

THE ECONOMETRIC SOCIETY ANNUAL REPORTS
REPORT OF THE TREASURER

LISBON, PORTUGAL
AUGUST 20, 2017

1. 2016 ACCOUNTS

THE TOTAL ASSETS of the Econometric Society increased by 3.4% in 2016, at \$3.07 million at the end of the year. The Society's net worth stood at \$2.33 million, an increase of 8.7% over the year. The value of the Society's financial portfolio (cash and investments) increased by 8.1%, from \$2.38 million to \$2.57 million; this is slightly above its value at the end of 2014. Table I presents the end-of-year balance sheet of the Society from 2013 to 2016.

Table II gives the revenues of the Society and Table III gives its expenses. In 2016 the Society had a slightly negative net operating income, of $-\$95,318$. This continues a trend in which the Society only compensates for a net operating deficit by investment income (markets permitting) or exceptional income items. In 2015 then-President Robert Porter appointed a Committee on the Financial Future of the Society chaired by José Scheinkman, which explored various options. In particular, the Society launched a fund-raising effort in the Fall of 2016. This has brought in donations that, along with a positive investment income, have helped generate a positive net income overall—and will help even more in 2017.

TABLE I
ECONOMETRIC SOCIETY BALANCE SHEETS, 2013–2016

(Unit US dollars)	2013	2014	2015	2016
Assets				
Current assets	3,121,634	3,130,856	2,965,471	3,067,949
Cash and cash equivalents	658,641	416,513	184,531	590,484
Investments at fair value	2,030,137	2,100,132	2,193,819	1,979,847
Receivables	273,239	455,655	429,358	314,778
Publication inventory	19,912	12,720	13,176	10,148
Other current assets	139,705	145,807	144,587	172,692
Other assets	3,218	2,504	1,789	1,071
Total Assets	3,124,853	3,133,360	2,967,260	3,069,020
Liabilities				
Current liabilities	924,076	648,762	822,457	737,847
Accounts payable	70,842	79,992	101,920	100,070
Deferred revenues	853,234	568,770	720,537	637,777
Net worth	2,200,777	2,484,598	2,144,803	2,331,173
Unrestricted	2,037,866	2,320,668	1,980,137	2,313,342
Restricted	162,910	163,929	164,667	17,831
Total Liabilities	3,124,853	3,133,360	2,967,260	3,069,020

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2013–2017

(Unit US dollars)	2013	2014	2015	2016	2017 Estimated
Dues and subscriptions	1,123,322	1,387,162	1,008,805	1,238,562	1,100,000
Other operating revenue	101,475	57,273	69,714	161,610	160,000
Other publishing income	70,549	52,523	68,489	49,924	60,000
Regional income	30,926	4,750	1,225	111,686	100,000
Total operating income	1,224,797	1,444,434	1,078,519	1,399,172	1,260,000
Investment income	297,602	70,528	–5,860	109,530	50,000
Other revenue	94,000	102,000	291,707	133,357	260,000
In-kind contribution (rent)	94,000	107,227	107,227	102,000	110,000
Donations			33,193	31,357	150,000
Regional accounts			151,287	0	0
Total unrestricted revenue	1,616,399	1,616,962	1,364,366	1,643,189	1,570,000

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2013–2017

(Unit US dollars)	2013	2014	2015	2016	2017 Estimated
Publishing	753,015	723,295	807,471	822,432	800,000
Editorial	403,244	390,617	418,095	409,905	420,000
Circulation	140,129	127,252	146,190	182,398	150,000
Production	213,720	198,233	226,795	208,259	210,000
Other publishing expense	(4,067)	7,192	0	21,871	20,000
Administrative	457,489	452,746	474,545	455,167	500,000
Salaries and benefits	213,573	228,765	237,943	246,090	250,000
Imputed rent expense	94,000	102,000	102,000	102,000	110,000
Professional fees	127,550	60,723	74,995	69,788	75,000
Other administrative	22,366	10,647	59,607	37,288	65,000
Executive Committee	40,323	45,059	47,921	84,013	80,000
Travel expense	19,475	25,382	17,834	41,329	40,000
Accommodation	10,756	12,091	23,934	29,887	30,000
Other executive committee costs	10,091	7,646	6,153	12,797	10,000
Regional expenses	42,657	104,081	16,391	48,033	50,000
Other operating expenses	12,707	50,612	0	0	20,000
Total operating expenses	1,306,191	1,325,182	1,346,328	1,409,645	1,450,000
<i>Net operating income</i>	<i>–81,394</i>	<i>119,252</i>	<i>–267,809</i>	<i>–95,318</i>	<i>–190,000</i>
Exceptional expenses	676	1,399	465,705	–714	20,000
World Congress expenses	0	1,399	403,534	–1,579	0
Penalties and interest	676	0	1,105	865	0
Tax					
Regional accounts			61,066	0	20,000
Total unrestricted costs	1,306,867	1,326,581	1,812,033	1,408,931	1,470,000
<i>Net unrestricted income</i>	<i>309,532</i>	<i>290,381</i>	<i>–447,667</i>	<i>234,258</i>	<i>100,000</i>

Since 2013 the Society employs Schulman–Lobel as its accounting firm to assist us with bookkeeping and advise us on compliance requirements. Eisner-Amper has been auditing our accounts since 2015.

2. MEMBERSHIP AND INSTITUTIONAL SUBSCRIPTION RATES

The Executive Committee decided in 2009 to introduce a three-tier pricing scheme for institutional subscriptions. The tiers are 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. These income classifications are updated by the World Bank each year on July 1.

The Executive Committee agreed by e-mail in June 2017 to increase the institutional subscription rates by 6% for all countries in 2018. The resulting rates are shown below.

	2017	2018
High income		
Print + Online	\$890	\$944
Online only	\$700	\$742
Middle income		
Print + Online	\$240	\$255
Online only	\$181	\$192
Low income		
Print + Online	\$90	\$95
Online only	\$13	\$14

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 Executive Committee agreed in August 2014 to create a new low-income category for ordinary members, in order to spur membership in countries that are classified as “low income countries” by the World Bank. In August 2017 it also revised membership rates for 2018:

	2017	2018
Ordinary member (high-income)		
Print + Online	\$200	\$230
Online only	\$130	\$140
Ordinary member (middle-income)		
Print + Online	\$95	\$125
Online only	\$30	\$40
Ordinary member (low-income)		
Print + Online	\$65	\$65
Online only	\$10	\$10
Student member		
Print + Online	\$95	\$125
Online only	\$30	\$40

Ordinary and student members who choose the Print + Online option receive hard copies of the three Econometric Society journals 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. FINANCIAL ASSETS

The accounts of the Society were reorganized in 2015. The Society has three banking accounts at Chase, which contain most of its liquidity. In addition, it holds eight brokerage accounts at Fidelity: a main account, an account for each of the six regions, and a “restricted” account that funds the Marschak lectures. All investments are in no-load Fidelity mutual funds. The Society uses Chase bank accounts and Fidelity money market funds to manage its liquidity without interfering with the allocation of its investments.

The Society’s Investments Committee advises on the allocation of the Society’s assets, with the exception of the Australasia and Europe accounts, which will also aim at hedging exchange rate risk. The 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 appointed Fellows are Yacine Ait-Sahalia (replacing Darrell Duffie) and José Scheinkman.

The Society’s portfolio approximates 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. The percentage of cash depends on our cash flow and is highly seasonal, as Table IV shows. In recent

TABLE IV
ECONOMETRIC SOCIETY FINANCIAL ASSETS

Name of Asset	Market Value 7/31/2016		Market Value 12/31/2016		Market Value 7/31/2017	
	\$	%	\$	%	\$	%
<i>Total Financial Assets</i>	3,017,538		2,344,478		3,471,088	
<i>Investment Portfolio</i>	2,774,796	100	2,344,478	100.0	3,201,528	100.0
<i>Cash and Short-term US government bonds</i>	1,028,822	37.1	574,690	24.5	1,152,010	36.0
Fidelity Money Market	146,174		239,970		271,295	
Chase Accounts	717,368		171,778		716,011	
S/T Treasury Bond	165,280		162,242		164,704	
<i>Other bonds</i>	259,210	9.3	254,069	10.8	300,860	9.4
Fidelity Total Bond	129,502		127,442		128,151	
Fidelity Infl. Prot. Bond	129,708		126,627		172,709	
<i>US equities</i>	733,269	26.4	765,910	32.7	850,649	26.6
Spartan 500 Index	693,126		720,666		804,056	
iShares Small Cap	40,141		45,244		46,593	
<i>International equities index</i>	641,207	23.1	644,562	27.5	759,881	23.7
<i>Emerging markets index</i>	112,290	4.0	105,247	4.5	138,128	4.3
<i>Australasia Account</i>	53,017	100	48,465	100.0	52,067	100.0
Fidelity Money Market	17,347	32.7	13,625	28.1	13,654	26.2
Cash (AUD in USD)	35,670	67.3	34,840	71.9	38,413	73.8
<i>Europe Account</i>	189,725	100	167,388	100.0	218,930	100.0
Fidelity Money Market	20,653	10.9	5,009	3.0	34,544	15.8
International Index	46,871	24.7	47,117	28.1	55,546	25.4
Cash (EUR in USD)	122,201	64.4	115,262	68.9	128,840	58.8

TABLE V
RESTRICTED ACCOUNTS, 2012–2016^a

	2012	2013	2014	2015	2016
	\$	\$	\$	\$	\$
<i>A. Jacob Marschak Fund</i>					
1. Investment Income	2	2	1	3	9
2. Expenses	0	0	0	0	0
3. End-of-year Balance	17,816	17,817	17,819	17,822	17,831
<i>B. Asia Fund</i>					
1. Investment Income	8	9	8	12	–
2. Expenses	10,000	0	0	0	–
3. End-of-year Balance	78,834	78,837	78,845	78,857	–
<i>C. Australasia Fund</i>					
1. Transfer from Region	–	–	–	–	–
2. Expenses	–	–	–	–	–
3. End-of-year Balance	–	–	–	–	–
<i>D. Latin America Fund</i>					
1. Investment Income	2	2	2	3	–
2. Expenses	0	1,260	0	0	–
3. End-of-year Balance	22,730	21,472	21,474	21,477	–
<i>E. Europe Fund</i>					
1. Investment Income	–5,045	14,578	1,101	1,234	–
2. Transfer to Region	0	6,279	0	–150,824	–
3. End-of-year Balance	36,485	44,784	45,791	197,849	–

^aAll accounts except the Marschak account became unrestricted after January 1, 2016.

years the Investment Committee has preferred to keep a lower percentage of bonds. In addition, market fluctuations have shifted the portfolio slightly towards US equities and away from other assets, and the Investments Committee has reallocated the portfolio accordingly.

On 7/31/2017, the total value of the financial assets held by the Society was \$3,471,088. The overall yearly return on the Society's portfolio from the end of 2016 to end-July 2017 was 20.9 percent, after correcting for transfers during the period.

BERNARD SALANIÉ