,000	60,000	60,000	60,000	180,000
1. Transfer from General Fund	60,000	60,000	60,000	60,000	180,000
B. <i>Expenses</i>	0	0	0	0	400,000
1. Travel Grants	0	0	0	0	326,385
2. Transfer to General Fund	0	0	0	0	73,615
C. <i>Fund Balance</i>	120,000	180,000	240,000	300,000	80,000

expected to reach 103 percent in 2006 and 123 percent in 2007. In light of these figures, the Executive Committee should consider alternatives to reduce these projected surpluses (like providing some funding for the proposed new journals or extra support for the regional activities of the Society), or to increase the current target ratio of net worth to adjusted total revenue (or both).

The Executive Committee decided by e-mail in June 2006 to introduce the following changes in the structure of institutional subscription rates for 2007. First, the distinction between Premium (Print + Online 1999 to date) and Standard (Print + Online current and previous year) will be eliminated, so all insti-

tutional subscribers will get *Econometrica* online from 1999 onward. Second, following the recommendation of the Bergstrom report on "Pricing and Access to *Econometrica*," the difference between paper and online only subscriptions will be adjusted to cover the marginal cost of printing and postage, estimated to be about \$40. Third, rates will be slightly raised to compensate, at least in part, the continued reduction in institutional subscribers. The structure of rates for 2007 will then be the following:

	<u>2006</u>	<u>2007</u>
High income Premium	\$550	\$520
High income Standard	\$500	n.a.
High income Online only	\$475	\$480
Concessionary Premium	\$39	\$40
Concessionary Standard	\$35	n.a.
Concessionary Online only	Free	Free

Individual membership rates should also be gradually adjusted so that the difference between paper and online only subscriptions covers the marginal cost of printing and postage. My proposal for 2007 (agreed by the Executive Committee) is the following:

	<u>2006</u>	<u>2007</u>
High income Ordinary Print + Online	\$45	\$45
High income Ordinary Online only	\$27	\$25
Concessionary Ordinary Print + Online	\$25	\$30
Concessionary Ordinary Online only	\$15	\$10
Student Print + Online	\$17	\$30
Student Online only	\$10	\$10

In August 2005, the Executive Committee decided to create an Investments Committee to advise the Treasurer on the allocation of the portfolio of the Society, delegating to the President the appointment and the terms of the members of this Committee. In September 2005, Tom Sargent appointed John Campbell, Rafael Repullo, and Hyun Shin as members. The first meeting of the Committee took place in January 2006 during the ASSA meetings in Boston. Robert Gordon also attended this meeting. The structure of the Society's unrestricted portfolio on 12/31/2005 (Table VIII, Column 2) was reviewed. The Committee decided to transfer the investments in European and Southeast Asian equities to a global equity fund and an emerging markets fund, an operation that was executed in February 2006. The significant payments made by Blackwell at the beginning of the year were invested in cash. On 7/31/2006 the breakdown by type of asset was 34.4 percent cash, 8.3 percent high yield bonds, and 57.2 percent equities (Table VIII, Column 3). All investments are in no-load Fidelity mutual funds. The return of the unrestricted portfolio in the year ending July 31, 2006 was 11.91 percent, as compared to the increase in the S&P 500 stock market index of 3.44 percent. The return of the restricted portfolio (fully invested in cash) during this year was 4.15 percent.

TABLE VIII  
ECONOMETRIC SOCIETY INVESTMENT PORTFOLIO

Name of Fund	Market Value 7/31/2005		Market Value 12/31/2005		Market Value 7/31/2006	
	\$	%	\$	%	\$	%
<i>Unrestricted Investment Portfolio</i>	864,988	100.0	1,114,981	100.0	1,642,974	100.0
Fidelity Money Market	110,913	12.8	111,001	10.0	565,475	34.4
Fidelity High Income	329,219	38.1	132,221	11.9	136,926	8.3
Spartan 500 Index Fund	424,857	49.1	433,128	38.8	447,521	27.2
Fidelity Europe			211,835	19.0		
Fidelity Southeast Asia			226,796	20.3		
Spartan International Index					423,427	25.8
Fidelity Emerging Markets					69,625	4.2
<i>Restricted Investment Portfolio</i>	123,490		114,633		117,642	
<i>Working Capital</i>	1,067,987		220,379		161,493	
Fidelity Cash Reserves	920,719		102,980		25,273	
Northern Trust Checking	129,131		109,341		136,220	
Barclays Checking	18,137		8,058			
<i>Total Financial Assets</i>	2,056,465		1,449,993		1,919,109	

This is my first report as Treasurer of the Econometric Society. It has been a privilege to interact with Robert Gordon, the Society's Treasurer for the past 30 years, during the transition to the new administrative arrangements. I am also very grateful to him for closing the 2005 accounts and preparing most of the tables in this report.

RAFAEL REPULLO  
*Treasurer*