

THE ECONOMETRIC SOCIETY REPORTS
REPORT OF THE TREASURER

BARCELONA, SPAIN
AUGUST 22–23, 2009

1. 2008 ACCOUNTS

THE 2008 ACCOUNTS of the Econometric Society show a deficit of \$315,638 (Table III, Line G). The deficit is significantly larger than the estimate of \$250,000 at this time last year. This is due to the heavy losses in the Society's investment portfolio during the second half of 2008, which were partly compensated by a higher than expected operational surplus. In fact, membership and subscriptions plus other revenues were \$259,493 higher than expected (Table II, Lines A and B), while total expenses were \$85,156 lower than expected (Table III, Line F).

The net worth of the Society on 12/31/2008 was down to \$1,109,581 (Table I, Line C). Consequently, the ratio of net worth to total expenses on 12/31/2008 was 113 percent, a figure which is below 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 2004–2008, 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 2004–2008.

Table II shows the actual revenues for 2007, the estimated and actual revenues for 2008, and the estimated revenues for 2009 and 2010. The losses in the investment portfolio during 2008 were \$560,286 (Line C). The situation is likely to be very different in 2009, due to the rise in stock markets since the beginning of the year, with investment income estimated to be of the order of \$200,000. Thus total revenues are expected to increase to \$1,316,000 (Line D), which implies a 97 percent increase relative to the figure in 2008. The budget for 2010 incorporates a significant increase in membership and subscription revenues, due to the decisions on rates agreed by the Executive Committee.

Table III shows the actual expenses for 2007, the estimated and actual expenses for 2008, and the estimated expenses for 2009 and 2010. Publishing expenses in 2008 have been significantly lower than the estimate at this time last year, while all other expenses have been in line with the estimate. Total

TABLE I
ECONOMETRIC SOCIETY BALANCE SHEETS, 2004–2008

	12/31/04	12/31/05	12/31/06	12/31/07	12/31/08
	\$	\$	\$	\$	\$
<i>A. Unrestricted Assets</i>	1,771,179	1,707,036	1,801,710	2,203,312	1,896,510
1. Short Term Assets	453,857	123,106	63,854	117,574	96,245
2. Investments	855,848	1,114,981	1,548,878	1,753,807	1,428,604
3. Accounts Receivable	436,678	450,198	167,360	245,755	266,921
4. Back Issue Inventory	7,285	7,067	1,884	7,913	26,587
5. Furniture and Equipment	10,448	5,791	2,459	3,161	1,545
6. Other Assets	7,063	5,893	17,275	75,102	76,608
<i>B. Unrestricted Liabilities</i>	882,989	755,569	554,504	778,093	786,929
1. Accounts Payable	19,470	68,293	37,861	99,103	117,257
2. Deferred Revenue	563,519	607,276	356,643	438,990	349,672
3. World Congress Fund	300,000	80,000	160,000	240,000	320,000
<i>C. Unrestricted Fund Balance</i>	888,190	951,467	1,247,206	1,425,219	1,109,581
<i>D. World Congress Fund Balance</i>	300,000	80,000	160,000	240,000	320,000
<i>E. Jacob Marschak Fund Balance</i>	27,876	29,011	26,560	24,926	21,649
<i>F. Far Eastern Fund Balance</i>	61,710	63,576	66,624	70,016	68,047
<i>G. Latin American Fund Balance</i>	14,489	22,046	23,103	21,941	22,577
<i>H. European Fund Balance</i>	—	—	—	64,903	38,011

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2007–2010

	Actual 2007	Estimate 2008	Actual 2008	Estimate 2009	Budget 2010
	\$	\$	\$	\$	\$
<i>A. Membership and Subscriptions</i>	966,345	920,000	1,138,648	1,050,000	1,250,000
<i>B. Other Revenues</i>	48,651	50,000	90,845	66,000	60,000
1. Back Issues	15,660	15,000	53,508	30,000	30,000
2. Reprints	831	1,000	3,165	3,000	3,000
3. Advertising	2,518	7,000	5,549	5,000	5,000
4. List Rentals	1,366	2,000	1,846	2,000	2,000
5. Permissions	12,085	10,000	5,954	6,000	6,000
6. North American Meetings	16,191	15,000	20,823	20,000	14,000
<i>C. Investment Income</i>	167,229	(150,000)	(560,286)	200,000	120,000
1. Interest and Dividends	64,998	50,000	52,982	40,000	40,000
2. Capital Gains (Losses)	102,231	(200,000)	(613,268)	160,000	80,000
<i>D. Total Revenues</i>	1,182,225	820,000	669,206	1,316,000	1,430,000

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2007–2010

	Actual 2007 \$	Estimate 2008 \$	Actual 2008 \$	Estimate 2009 \$	Budget 2010 \$
<i>A. Publishing</i>	372,450	360,000	270,567	290,000	370,000
1. Composition	71,226	60,000	49,323	55,000	80,000
2. Printing	67,907	70,000	61,347	70,000	105,000
3. Inventory (net)	(6,029)	0	7,913	0	0
4. Circulation	102,556	100,000	98,625	100,000	100,000
5. Postage	136,790	130,000	53,359	65,000	85,000
<i>B. Editorial</i>	278,828	339,000	333,745	408,000	484,000
1. Editors	173,875	232,000	231,540	299,000	355,000
2. Editorial Assistants	92,637	92,000	89,940	95,000	105,000
3. Software	3,000	3,000	6,000	6,000	8,000
4. Meetings	9,316	12,000	6,265	8,000	16,000
<i>C. Administrative</i>	206,964	195,000	200,650	203,000	204,000
1. Salaries and Honoraria	131,598	136,000	140,110	140,000	140,000
2. Administrative Support	10,000	10,000	10,000	10,000	10,000
3. Accounting and Auditing	38,040	34,000	33,870	34,000	32,000
4. Office	4,467	6,000	6,328	6,000	6,000
5. Website	23,494	8,000	10,086	12,000	15,000
6. IRS	(635)	1,000	256	1,000	1,000
<i>D. Executive Committee</i>	54,479	52,000	51,770	52,000	52,000
<i>E. Meetings</i>	91,489	124,000	128,111	128,000	115,000
1. World Congress	80,000	80,000	80,500	80,000	115,000
2. Regional Meetings	11,489	44,000	47,611	48,000	0
<i>F. Total Expenses</i>	1,004,210	1,070,000	984,844	1,081,000	1,225,000
<i>G. Surplus</i>	178,015	(250,000)	(315,638)	235,000	205,000
<i>H. Unrestricted Fund Balance</i>	1,425,219	1,175,219	1,109,581	1,344,581	1,549,581
<i>I. Ratio of Unrestricted Fund Balance to Total Expenses</i>	1.42	1.10	1.13	1.24	1.26

expenses for 2009 and 2010 are expected to increase by 9.8 and 13.3 percent, respectively, due to the launch of *Quantitative Economics* and *Theoretical Economics*, the two new Econometric Society journals. This together with the expected behaviour of total revenues implies an estimated surplus of \$235,000 for 2009 and of \$205,000 for 2010, after allocating \$80,000 and \$115,000, respectively, to the World Congress Fund. Thus the ratio of net worth to total expenses is expected to go up to 124 percent in 2009 and to 126 percent in 2010, within the target range agreed by the Executive Committee in August 2007.

The 2008 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.

TABLE IV
WORLD CONGRESS FUND, 2004–2008

	2004	2005	2006	2007	2008
	\$	\$	\$	\$	\$
<i>A. Income</i>	60,000	180,000	80,000	80,000	80,000
1. Transfer from General Fund	60,000	180,000	80,000	80,000	80,000
<i>B. Expenses</i>	0	400,000	0	0	0
1. Travel Grants	0	326,385	0	0	0
2. Transfer to General Fund	0	73,615	0	0	0
<i>C. Fund Balance</i>	300,000	80,000	160,000	240,000	320,000

TABLE V
RESTRICTED ACCOUNTS, 2004–2008

	2004	2005	2006	2007	2008
	\$	\$	\$	\$	\$
<i>A. Jacob Marschak Fund</i>					
1. Investment Income	387	1,135	1,393	1,393	723
2. Expenses	0	0	3,844	3,029	4,000
3. Fund Balance	27,877	29,012	26,561	24,926	21,649
<i>B. Far Eastern Fund</i>					
1. Investment Income	674	1,866	3,048	3,392	2,031
2. Expenses	0	0	0	0	4,000
3. Fund Balance	61,710	63,576	66,624	70,016	68,047
<i>C. Latin American Fund</i>					
1. Investment Income	197	558	1,057	1,162	636
2. Expenses (net)	10,000	(7,000)	0	2,324	0
3. Fund Balance	14,489	22,046	23,103	21,941	22,577
<i>D. European Fund</i>					
1. Transfer from European Region	—	—	—	62,612	0
2. Investment Income	—	—	—	2,291	–26,892
3. Fund Balance	—	—	—	64,903	38,011

2. MEMBERSHIP AND INSTITUTIONAL SUBSCRIPTION RATES

The Executive Committee decided in August 2008 to form a Committee with Tim Besley, Eddie Dekel (chair), Roger Myerson, and Rafael Repullo to think about alternative pricing models for the Society. The Executive Committee agreed by e-mail in May 2009 to a proposal of the Pricing Committee on institutional subscription rates for 2010. The proposal consists of moving from a two-tier to a three-tier scheme based on the World Bank classification of countries. In particular, there will be a high income tier (the same as the current one), and the concessionary tier will be divided into a middle income and a low

income tier. The latter comprises those economies classified as low income by the World Bank plus the International Development Association (IDA) countries, while the former comprises the countries that are neither high nor low income according to this definition.

Income classifications are set by the World Bank each year on July 1. In the latest classification high (low) income economies are those with 2008 gross national income per capita (calculated using the World Bank Atlas method) higher (lower) than \$11,906 (\$975). IDA countries are those that had a per capita income in 2008 of less than \$1,135 and lack the financial ability to borrow from the International Bank for Reconstruction and Development (IBRD).

The adjusted institutional subscription rates for 2010, together with those for 2009, are the following:

	<u>2009</u>	<u>2010</u>
High income		
Print + Online	\$550	\$650
Online only	\$500	\$500
Middle income		
Print + Online	\$50	\$175
Online only	Free	\$125
Low income		
Print + Online	\$50	\$60
Online only	Free	\$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 (the other two journals 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 Pricing Committee proposed the following adjustment in individual membership rates for 2010 (agreed by the Executive Committee):

	<u>2009</u>	<u>2010</u>
Ordinary member (High income)		
Print + Online	\$60	\$90
Online only	\$25	\$50
Ordinary member (Middle and low income)		
Print + Online	\$45	\$50
Online only	\$10	\$10
Student member		
Print + Online	\$45	\$50
Online only	\$10	\$10

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.

In addition, and in order to encourage 3-year memberships, the Executive Committee agreed a 20 percent discount on 3-year rates.

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 the light of market developments, the Investments Committee kept during 2008 a portfolio allocation that underweighted equities by about 5 percentage points relative to 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). Partial rebalancing toward the reference asset allocation was done in August and October 2008. The return of the unrestricted portfolio in the year ending December 31, 2008 was -27.33 percent, as compared to the return of the S&P 500 stock market index of -38.49 percent.

During the first seven months of 2009, the Committee has allowed the portfolio allocation to move back to the reference allocation. On 7/31/2009, the breakdown by type of asset was 18.8 percent cash, 9.2 percent bonds, 31.8 percent US equities, 32.4 percent international equities, and 7.8 percent emerging

TABLE VI
ECONOMETRIC SOCIETY INVESTMENT PORTFOLIO

Name of Fund	Market Value 7/31/2008		Market Value 12/31/2008		Market Value 7/31/2009	
	\$	%	\$	%	\$	%
<i>Unrestricted Investment Portfolio</i>	1,946,055	100.0	1,428,604	100.0	1,827,410	100.0
Fidelity Money Market	587,956	30.2	292,694	20.5	344,279	18.8
Spartan Interm. Treasury Bond	133,328	6.9	150,190	10.5	167,700	9.2
Spartan 500 Index	563,438	29.0	441,616	30.9	581,480	31.8
Spartan International Index	560,915	28.8	458,134	32.1	592,009	32.4
Fidelity Emerging Markets	100,418	5.2	85,969	6.0	141,942	7.8
<i>Restricted Investment Portfolio</i>	174,979	100.0	154,284	100.0	160,880	100.0
Fidelity Money Market	119,000	68.0	116,273	75.4	116,901	72.7
Spartan International Index	55,979	32.0	38,011	24.6	43,979	27.3
<i>Total Investment Portfolio</i>	2,121,034		1,582,888		1,988,290	

markets equities (Table VI, Column 3). The return of the unrestricted portfolio in the first seven months of 2009 was 10.88 percent, as compared to the return of the S&P 500 stock market index of 9.33 percent. The return of the unrestricted portfolio in the year ending July 31, 2009 was –11.59 percent, as compared to the return of the S&P 500 of –22.08 percent.

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