

ECONOMETRIC SOCIETY

REPORT OF THE GOVERNANCE COMMITTEE

June 15, 2012

Following consultation with the Executive Committee, Bengt Holmström, President of the Econometric Society in 2011, established a Governance Committee to review all aspects of the governance of the Society with the final aim of making a proposal to change the Society's Constitution and to pave the way for the Society's incorporation.

The Committee is chaired by Oliver Hart (Harvard University). The other members are Tim Besley (London School of Economics), Hongbin Cai (Peking University), George Mailath (University of Pennsylvania), Rosa Matzkin (UCLA), and Enrique Sentana (CEMFI), with Rafael Repullo (CEMFI, Executive Vice-President until June 30, 2012) acting as secretary, and Hyun Shin (Princeton University, Executive Vice-President from July 1, 2012) as observer.

This document summarizes the current governance arrangements and puts forward our proposals to the Executive Committee. A preliminary draft was posted in the Society's website for discussion among the Fellows.

The spirit of the proposed changes is to enhance the global nature of the Society by increasing the geographical representation in the composition of the Council and to raise the involvement of the Council in the governance of the Society by increasing the participation of Council members in the Executive Committee and in the Nominating Committees. Although the voting power of the Fellows would remain unchanged, we propose that Society members directly elect some members of the Regional Standing Committees.

The document is structured in eight sections covering the key elements of the current governance arrangements together with our reform proposals.

1. Officers

The Officers of the Society are the President, the First and the Second Vice-President, the Past President, and the Executive Vice-President. The Officers are elected by the

Fellows. The sole candidate for President is the First Vice-President and the sole candidate for First Vice-President is the Second Vice-President. The candidates for Second Vice-President may not be from the same region as the previously elected Second Vice-President. *We propose no change in these arrangements.*

2. Executive Committee

The Executive Committee is a subcommittee of the Council, established to provide efficient governance for the Society. The Executive Committee has seven voting members: the President, the First and the Second Vice-President, the Past President, and three At-Large members elected by the Council. The Executive Vice-President and the Editors of the three Society journals are nonvoting members of the Executive Committee.

The term of At-Large members is three years. Council members that are Editors or Co-Editors of the three Society journals cannot be At-Large members. The procedures for election are such that all three At-Large members cannot be from the same region. For otherwise eligible candidates who have previously served on the Executive Committee as Officers or At-Large members, three years off the Executive Committee must elapse before they may again be elected. When an At-Large member is elected Second Vice-President, he/she customarily resigns, and an additional At-Large member is elected that year.

We propose to add a fourth At-Large member, so there will be eight voting members with the President having the tie-breaking vote. To facilitate staggering the appointments of the four At-Large members we propose to extend their mandate from three to four years, and to increase geographical representation in the Executive Committee we propose that At-Large members shall come from at least three different regions. When an At-Large member is elected Second Vice-President, a new member will be elected to complete the remaining term. If this term is one or two years, the new member would be eligible for immediate reelection.

3. Council

The Council of the Society consists of members who are elected by the Fellows from various regions of the world to serve as a representative governing body for the Society. The Officers are ex officio members of the Council.

The Society is a global scholarly society in economics, which is currently organized into six regions: Australasia, Europe and Other Areas, Far East, Latin America, North America, and South & Southeast Asia. For each region, one Council member is elected for each 80 members or substantial fraction thereof, with a maximum of 10 members for any one region. Currently, there are 2 members from Australasia, 10 members from Europe and Other Areas, 4 members from the Far East, 2 members from Latin America, 10 members from North America, and 1 member from South & Southeast Asia, so the Council has a total of 34 members (29 ordinary Council members plus the 5 Officers).

Council members (other than Officers) serve for three-year terms. They may be reelected once, but three years off the Council must elapse after two consecutive terms before an individual may appear on the Council ballot again. Council members will automatically be renominated at the end of their first term. A three-year term is extended in the case of election as At-Large member of the Executive Committee.

To increase the geographical representation of the Council we propose that each region should have a minimum of 2 Council members and that 10 additional members be allocated according to the membership of the regions. We also propose that the Executive Vice-President and the Editors of the three Society journals be nonvoting members of the Council (as they are of the Executive Committee), unless they are already elected members of the Council. Council members would be expected to attend the regional meetings in their region.

We also propose that Council members serve non-renewable four-year terms, except in the case of a Council member elected to be an At-Large member of the Executive Committee, in which case the Council member's term would be extended until the end of his or her term on the Executive Committee. Two years off the Council must elapse before an individual may again be eligible for election to the Council.

To improve transparency between the Council and the Executive Committee, we propose the Executive Committee send in advance to the Council the agenda (and any appropriate supporting documents) of the meetings of the Executive Committee at least three weeks before the meetings, so that any Council member can make suggestions. The agenda should also be posted on the Society's website at least three weeks before the meetings, so that any Fellow or member can make

suggestions. The minutes of these meetings should be sent to the Council and a summary of decisions posted on the Society's website.

4. Regional Standing Committees

Regional Standing Committees are responsible for the organization of regional activities of the Society. Members of Regional Standing Committees must be members of the Society but do not need to be Fellows. The current members are (a) Council members (including Officers) from the region, (b) Program Chair(s) for the current, the previous, and the next meetings, (c) Local Arrangements Chairs for the current and the next meetings, and (d) regional officers such as Secretary and/or Treasurer as determined by each Committee.

Regional Standing Committees are chaired by the first member of the following list that resides in the region: the President, the First Vice-President, the Second Vice-President, and the Past President. If none of them resides in the region, the President shall appoint a Council member in the region to serve as Chair.

We propose that Regional Standing Committees should have at least five voting members, including the Council members from the region. Program Chairs, Local Arrangements Chairs, and regional officers such as Secretary and/or Treasurer would be nonvoting members, unless they are already elected members of the Council or the Regional Standing Committee. At least two voting members would be elected for a non-renewable four-year term in a ballot of the members of the region. The Regional Standing Committee acting as a regional nominating committee would choose, after consultation with the Executive Vice-President, a list of candidates equal to twice the number of vacancies in the region. Candidates for these slots would not have to be Fellows.

Regional Standing Committees should meet regularly at the site of the corresponding regional meeting and also at World Congresses. The Secretary of each Regional Standing Committee should send to the Executive Vice President an annual report on the activities of the Society in his or her region, which will be distributed to the Executive Committee for discussion.

We also recommend that all Fellows be allowed to list a (single) secondary affiliation in another region. Doing so would indicate a willingness to help and serve in that region. Someone with a secondary affiliation in a region with few

Fellows could also serve as elected members of the corresponding Regional Standing Committee.

5. Nominating Committee for Officers and Council

Currently there is a Nominating Committee for Officers appointed by the President and consisting of four former Presidents along with the President, the Vice-Presidents and the Past President. The President appoints one of the former Presidents as Chair.

There is also a Nominating Committee for Council appointed by the President and consisting of six elected members of the Council, none of whom is up for reelection, along with the Officers. The Past President serves as Chair. Council members must normally be active Fellows of the Society, but suitable members may be elected in regions with an insufficient number of eligible Fellows.

We propose to have a single Nominating Committee for Officers and Council consisting of the President, the Past President, and five Council members who are Fellows appointed by the President. The Vice-Presidents cannot be members of the Committee and the Past President will serve as Chair.

The Committee will choose two candidates for Second Vice-President and a list of candidates for the Council equal to twice the number of vacancies in each region. At least one of the candidates from each region must be a voting member of the corresponding Regional Standing Committee elected by the members of the Society in that region, unless all eligible candidates are already members of the Council.

6. Nominating Committee for Fellows

The Nominating Committee for Fellows consists of five to eight Fellows, including one member to serve as Chair, appointed by the President. To provide continuity, the Chair should have served in the Committee before, and the past Chair should also be a member. The Committee is expected to nominate candidates who might have been overlooked, with special consideration to geographical, field, and gender diversity. The list of candidates proposed by the Committee should normally include at least one candidate from each region.

We propose that the Nominating Committee for Fellows should be drawn from Council members who are Fellows. The Committee should reflect the regional diversity of the Society.

We considered the following two alternatives for the working of the Nominating Committee for Fellows:

- a. The Committee comes up with a consensus list of candidates endorsed by all its members, and the words "nominated by the Committee" appear in the nominating statements.*
- b. The Committee discusses potential candidates but they are endorsed by at least three members of the Committee rather than the Committee itself. Although the composition of the Committee is known, the words "nominated by the Committee" do not appear in the nominating statements.*

The first alternative corresponds to the current arrangements, and is intended to correct biases related to the unwillingness to support candidates that one does not know personally or who are outside one's area of expertise.

The second may be justified in the following terms. Like many large organizations the Econometric Society suffers from collective action problems. As a result worthy candidates for Fellow may be overlooked. One role of the Nominating Committee is to identify such people and to put them on the ballot. A second role is to identify people who are worthy candidates for other (possibly complementary) reasons, e.g. to increase geographical, field, or gender diversity. One concern with the first role is that it may lead to an uneven playing field: two equally worthy candidates may appear on the ballot, one of whom has been nominated in the usual way by (at least) three Fellows and the other who is "nominated by the Committee". The imprimatur of the Committee will likely have extra weight. To guard against this, the alternative proposes that the nomination be made by members of the Committee as individuals rather than by the Committee itself.

A majority of the members of the Governance Committee supported alternative a, but we agreed to leave both alternatives for consideration by the Executive Committee.

Most members of the Governance Committee thought that the Nominating Committee for Fellows should submit a short report to the Council explaining their

decisions on nominations.

7. Nomination and election of Fellows

Currently, any member or Fellow can propose a candidate by filling in a nomination form and inviting endorsements. If three or more Fellows endorse a candidate, the candidate's name will appear in the ballot. Otherwise, it will be decided by the Nominating Committee for Fellows. *We propose no change in these arrangements.*

Currently, each Fellow may vote for all the candidates that he/she wishes to be elected. Elected candidates are those who have a total number of votes at least equal to 30 percent of the number of ballots submitted. *We propose no change in these arrangements.*

8. Petitioning by Fellows

We propose that the Officers and Council Nominating Committee shall include any Fellow nominated by petition of not less than 10 percent of the Fellows.

We also propose that additional nominations for Second Vice-President and additional nominations for each vacant seat on the Council may be made by petition of not less than 15 percent of the Fellows. If as a result of a petition there are more than two candidates for Second Vice-President, the standard (rank-order) voting procedure will be used.

In all these cases, no Fellow can petition for more than one candidate per slot.

Finally, we propose that any proposal supported by not less than 5 percent of the Fellows shall be put on the agenda of the next meeting of the Executive Committee.