

THE ECONOMETRIC SOCIETY REPORTS  
REPORT OF THE TREASURER

SHANGHAI, CHINA  
AUGUST 16, 2010

1. 2009 ACCOUNTS

THE 2009 ACCOUNTS of the Econometric Society show a surplus of \$245,284 (Table III, Line G). The surplus is slightly higher than the estimate of \$235,000 at this time last year. Total revenues were \$1,332,921 (Table II, Line D) and total expenses were \$1,087,637 (Table III, Line F). Both figures are also slightly higher than last year's estimates. There was a significant negative deviation in membership and subscription revenues (Table II, Line A), which was more than compensated by positive deviations in investment income and other revenues (Table II, Lines B and C).

The net worth of the Society on 12/31/2009 went up to \$1,354,865 (Table I, Line C). Consequently, the ratio of net worth to total expenses on 12/31/2009 was 125 percent, a figure which is at the lower end of the target range between 120 and 160 percent agreed by the Executive Committee in August 2007.

Table I shows the balance sheets of the Society for the years 2005–2009, distinguishing between unrestricted assets and liabilities, whose difference gives the Society's net worth, and five 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, Latin American, and European Funds, which are held in custody for the convenience of the corresponding Regional Standing Committees. Tables IV and V show the movements in the World Congress Fund and the other restricted accounts for the years 2005–2009.

Table II shows the actual revenues for 2008, the estimated and actual revenues for 2009, and the estimated revenues for 2010 and 2011. Total revenues for 2010 are expected to be 5.5 percent lower than those for 2009, mainly because of the reduction in investment income (Line C), which is not compensated by the increase in membership and subscription revenues (Line A). The budget for 2011 incorporates an increase of 7.1 percent in total revenues as a result of the recovery in investment income and a further increase in membership and subscription revenues, due to the proposed changes in individual membership rates.

Table III shows the actual expenses for 2008, the estimated and actual expenses for 2009, and the estimated expenses for 2010 and 2011. Total expenses

TABLE I  
ECONOMETRIC SOCIETY BALANCE SHEETS, 2005–2009

	12/31/05	12/31/06	12/31/07	12/31/08	12/31/09
	\$	\$	\$	\$	\$
<i>A. Unrestricted Assets</i>	1,707,036	1,801,710	2,203,312	1,896,510	2,565,714
1. Short Term Assets	123,106	63,854	117,574	96,245	357,540
2. Investments	1,114,981	1,548,878	1,753,807	1,428,604	1,882,888
3. Accounts Receivable	450,198	167,360	245,755	266,921	260,669
4. Back Issue Inventory	7,067	1,884	7,913	26,587	0
5. Furniture and Equipment	5,791	2,459	3,161	1,545	1,157
6. Other Assets	5,893	17,275	75,102	76,608	63,460
<i>B. Unrestricted Liabilities</i>	755,569	554,504	778,093	786,929	1,210,849
1. Accounts Payable	68,293	37,861	99,103	117,257	147,795
2. Deferred Revenue	607,276	356,643	438,990	349,672	663,054
3. World Congress Fund	80,000	160,000	240,000	320,000	400,000
<i>C. Unrestricted Fund Balance</i>	951,467	1,247,206	1,425,219	1,109,581	1,354,865
<i>D. World Congress Fund Balance</i>	80,000	160,000	240,000	320,000	400,000
<i>E. Jacob Marschak Fund Balance</i>	29,011	26,560	24,926	21,649	17,806
<i>F. Far Eastern Fund Balance</i>	63,576	66,624	70,016	68,047	88,784
<i>G. Latin American Fund Balance</i>	22,046	23,103	21,941	22,577	22,717
<i>H. European Fund Balance</i>	—	—	64,903	38,011	48,838

TABLE II  
ECONOMETRIC SOCIETY REVENUES, 2008–2011

	Actual 2008	Estimate 2009	Actual 2009	Estimate 2010	Budget 2011
	\$	\$	\$	\$	\$
<i>A. Membership and Subscriptions</i>	1,138,648	1,050,000	900,563	1,050,000	1,090,000
1. Total Revenue	1,049,330	1,150,000	1,213,945	1,100,000	1,120,000
2. Change in Deferred Revenue	89,318	(100,000)	(313,382)	(50,000)	(30,000)
<i>B. Other Revenues</i>	90,845	66,000	96,020	60,000	60,000
1. Back Issues	53,508	30,000	31,233	30,000	30,000
2. Reprints and Royalties	3,165	3,000	878	2,000	3,000
3. Advertising	5,549	5,000	3,350	5,000	5,000
4. List Rentals	1,846	2,000	1,390	2,000	2,000
5. Permissions	5,954	6,000	6,925	6,000	6,000
6. North American Meetings	20,823	20,000	52,244	15,000	15,000
<i>C. Investment Income</i>	(560,286)	200,000	336,338	150,000	200,000
1. Interest and Dividends	52,982	40,000	34,665	35,000	40,000
2. Capital Gains (Losses)	(613,268)	160,000	301,674	115,000	160,000
<i>D. Total Revenues</i>	669,206	1,316,000	1,332,921	1,260,000	1,350,000

TABLE III  
ECONOMETRIC SOCIETY EXPENSES, 2008–2011

	Actual 2008 \$	Estimate 2009 \$	Actual 2009 \$	Estimate 2010 \$	Budget 2011 \$
<i>A. Publishing</i>	270,567	290,000	279,318	365,000	380,000
1. Composition	49,323	55,000	85,415	140,000	145,000
2. Printing	61,347	70,000	57,912	90,000	90,000
3. Inventory	7,913	0	26,587	0	0
4. Circulation	98,625	100,000	61,525	80,000	90,000
5. Postage	53,359	65,000	47,879	55,000	55,000
<i>B. Editorial</i>	333,745	408,000	404,326	485,000	477,000
1. Editors	231,540	299,000	294,375	357,500	357,500
2. Editorial Assistants	89,940	95,000	100,362	100,000	105,000
3. Software	6,000	6,000	6,924	21,500	8,500
4. Meetings	6,265	8,000	2,665	6,000	6,000
<i>C. Administrative</i>	200,650	203,000	229,293	205,000	211,000
1. Salaries and Honoraria	140,110	140,000	135,704	140,000	140,000
2. Administrative Support	10,000	10,000	10,000	10,000	10,000
3. Accounting and Auditing	33,870	34,000	73,240	40,000	40,000
4. Office	6,328	6,000	5,189	5,000	10,000
5. Website	10,086	12,000	5,160	9,000	10,000
6. IRS	256	1,000	0	1,000	1,000
<i>D. Executive Committee</i>	51,770	52,000	42,241	30,000	40,000
<i>E. Meetings</i>	128,111	128,000	132,459	100,000	142,000
1. World Congress	80,500	80,000	80,000	115,000	80,000
2. Regional Meetings	47,611	48,000	52,459	20,000	62,000
<i>F. Total Expenses</i>	984,844	1,081,000	1,087,637	1,220,000	1,250,000
<i>G. Surplus</i>	(315,638)	235,000	245,284	40,000	100,000
<i>H. Unrestricted Fund Balance</i>	1,109,581	1,344,581	1,354,865	1,394,865	1,494,865
<i>I. Ratio of Unrestricted Fund Balance to Total Expenses</i>	1.13	1.24	1.25	1.14	1.20

for 2010 are expected to be 12.2 percent higher than those for 2009, mainly because of the significant increase in publication and editorial expenses (Lines A and B) associated with the launching of *Quantitative Economics* and *Theoretical Economics*, the two new Econometric Society journals. The budget for 2011 incorporates a further increase of 2.5 percent in total expenses. These figures together with the estimates of total revenues imply an estimated surplus of \$40,000 for 2010 and of \$100,000 for 2011, after allocating \$115,000 and \$80,000, respectively, to the World Congress Fund. Consequently the ratio of net worth to total expenses is expected to go down to 114 percent in 2010

TABLE IV  
WORLD CONGRESS FUND, 2005–2009

	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$
<i>A. Income</i>	180,000	80,000	80,000	80,000	80,000
1. Transfer from General Fund	180,000	80,000	80,000	80,000	80,000
<i>B. Expenses</i>	400,000	0	0	0	0
1. Travel Grants	326,385	0	0	0	0
2. Transfer to General Fund	73,615	0	0	0	0
<i>C. Fund Balance</i>	80,000	160,000	240,000	320,000	400,000

TABLE V  
RESTRICTED ACCOUNTS, 2005–2009

	2005	2006	2007	2008	2009
	\$	\$	\$	\$	\$
<i>A. Jacob Marschak Fund</i>					
1. Investment Income	1,135	1,393	1,393	723	157
2. Expenses	0	3,844	3,029	4,000	4,000
3. Fund Balance	29,012	26,561	24,926	21,649	17,806
<i>B. Far Eastern Fund</i>					
1. Transfer from Region	0	0	0	0	20,314
2. Investment Income	1,866	3,048	3,392	2,031	423
3. Expenses	0	0	0	4,000	0
4. Fund Balance	63,576	66,624	70,016	68,047	88,784
<i>C. Latin American Fund</i>					
1. Investment Income	558	1,057	1,162	636	140
2. Expenses (net)	(7,000)	0	2,324	0	0
3. Fund Balance	22,046	23,103	21,941	22,577	22,717
<i>D. European Fund</i>					
1. Transfer from Region	—	—	62,612	0	0
2. Investment Income	—	—	2,291	–26,892	10,827
3. Fund Balance	—	—	64,903	38,011	48,838

and to increase to 120 percent in 2011, just at the lower end of the target range agreed by the Executive Committee in August 2007.

The 2009 financial statements have been compiled by David Ciciyasvili, 42 Vista Drive, Morganville, NJ 07751, and will be audited by Rothstein, Kass & Company, 1350 Avenue of the Americas, New York, NY 10019.

## 2. MEMBERSHIP AND INSTITUTIONAL SUBSCRIPTION RATES

The Executive Committee agreed by e-mail in May 2009 to a proposal of a Committee chaired by Eddie Dekel on institutional subscription rates for 2010. The proposal was to move from the traditional two-tier to a three-tier pricing scheme based on the World Bank classification of countries, with a high income tier, a middle income tier, and a low income tier comprising those economies classified as low income by the World Bank plus the International Development Association (IDA) countries.

Income classifications are set by the World Bank each year on July 1. In the latest classification, high (low) income economies are those with 2009 gross national income per capita (calculated using the World Bank Atlas method) higher (lower) than \$12,195 (\$996). IDA countries are those that had a per capita income in 2009 of less than \$1,165 and lack the financial ability to borrow from the International Bank for Reconstruction and Development (IBRD).

The Executive Committee agreed by e-mail in June 2010 to keep unchanged the institutional subscription rates for 2011, which will be the following:

High income	
Print + Online	\$650
Online only	\$500
Middle income	
Print + Online	\$175
Online only	\$125
Low income	
Print + Online	\$60
Online only	\$10

Print + Online subscribers receive hard copies of the three Econometric Society journals (*Econometrica*, *Quantitative Economics*, and *Theoretical Economics*) for the corresponding year, and have free online access to volumes of *Econometrica* back to 1999 (*Quantitative Economics* and *Theoretical Economics* are open access). Online only subscribers do not get the hard copies of the journals. Since 2006, institutional subscribers to *Econometrica* have perpetual online access to the volumes to which they subscribed.

The Dekel Committee proposed an adjustment in individual membership rates for 2010, which was agreed by the Executive Committee at its meeting in August 2009. In the light of the expected increases in expenditures associated with the new journals, my proposal for 2011 (agreed by the Executive Commit-

tee) is to increase individual membership rates in the following manner:

	<u>2010</u>	<u>2011</u>
Ordinary member (High income)		
Print + Online	\$90	\$100
Online only	\$50	\$55
Ordinary member (Middle and low income)		
Print + Online	\$50	\$60
Online only	\$10	\$15
Student member		
Print + Online	\$50	\$60
Online only	\$10	\$15

Members that choose the Print + Online option receive hard copies of the three Econometric Society journals (*Econometrica*, *Quantitative Economics*, and *Theoretical Economics*) for the corresponding year, and have free online access to volumes of *Econometrica* back to 1933 (*Quantitative Economics* and *Theoretical Economics* are open access).

### 3. INVESTMENTS

The Society's Investments Committee consists of the Executive Vice-President and two Fellows appointed by the Executive Committee for a term of three years that can be renewed once. The Executive Committee decided in August 2008 to reappoint John Campbell and Hyun Shin for a second term starting on January 1, 2009. In July 2009, John Campbell expressed his desire

TABLE VI  
ECONOMETRIC SOCIETY INVESTMENT PORTFOLIO

Name of Fund	Market Value 7/31/2009		Market Value 12/31/2009		Market Value 7/31/2010	
	\$	%	\$	%	\$	%
<i>Unrestricted Investment Portfolio</i>	1,827,410	100.0	1,882,888	100.0	2,029,927	100.0
Fidelity Money Market	344,279	18.8	344,558	18.3	434,637	21.4
Spartan Interm. Treasury Bond	167,700	9.2	168,107	8.9	—	—
Fidelity Total Bond	—	—	—	—	107,301	5.3
Fidelity Inflation Protected Bond	—	—	—	—	104,038	5.1
Spartan 500 Index	581,480	31.8	622,315	33.1	611,936	30.1
Spartan International Index	592,009	32.4	598,228	31.8	622,070	30.6
Fidelity Emerging Markets	141,942	7.8	149,680	7.9	149,945	7.4
<i>Restricted Investment Portfolio</i>	160,880	100.0	157,831	100.0	175,825	100.0
Fidelity Money Market	116,901	72.7	108,993	69.1	129,325	73.6
Spartan International Index	43,979	27.3	48,838	30.9	46,499	26.4
<i>Total Investment Portfolio</i>	1,988,290		2,040,719		2,205,752	

to step down from the Committee, following his appointment as Chair of the Department of Economics at Harvard. The Executive Committee decided in August 2009 to appoint Darrell Duffie for a term of three years starting on January 1, 2010. In December 2009, Hyun Shin asked for a leave for 2010 in order to take up a senior advisory position in Korea. The Executive Committee decided to ask John Campbell to serve for another year, alongside Darrell Duffie, which he agreed.

During 2009, the Committee maintained, with only marginal deviations, the reference asset allocation of 20 percent cash, 10 percent bonds, and 70 percent equities, of which 45 percent correspond to US equities, 45 percent to international equities, and 10 percent to emerging market equities. All investments are in no-load Fidelity mutual funds.

In February 2010, the Committee decided to slightly rebalance the portfolio toward bonds, selling the position in the Fidelity Intermediate-term Bond Fund and transferring the balance to the Fidelity Total Bond Fund and the Fidelity Inflation-Protected Bond Fund.

On 7/31/2010, the breakdown by type of asset was 21.4 percent cash, 10.4 percent bonds, 30.1 percent US equities, 30.6 percent international equities, and 7.4 percent emerging markets equities (Table VI, Column 3). A separate account fully invested in cash was opened in April 2010 to manage the liquidity of the Society without interfering with the allocation of its investments. The balance of this account on 7/31/2010 was \$420,600, which will mostly be used to pay for the travel grants for the 2010 World Congress. The return of the unrestricted portfolio in the year ending July 31, 2010 was 9.3 percent, as compared to the return of the S&P 500 stock market index of 11.6 percent.

RAFAEL REPULLO