

THE ECONOMETRIC SOCIETY REPORTS
REPORT OF THE TREASURER

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THE 2007 ACCOUNTS of the Econometric Society show a surplus of \$178,015, which represents a 39.8% decrease with respect to the record figure in 2006 (Table III, Line H). The 2007 surplus is lower than the estimate of \$196,000 at this time last year. Although revenues were \$42,225 higher than expected, expenses were \$60,210 higher than expected. The higher revenues are mainly explained by the increase in investment income, with membership and subscriptions plus other revenues being roughly in line with the estimate at this time last year (Table II, Line C). The higher expenses are mainly explained by higher than expected increases in publishing and Executive Committee expenses (Table III, Lines A and D).

The net worth of the Society on 12/31/2007 reached \$1,425,219 (Table I, Line C). Consequently, the ratio of net worth to total expenses on 12/31/2007 was 142 percent, a figure which is in the middle 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 2003–2007, 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 2003–2007.

Table II shows the actual revenues for 2006, the estimated and actual revenues for 2007, and the estimated revenues for 2008 and 2009. Membership and subscription revenues in 2007 were roughly in line with the estimate at this time last year, while other revenues were higher than expected due to increases in permissions and the revenue from the North American Winter Meeting. Investment income for 2007 was also significantly above the estimate at this time last year. The situation is likely to be drastically reversed for 2008, due to the fall in stock markets since the beginning of the year (the S&P 500 has fallen 13.7 percent from January 1 to July 31). Thus total revenues are expected to go down to \$820,000, which implies a 30.6 percent reduction relative to the figure in 2007.

TABLE I
ECONOMETRIC SOCIETY BALANCE SHEETS, 2003–2007

	12/31/03	12/31/04	12/31/05	12/31/06	12/31/07
	\$	\$	\$	\$	
A. <i>Unrestricted Assets</i>	1,372,807	1,771,179	1,707,036	1,801,710	2,203,312
1. Short Term Assets	364,781	453,857	123,106	63,854	117,574
2. Investments	776,278	855,848	1,114,981	1,548,878	1,753,807
3. Accounts Receivable	201,281	436,678	450,198	167,360	308,662
4. Back Issue Inventory	11,203	7,285	7,067	1,884	7,913
5. Furniture and Equipment	12,214	10,448	5,791	2,459	3,161
6. Other Assets	7,050	7,063	5,893	17,275	12,195
B. <i>Unrestricted Liabilities</i>	794,112	882,989	755,569	554,504	778,093
1. Accounts Payable	52,082	19,470	68,293	37,861	99,103
2. Deferred Revenue	502,030	563,519	607,276	356,643	438,990
3. World Congress Fund	240,000	300,000	80,000	160,000	240,000
C. <i>Unrestricted Fund Balance</i>	578,695	888,190	951,467	1,247,206	1,425,219
D. <i>World Congress Fund Balance</i>	240,000	300,000	80,000	160,000	240,000
E. <i>Jacob Marschak Fund Balance</i>	27,490	27,876	29,011	26,560	24,926
F. <i>Far Eastern Fund Balance</i>	61,036	61,710	63,576	66,624	70,016
G. <i>Latin American Fund Balance</i>	24,292	14,489	22,046	23,103	21,941
H. <i>European Fund Balance</i>	—	—	—	—	64,903

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2006–2009

	Actual 2006	Estimate 2007	Actual 2007	Estimate 2008	Budget 2009
	\$	\$	\$	\$	\$
A. <i>Membership and Subscriptions</i>	975,680	980,000	964,367	920,000	950,000
B. <i>Other Revenues</i>	34,250	40,000	50,629	50,000	50,000
1. Back Issues	14,613	15,000	15,660	15,000	15,000
2. Reprints	939	1,000	831	1,000	1,000
3. Advertising	7,623	7,500	4,496	7,000	7,000
4. List Rentals	1,560	1,500	1,366	2,000	2,000
5. Permissions	4,842	5,000	12,085	10,000	10,000
6. North American Meetings (net)	4,673	10,000	16,191	15,000	15,000
C. <i>Investment Income</i>	236,593	120,000	167,229	(150,000)	100,000
1. Interest and Dividends	53,133	40,000	64,998	50,000	50,000
2. Capital Gains	183,460	80,000	102,231	(200,000)	50,000
D. <i>Total Revenues</i>	1,246,524	1,140,000	1,182,225	820,000	1,100,000

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2006–2009

	Actual 2006 \$	Estimate 2007 \$	Actual 2007 \$	Estimate 2008 \$	Budget 2009 \$
A. <i>Publishing</i>	329,283	330,000	372,450	360,000	360,000
1. Composition	47,934	50,000	71,226	60,000	60,000
2. Printing	76,943	80,000	67,907	70,000	70,000
3. Inventory (net)	5,184	0	(6,029)	0	0
4. Circulation	89,061	90,000	102,556	100,000	100,000
5. Postage	110,161	110,000	136,790	130,000	130,000
B. <i>Editorial</i>	233,008	277,000	278,828	339,000	339,000
1. Editors	145,375	170,000	173,875	232,000	240,000
2. Editorial Assistants	80,937	96,000	92,637	92,000	82,000
3. Software	1,000	1,000	3,000	3,000	4,000
4. Meetings	5,696	10,000	9,316	12,000	12,000
C. <i>Administrative</i>	170,443	202,000	206,964	195,000	191,000
1. Salaries and Honoraria	127,300	145,000	141,598	146,000	142,000
2. Office	16,447	12,000	3,429	5,000	5,000
3. Accounting and Auditing	18,200	22,000	38,040	34,000	34,000
4. IRS	1,243	1,500	(635)	1,000	1,000
5. Website	6,653	21,500	23,494	8,000	8,000
6. Other	600	0	1,038	1,000	1,000
D. <i>Executive Committee</i>	24,630	30,000	54,479	52,000	52,000
E. <i>Meetings</i>	119,259	105,000	91,489	124,000	128,000
1. World Congress	88,500	80,000	80,000	80,000	80,000
2. Regional Meetings	30,759	25,000	11,489	44,000	48,000
F. <i>Special Expenses</i>	74,162	0	0	0	0
1. Transition	74,162	0	0	0	0
G. <i>Total Expenses</i>	950,785	944,000	1,004,210	1,070,000	1,070,000
H. <i>Surplus</i>	295,739	196,000	178,015	(250,000)	30,000
I. <i>Unrestricted Fund Balance</i>	1,247,206	1,443,206	1,425,219	1,175,219	1,205,219
J. <i>Ratio of Unrestricted Fund Balance to Total Expenses</i>	1.31	1.53	1.42	1.10	1.13

Table III shows the actual expenses for 2006, the estimated and actual expenses for 2007, and the estimated expenses for 2008 and 2009. Publishing expenses in 2007 have been significantly higher than the estimate at this time last year, while editorial and administrative expenses have been in line with the estimate. Total expenses for 2008 and 2009 are expected to increase by about 7 percent due to higher editorial expenses (because of the increase in payments to the Co-Editors of *Econometrica*) and meetings expenses (because of the increase in the grants for activities involving “young economists” in regions other than Europe and North America). This together with the expected behavior of total revenues implies a deficit of \$250,000 for 2008 and a surplus of \$30,000

TABLE IV
WORLD CONGRESS FUND, 2003–2007

	2003	2004	2005	2006	2007
	\$	\$	\$	\$	\$
<i>A. Income</i>	60,000	60,000	180,000	80,000	80,000
1. Transfer from General Fund	60,000	60,000	180,000	80,000	80,000
<i>B. Expenses</i>	0	0	400,000	0	0
1. Travel Grants	0	0	326,385	0	0
2. Transfer to General Fund	0	0	73,615	0	0
<i>C. Fund Balance</i>	240,000	300,000	80,000	160,000	240,000

TABLE V
RESTRICTED ACCOUNTS, 2003–2007

	2003	2004	2005	2006	2007
	\$	\$	\$	\$	\$
<i>A. Jacob Marschak Fund</i>					
1. Investment Income	316	387	1,135	1,393	1,393
2. Expenses	1,002	0	0	3,844	3,029
3. Fund Balance	27,490	27,877	29,012	26,561	24,926
<i>B. Far Eastern Fund</i>					
1. Investment Income	552	674	1,866	3,048	3,392
2. Expenses	0	0	0	0	0
3. Fund Balance	61,036	61,710	63,576	66,624	70,016
<i>C. Latin American Fund</i>					
1. Investment Income	212	197	558	1,057	1,162
2. Expenses (net)	0	10,000	(7,000)	0	2,324
3. Fund Balance	24,292	14,489	22,046	23,103	21,941
<i>D. European Fund</i>					
1. Transfer from European Region	—	—	—	—	62,612
2. Investment Income	—	—	—	—	2,291
3. Fund Balance	—	—	—	—	64,903

for 2009 after allocating \$80,000 each year to the World Congress Fund. Thus the ratio of net worth to total expenses is expected to go down to 110 percent in 2008 and to increase to 113 percent in 2009, slightly below the lower bound of the target range agreed by the Executive Committee in August 2007.

The Executive Committee decided by e-mail in June 2008 to adjust the institutional subscription rates in the following manner:

	<u>2008</u>	<u>2009</u>
Print + Online (High income)	\$520	\$550
Online only (High income)	\$480	\$500
Print + Online (Concessionary)	\$40	\$50
Online only (Concessionary)	Free	Free

High income rates are applied to economies classified as high income by the World Bank. Income classifications are set each year on July 1. In the latest classification high income economies are those with 2007 gross national income per capita (calculated using the World Bank Atlas method) higher than \$11,456. Concessionary rates are applied to economies that are not classified as high income. Print + Online subscribers receive paper copies of the six issues of *Econometrica* for the corresponding year and have online access to volumes back to 1999. Online only subscribers do not get the paper copies of *Econometrica*. Since 2006, institutional subscribers have perpetual online access to the volumes to which they subscribed.

Following the recommendation of the Bergstrom report on “Pricing and Access to *Econometrica*,” individual membership rates should be gradually adjusted so that the difference between print and online only rates covers the marginal cost of printing and postage, estimated to be about \$40. My proposal for 2009 (agreed by the Executive Committee) is the following:

	<u>2008</u>	<u>2009</u>
Ordinary member (High income) Print + Online	\$55	\$60
Ordinary member (High income) Online only	\$25	\$25
Student member (High income) Print + Online	\$40	\$45
Student member (High income) Online only	\$10	\$10
Ordinary or student member (Concessionary) Print + Online	\$40	\$45
Ordinary or student member (Concessionary) Online only	\$10	\$10

The Society’s Investments Committee, whose members are John Campbell, Rafael Repullo, and Hyun Shin, met in January 2008 during the ASSA meetings in New Orleans to review the Society’s unrestricted portfolio on 12/31/2007 (Table VI, Column 2). The Committee decided to overweight the share of cash in the portfolio relative to the reference asset allocation of 20 percent cash, 10 percent bonds, and 70 percent equities, of which 45 percent correspond to U.S. equities, 45 percent to international equities, and 10 percent to emerging market equities.

On 7/31/2008, the breakdown by type of asset was 30.2 percent cash, 6.9 percent bonds, 29.0 percent U.S. equities, 28.8 percent international equities, and 5.2 percent emerging markets equities (Table VI, Column 3). All investments are in no-load Fidelity mutual funds. The return of the unrestricted portfolio in the year ending July 31, 2008 was –5.82 percent, as compared to the return of the S&P 500 stock market index of –12.91 percent.

The 2007 financial statements have been compiled by E. C. Ortiz & Co., LLP, 333 S. Desplaines St., Chicago, IL 60661, and will be audited by Rothstein, Kass

TABLE VI
ECONOMETRIC SOCIETY INVESTMENT PORTFOLIO

Name of Fund	Market Value 7/31/2007		Market Value 12/31/2007		Market Value 7/31/2008	
	\$	%	\$	%	\$	%
<i>Unrestricted Investment Portfolio</i>	1,968,879	100.0	1,753,807	100.0	1,946,055	100.0
Fidelity Money Market	520,306	26.4	368,988	21.0	587,956	30.2
Spartan Interm. Treasury Bond	178,761	9.1	192,077	11.0	133,328	6.9
Spartan 500 Index	567,265	28.8	517,344	29.5	563,438	29.0
Spartan International Index	571,630	29.0	524,084	29.9	560,915	28.8
Fidelity Emerging Markets	130,917	6.7	151,315	8.6	100,418	5.2
<i>Restricted Investment Portfolio</i>	119,764	100.0	181,785	100.0	174,979	100.0
Fidelity Money Market	119,764	100.0	116,882	64.3	119,000	68.0
Spartan International Index	—	—	64,903	35.7	55,979	32.0
<i>Total Investment Portfolio</i>	2,088,643		1,935,592		2,121,034	

& Company, 1350 Avenue of the Americas, New York, NY 10019. I would like to thank Stella Santos of E. C. Ortiz & Co. for her help with the Society's accounts.

RAFAEL REPULLO