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REPORT OF THE TREASURER

ECONOMETRIC SOCIETY VIRTUAL WORLD CONGRESS
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2019 THROUGH MID-2020 SAW A PERIOD in which management decisions made by the Executive Committee the previous two years began to produce positive financial results, leaving the Econometric Society in its strongest financial position yet. The new royalty-based contract with Wiley Publishers combined with membership fee enhancements, robust membership drives, and solid investment returns even during a tumultuous market, put the Society in good shape to weather any future challenges.

The new contract between Wiley and the Econometric Society went into effect in 2019. In 2019, the Society earned total institutional journal revenues of \$721,383 compared to \$698,010 the previous year. However, both figures include deferred revenues no longer accruing as a result of the new royalty-based contract. For 2019, real institutional publishing revenues came to \$509,613 for the first full year under the new contract while \$211,770 in deferred revenues was carried over from previous years. In exchange, henceforth Wiley will cover the cost of printing, distributing and disseminating the Econometric society journals.

Unfortunately, 2019's promising year-end results are unlikely to continue through 2020 given the onset of COVID-19. Universities and research centers' libraries (all of which make up the bulk of institutional sales) all project no or very low growth for the remainder of 2020 so future institutional revenues are expected to compress.

Membership revenues fared well too. In 2019, the Society added additional subscription rate options to its membership categories; increased rates across all categories; and for the first time added an auto-renew option for membership purchases. As a result of these changes, the number of year-end memberships (see the Secretary's report for membership statistics) and total membership revenues increased substantially. Membership revenues jumped from \$585,349 at end-of-year 2018 to \$680,253 at end-of-year 2019, an increase of \$94,904.

The Society continued its relationship with Wells Fargo for its day-to-day banking and credit card processing, and with Vanguard to manage its investments. At the same time, the Society's Investment Committee adjusted its investment strategy and saw gains emerge. By end-of-year 2019, the Society's Central office investment holdings rose from end-of-year 2018 holdings of 2,357,604 to 2019 end-of-year holdings of \$3,331,812, although part of the increase resulted from the transfer of \$500,000 from Wells Fargo. The regional account totals, however, went from 2018 combined holdings of \$613,413 to 2019 end-of-year holdings of \$544,590. While the European region holds the majority of regional funds, Africa, Asia, Australasia, and Latin America's regional accounts are subsidized by annual grants available to help with activities for young economists.

A fundraising initiative for young African scholars was launched in June 2019, bringing in close to \$30,000 through generous donations from the Society's fellows and general membership base. The Society will continue to grow its Fund for African Scholars. The

I would like to thank General Manager Lyn Hogan for her contributions to this report though all errors remain my own.

fund is earmarked to subsidize free Society memberships and travel to Society meetings for young African economists.

Finally, the Society's smaller revenue-generating vehicles including the Cambridge University Press Monograph Series, journal advertising and mailing list sales to academic publishers (excluding those covered by the General Data Protection Regulation) and a partnership with EconJobMarket, an economics job posting service, continued to add modestly to revenues.

1. ACCOUNTS

Overall, the Society ended 2019 in a stronger financial position than in 2018. The total assets¹ of the Econometric Society as of Dec. 31, 2019 were \$4,558,899 compared to \$3,846,225 on December 31, 2018. A combination of factors accounts for the increase, including a rise in institutional publishing revenues, a growing membership base, a new membership pricing model, and investment growth.

The fair market value of the Society's investment portfolio at the end of 2019 was \$3,464,168 compared to \$2,326,216 at the end of 2018. Total current assets at the end of 2019 were also higher than a year before at \$4,558,899 in 2019 versus \$3,846,225 for 2018. At the end of 2019, the Society's current liabilities sat at \$712,097 while total net assets reached \$3,846,802.

Mid-year 2020, the Society's collected revenues are \$1,100,474 while expenses are only \$660,711, leaving net revenue without consideration of cash and assets at \$439,763. In addition, total financial assets (cash and investments) are \$4,711,029 as of June 30, 2020.

Since 2013 the Society has employed Schulman–Lobel of North Brunswick, New Jersey as its accounting firm to assist with bookkeeping, tax preparation, and advise on compliance requirements. Eisner–Amper has been auditing the Society's accounts since 2015. The numbers in this report are based on the 2019 audited financials.

Further in this report are several tables addressing the Society's accounts: Table I: Econometric Society Statement of Financial Position 2017 To Mid-Year 2020; Table II: Econometric Society Revenues, 2017-Mid-Year 2020; and Table III: Econometric Society Expenses, 2017-Mid-Year 2020.

2. FINANCIAL ASSETS

The Society's Investment Committee is chaired by the Executive Vice-President and two Fellows appointed by the Executive Committee for a term of three years that can be renewed once: Yacine Aït Sahalia, who started his second term in January 2020, and Franklin Allen, whose first term will finish in December this year.

The Society's Investment Committee advises on the allocation of the Society's assets, with the exception of the Australasia and Europe accounts, which aim at hedging exchange rate risk. The Society is very grateful to the current members for their guidance.

In addition to its Main and Sundry accounts kept at Wells Fargo, beginning July 2019 the Society set up a third account to separately handle the large funds collected from meeting registrations and passed through to the regions after deducting transaction fees incurred and any surplus owed to the Central office.

¹Total assets includes cash, investments, receivables, publication inventory, and other current assets.

TABLE I
ECONOMETRIC SOCIETY STATEMENT OF FINANCIAL POSITION 2017 TO MID-YEAR 2020

(Unit US Dollars)	2017 Year-End	2018 Year-End	2019 Year-End	2020 Mid-Year
Current Assets				
Cash	867,092	1,220,196	910,002	1,100,561
Investments	2,419,080	2,326,216	3,464,168	3,610,470
Receivables	456,329	271,155	168,149	0
Public. inventory	8456	7648	1580	1580
Other current assets	15,200	21,010	15,000	24,000
Total Current Assets	3,766,157	3,846,225	4,558,899	4,736,611
Liabilities and Net Assets				
Total Current liabilities	872,969	828,863	712,097	449,985
Accounts payable	96,526	322,010	366,762	104,650
Deferred revenues	776,443	506,853	345,335	345,335
Total net assets	2,893,187	3,017,361	3,846,802	4,286,626
Unrestricted	2,875,264	2,999,196	3,832,249	4,272,013
Restricted (Marschak)	17,921	18,165	14,553	14,613
Total Liabilities and Equity (Total Assets)	3,766,157	3,846,225	4,558,899	4,736,611

The Econometric Society can be characterised as a long-term passive investor with a hopefully very long horizon. Currently, annual revenues exceed annual expenses so there is no need to draw down the financial portfolio. However, the push for Open Access journals remains an uncertainty, making it essential to maintain the Society's investment base.

The Society's portfolio follows a benchmark asset allocation of 20 percent cash and short-term US government bonds, 15 percent other bonds, 30 percent US equities, 30 percent international equities, and 5 percent emerging market equities, but it can deviate from it if deemed appropriate. Adding the balances of the bank accounts, the percentage of cash depends on cash flow and is highly seasonal, as Table IV shows.

In June 2019, the Investment Committee agreed to the following investment strategy going forward:

- (1) Simplification of the portfolio by merging closely related funds, which should offer some small savings in terms of investment fees
- (2) Regular rebalancing of the investment towards the benchmark every six months, which according to a substantial body of empirical evidence should be more profitable over the long run than tactical or strategic deviations.

The first rule resulted in the consolidation of the equity funds into only two. At the same time, the Investment Committee decided to maintain the different fixed income funds for the time being, with the following weights: Vanguard Federal Money Market Fund (2%), Vanguard Inflation-Protected Securities Fund Admiral Shares (5%), Vanguard Short-Term Treasury Fund Admiral Shares (18%) and Vanguard Total Bond Market Index Fund Admiral Shares (10%)

In turn, the second rule was applied for the first time at the end of June 2019, again at the end of December that year and then at the end of June 2020.

Similar to 2019, in 2020 the Central office of the ES once again accumulated a relatively large cash position. Specifically, the Executive Vice-President and General Manager estimated the Society had at least \$250,000 at Wells Fargo that it would not need in its

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2017-MID-YEAR 2020

(Unit US Dollars)	2017 Year-End	2018 Year-End	2019 Year-End	2020 Mid-Year
Dues and subscriptions	1,149,227	1,283,359	1,401,636	1,056,717
Membership Income ²	591,649	585,349	680,253	651,745
Institutional Publishing	557,578	698,010	721,383	404,972
Other revenue³	220,347	300,396	459,150	151,332
Regional income				
Regional meetings ⁴	97,735	9630	351,604	150,020
Regional surplus ⁵	65,587	86,870	62,029	–
Other publishing income				
JSTOR	40,737	40,117	38,173	–
Permissions	13,760	1000	229	–
List rentals	2528	–	1000	–
Job Market	–	8500	4700	–
Advertising	–	–	–	725
Royalties (+CUP)	–	154,279 ⁶	1415	587
Total investment income	420,050	(95,126)	522,138	–108,495
Interest & dividend	45,011	43,769	81,612	25,453
Unrealized gains	350,221	(818,383)	329,234	–133,948
Realized gains	24,818	691,104	111,292	0
Loss/Gain Frn Exchange	–	(11,616)	–	–
Donations	120,024	2271	30,349	920
In-Kind contributions (rent and donated stipend)	90,332	13,160	10,400	
Net assets released from restriction	–	13	4000	–
Total unrestrictive revenues	1,999,980	1,504,060	2,427,673	1,100,474
Marschak Dividends Restricted	90	256	387	61

²Figure includes \$1042 of membership subscriptions deposited as paper checks.

³Figure does not match listed audit total because donations are broken down separately herewith.

⁴This income is pass-through income to the regions. The 2019 figure is higher than normal due to four regions running their meeting registration through the Society's main account. The 2020 figure reflects World Congress registrations and other income which is not regional income but gets deposited into the Wells Fargo regional bank account so it appears as regional income.

⁵This category was called "regional income" in past reports.

⁶Figure includes \$150,000 one-time signing bonus from Wiley Publishers booked in 2018 as royalty.

day-to-day operations for the foreseeable future. Consequently, an additional quarter-of-a-million dollars was allocated to the different Vanguard funds in April 2020 according to the agreed proportions.

At June 30, 2020, the total value of the Society's Vanguard portfolio was \$4,061,420 compared to the June 30, 2019 assets of \$3,639,031. Cash accounts at Wells Fargo ended 2019 at \$496,648. As of June 30, 2020, cash accounts held \$649,609, \$120,000 of which is from World Congress registration fees deposited by June 30 of this year.

See Table IV below depicting the Society's current and past financial positions presenting investment values of the previous Fidelity and current Vanguard funds.

3. MEMBERSHIP AND INSTITUTIONAL SUBSCRIPTION RATES

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

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2017-MID-YEAR 2020

(Unit US Dollars)	2017 Year-End	2018 Year-End	2019 Year-End	2020 Mid-Year
Publishing	760,038	800,505	722,641	325,375
Editorial	408,336	418,144	449,167	239,373
Circulation	127,472	125,425	82,830 ⁷	–
Production	208,507	243,418	179,393	80,886
Other publishing expense	15,723	13,518	11,251	5116
Administrative	429,246	412,961	426,200	195,669
Salaries and benefits	261,116	301,991	305,571	153,227
In-kind rent expense	85,000	10,400	10,400	–
Professional fees	37,802	60,757	56,821	14,975
Other administrative ⁸	45,328	39,813	53,408	27,467
Regional Expenses	200,266	97,328	377,818	110,463
Regional Meeting Expenses ⁹	155,266	57,482	339,818	10,428
Young Economist Activities	25,000	19,846	18,000	0
World Congress (to WC acct)	20,000	20,000	20,000	100,035
Lecture Expenses	–	–	–	–
Web site	14,497	14,351	19,908	10,211
Executive Committee	58,957	54,996	48,053	18,919
Travel (air, hotel, other transport); EC meetings (rooms, AV, catering); EC dinners; registration fees and admin				
Total unrestricted expenses	1,463,004	1,380,141	1,594,620	660,711

⁷Due to the new Wiley royalty-only contract, circulation costs went to 0 beginning in 2019 but \$82,830 included under circulation is a back-management fee owed Wiley.

⁸Other administrative includes office fees, bank charges, and penalties and interest.

⁹Regional expenses are pass-throughs for the regions of which the Central Office takes 2.5% to 4.5% to cover the bank and credit card expenses incurred.

directly through the Society's web site and back to 1933 through JSTOR (a digital library publishing copies of the Society's journal articles two years post-publication or later). *Quantitative Economics* and *Theoretical Economics* are open access. Online-only subscribers do not get the hard copies of the journals. The majority of institutional subscribers receives Society journals bundled with other similar academic journals while a decreasing percentage still receive individual subscriptions. Since 2006, institutional subscribers to *Econometrica* have perpetual online access to the volumes to which they subscribe.

The new contract between Wiley and The Econometric Society went into effect in 2019. The contract terms require Wiley to cover the cost of printing, distributing and disseminating the Econometric society journals. The Econometric Society receives a total 70% royalty on all revenue earned for the journal. In January of each year, Wiley pays the Econometric Society a guarantee of 80% of the projected profit. The remainder of the revenue from the previous year is paid out the following year by April 30. In 2019, the total institutional journal revenue the Society earned was \$721,383 compared to \$698,010 the previous year. However, both figures include deferred revenues which will no longer be accrued due to the new royalty-based contract. For 2019, real institutional publishing revenues came to \$509,613 for the first full year under the new contract while \$211,770 in deferred revenues were carried

TABLE IV
SOCIETY TOTAL ASSETS, 2018 TO MID-2020

Name of Asset	Market Value		Market Value		Market Value	
	12/31/18	%	12/31/19	%	6/30/20	%
Total Financial Assets¹⁰	3,703,614	100	4,373,050	100	4,711,029	100
Central Office Only, Cash & Assets	3,090,191	83.4	3,828,460	87.5	4,133,717	87.8
Cash and liquid securities						
Wells Fargo Main Checking	721,783		456,202		514,311	
Wells Fargo Sundry	10,804		6,384		15,213	
Wells Fargo Regional Passthrough			34,062		120,085	
V Federal Money Market	66,075		70,770		68,817	
Debt Funds						
V Total Bond Market Index	176,221		326,479		345,158	
V Inflation Protected Securities	129,668		163,364		173,153	
V Short Term Treasury	165,862		589,333		618,720	
Equity Funds						
V Total Stock Market Index			1,001,229		1,051,934	
V S&P 500	887,015		0		0	
V Small Cap Index	52,263		0		0	
V Total International Stock Index Fund			1,166,085		1,211,713	
V Developed Markets Index Fund	723,002		0		0	
V Emerging Market Stock Index Fund	139,333		0		0	
Marschak						
V Federal Money Market	18,165		14,552		14,613	
Region Funds						
Africa	5143	0.14	16,860	0.3	16,930	0.35
V Federal Money Market	5143		16,860		16,930	
Asia	72,334	1.9	113,917	2.6	114,397	2.4
V Federal Money Market	72,344		113,917		114,397	
Australasia	85,930	2.3	50,816	1.1	50,292	1.0
V Federal Money Market	51,747		17,335		17,408	
V Invesco Currency Shares AUD	0		33,481		32,884	
F AUD Global Holdings ¹¹	34,183		0		0	
Europe	400,363	10.8	318,779	7.2	357,924	7.5
V Federal Money Market	224,456		136,743		181,016	
V Developed Market Index	52,851		60,124		57,563	
V Invesco Currency Shares EUR	0		121,912		119,345	
F EUR Global Holdings	123,056		0	0	0	
Latin America	25,108	0.67	15,352	0.35	15,649	0.33
V Federal Money Market	25,108		15,352	15,649		
North America	24,535	0.66	28,866	0.66	22,120	0.46
V Federal Money Market	24,535		28,866	22,120		

¹⁰Note: "V" denotes Vanguard funds; "F" denotes Fidelity funds.

¹¹AUD and EUR investments appear in US dollars in the table.

over from previous years. This figure was slightly lower than Wiley's earlier 2019 projection of \$522,772. Wiley originally estimated an increase in royalties of 9.8% annually. However, the promising year-end results are unlikely to carry over for 2020 given the onset of COVID-19. Universities and research centres' libraries (which make up the bulk on institutional sales) all project no or very low growth for the remainder of 2020 so future institutional revenues for at least 2020 are expected to be compressed.

Econometrica	
Accounts for the Year Ended 31 December 2019	
	2019
	USD
All Journals License	152,265
Other Licenses	255,562
Online	186,355
Print	109,028
Personal	3,449
Total Subscription Revenue	706,659
Copyright agency	16,076
Digital Rights	2,889
PPV	2,397
Total Non-Subscription Revenue	21,362
Total Revenue	728,021
Gross Royalty (70% Revenue)	509,613
Less: Advance Royalty	(418,218)
Net payable value	91,395

In 2019, the Society added to its membership additional subscription rate options; increased rates across all categories and for the first time an auto-renew option to membership purchases. As a result of these changes, the number of year-end memberships (see the Secretary's report for membership statistics) and total membership revenues have increased substantially. After a downward trend in membership revenues between 2017 and 2018, the Society has seen steady growth from 2018 onwards. Membership revenues jumped from \$585,349 at end-of-year 2018 to \$680,253 at end-of-year 2019, an increase of \$94,904. By mid-year 2020 (Jan. 1-June 30), the Society already posted \$651,745 in membership revenues, the highest mid-year total yet for the Society, though the impact of COVID-19 will likely diminish 2020 year-end totals.

Every year in early June, the Executive Committee, in conjunction with Wiley Publishers, sets the following year's institutional subscription rates. This year, Wiley recommended and the Executive Committee agreed to a 0% increase for institutional subscription rates. In addition, it is worth mentioning that in 2015 the EC approved special higher rate increases for China consistent with the Society's goal of matching China's rates to the middle-income country rates. Those rates have now been matched so no further increases for China rates are necessary. Institutional customers can currently purchase combined print and online subscriptions for approximately 125% of the online-only price. It is important to note that these rate increases apply to individual institutions only, not consortia or other such groups, whose subscription rates Wiley negotiates separately.

Both institutional publishing and membership dues have tiered pricing schemes based on the World Bank classification of countries, updated every July. Membership fees are decided exclusively by the Executive Committee at its August meeting. In 2018, the Executive Committee decided to expand its membership tiers, replacing the existing high-income category by two categories representing those with incomes either above or below \$100,000 and adding a low-middle income category to more accurately address the varying incomes in developing and developed countries. Pricing breaks down between print and online and online-only subscriptions. At the European Summer meeting in 2019, the Executive Committee decided to maintain the same rates for 2020. In addition, it was decided to introduce a new reduced online-only fee for students from lower-middle income

and low-income countries of \$10. Membership rates for 2021 will be set by the Executive Committee at its World Congress meeting.

The Executive Committee of the Econometric Society also approved two modest fees associated with the submission and publication of papers in its three journals: *Econometrica*, *Quantitative Economics* and *Theoretical Economics*.

The new fees were initially scheduled to be implemented May 1, 2020, but due to impacts of COVID-19 on submitters to the Society's journals, implementation of the fees was postponed to September 1, 2020. They include a submission fee of \$50 per paper and a publication fee currently set at \$10 per page with fee exemptions in certain cases.

In addition, in April 2020 the Econometric Society announced that its Executive Committee agreed to move *Econometrica* to a hybrid journal model by offering a Gold Open Access option. As a result, authors of accepted papers will now have the choice to pay an Article Publication Charge (APC) of \$4500 and retain copyright to their published work.

The following pages present several tables mentioned above and tables laying out institutional publishing and membership data including Table A: Previous, Current Institutional Subscription Prices; and Table B: Individual Membership Rates.

I am pleased to report that the Society is in sound financial shape and equipped to increase the breadth and depth of its activities over the coming years.

ENRIQUE SENTANA

TABLE A
PREVIOUS, CURRENT AND ADOPTED INSTITUTIONAL SUBSCRIPTION PRICES

	2018	2019	2020 (5% adopted)	2021 (0% adopted)
High-income				
Print + online	\$944	\$1000	\$1050	\$1050
Online only	\$742	\$787	\$826	\$826
Middle-income				
Print + online	\$255	\$270	\$284	\$284
Online only	\$192	\$204	\$214	\$214
Low-income				
Print + online	\$95	\$100	\$105	\$105
Online only	\$14	\$15	\$16	\$16
China deal ^{12*}				
Print + online	\$190	\$220	\$264	\$264
Online only	\$142	\$165	\$198	\$198
China, Large Institutions**	\$676	\$710	\$710	

¹²At its August 2015 meeting in Montréal, the Executive Committee decided that China's previous special pricing deal (provided because of its emerging status) would be eliminated after eight years beginning in 2015 as China is now considered an upper-middle-income country with well-funded universities. In 2017, the Executive Committee agreed to an 11.3% increase in China pricing to catch up with the middle-income rates as decided by the EC. Additionally, when Wiley merged with Blackwell, Wiley was bound by the existing pricing for large institutions in China, hence the \$638 which was increased by 6% for 2019 (noted above in Table A).

*In 2019, the EC agreed to a 20% increase for 2020 China individual subscriptions but in 2021 increases were no longer required as China subscription rates had reached the targeted upper middle-income rate.

**For China institutional sales, for 2021, a 0% increase was agreed upon compared to 2020 increase of 5% was agreed upon.

TABLE B
2018–2020 INDIVIDUAL MEMBERSHIP RATES

Individual		\$ (US) 2018	\$ (US) 2019	\$ (US) 2020
Ordinary Members				
Print + Online	1 Year	230	–	–
Online Only	1 Year	140	–	–
Print + Online	3 Year	505	–	–
Online Only	3 Year	330	–	–
High Income I				
Less than \$100,000				
Print + Online	1 Year	–	190	190
Online Only	1 Year	–	150	150
Print + Online	3 Year	–	430	430
Online Only	3 Year	–	340	340
High Income II				
Equal/greater \$100,000				
Print + Online	1 Year		–	–
Online Only	1 Year		–	–
Print + Online	3 Year		–	–
Online Only	3 Year		–	–
Middle income				
Print + Online	1 Year	125	90	90
Online Only	1 Year	40	50	50
Print + Online	3 Year	255	205	205
Online Only	3 Year	80	115	115
Lower-Middle Income				
Print + Online	1 Year	–	80	80
Online Only	1 Year	–	40	40
Print + Online	3 Year	–	180	180
Online Only	3 Year	–	90	90
Low income				
Print + Online	1 Year	65	50	50
Online Only	1 Year	10	10	10
Print + Online	3 Years	150	115	115
Online Only	3 Years	25	25	25
Student				
Print and Online	1 Year	95	90	90
Online Only	1 Year	30	50	50
Low-Income Student				
Online Only	1 Year	N/A	N/A	10