

THE ECONOMETRIC SOCIETY ANNUAL REPORTS

REPORT OF THE TREASURER

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THE 2006 ACCOUNTS of the Econometric Society show a surplus of \$295,739. This surplus almost doubles the estimate of \$155,000 at this time last year (Table III, Line H) because revenues were \$76,524 higher and expenses were \$64,215 lower than expected. The higher revenues are in turn explained by a significant fall in membership and subscriptions that is more than compensated by the surge in investment income (Table II, Lines A and C). The lower expenses are explained by lower than expected publishing, editorial, and administrative expenses (Table III, Lines A–C). It should be noted that in last year's report, the revenues corresponding to the new 3-year memberships were entirely allocated to 2005. Tables I–III now correct this error, so in comparison with the figures in last year's report, the 2005 revenues, surplus, and net worth are reduced by \$95,244.

The net worth of the Society on 12/31/2006 reached \$1,247,206 (Table I, Line C). Consequently, the ratio of net worth to total expenses on 12/31/2006 was 131 percent, a figure much higher than the target of 100 percent agreed by the Executive Committee in August 2006.

Table I shows the balance sheets of the Society for the years 2002–2006, distinguishing between unrestricted assets and liabilities, whose difference gives the Society's net worth, and four restricted accounts: The World Congress Fund, which is a purely book-keeping 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 and Latin American Funds, which are held in custody for the convenience of the Far Eastern and Latin American regions. Tables IV, V, VI, and VII show the movements in the restricted accounts for the years 2002–2006.

The format of Tables II (Revenues) and III (Expenses) has been slightly changed with respect to that of previous years. In Table II, investment income (Line C) is now separated from other revenues, and in Table III, editorial expenses (Line B) are now separated from publishing; composition and printing are disaggregated within publishing (Line A); administrative expenses (Line C) are less disaggregated (with supplies, postage, telephone, and depreciation grouped into office expenses), and incorporate IRS and website expenses; and meetings expenses (Line E) are now separated from special expenses (Line F).

Tables II and III show the actual revenues and expenses for 2005, the estimated and actual revenues and expenses for 2006, and the estimated revenues and expenses for 2007 and 2008. Membership and subscription revenues as well as other revenues are expected to be roughly in line with those for 2006, while investment income is expected to fall. Publishing expenses are expected to remain fairly constant, while editorial expenses will go up due to the increase in the number of Co-Editors of *Econometrica* and the move of the Editorial Office from Tel Aviv to Princeton. The surpluses expected for 2007 and 2008, after allocating \$80,000 each year to the World Congress Fund, are

TABLE I
ECONOMETRIC SOCIETY BALANCE SHEETS, 2002–2006

	12/31/02	12/31/03	12/31/04	12/31/05	12/31/06
	\$	\$	\$	\$	\$
<i>A. Unrestricted Assets</i>	1,131,205	1,372,807	1,771,179	1,707,036	1,801,710
1. Short Term Assets	163,575	364,781	453,857	123,106	63,854
2. Investments	656,641	776,278	855,848	1,114,981	1,548,878
3. Accounts Receivable	268,209	201,281	436,678	450,198	167,360
4. Back Issue Inventory	10,774	11,203	7,285	7,067	1,884
5. Furniture and Equipment	16,627	12,214	10,448	5,791	2,459
6. Other Assets	15,379	7,050	7,063	5,893	17,275
<i>B. Unrestricted Liabilities</i>	648,312	794,112	882,989	755,569	554,504
1. Accounts Payable	33,266	52,082	19,470	68,293	37,861
2. Deferred Revenue	435,046	502,030	563,519	607,276	356,643
3. World Congress Fund	180,000	240,000	300,000	80,000	160,000
<i>C. Unrestricted Fund Balance</i>	482,893	578,695	888,190	951,467	1,247,206
<i>D. World Congress Fund Balance</i>	180,000	240,000	300,000	80,000	160,000
<i>E. Jacob Marschak Fund Balance</i>	28,176	27,490	27,876	29,011	26,560
<i>F. Far Eastern Fund Balance</i>	60,484	61,036	61,710	63,576	66,624
<i>G. Latin American Fund Balance</i>	24,078	24,292	14,489	22,046	23,103

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2005–2008

	Actual 2005	Estimate 2006	Actual 2006	Estimate 2007	Budget 2008
	\$	\$	\$	\$	\$
<i>A. Membership and Subscriptions</i>	1,026,419	1,060,000	975,680	980,000	980,000
<i>B. Other Revenues</i>	35,489	30,000	34,250	40,000	46,000
1. Back Issues	5,693	4,000	14,613	15,000	15,000
2. Reprints	(318)	0	939	1,000	1,000
3. Advertising	6,653	6,000	7,623	7,500	8,000
4. List Rentals	1,571	1,000	1,560	1,500	2,000
5. Permissions	18,145	16,000	4,842	5,000	5,000
6. North American Meetings (net)	3,745	3,000	4,673	10,000	15,000
<i>C. Investment Income</i>	86,717	80,000	236,593	120,000	140,000
1. Interest and Dividends	75,577	80,000	53,133	40,000	50,000
2. Capital Gains	11,140	0	183,460	80,000	90,000
<i>D. Total Revenue</i>	1,148,625	1,170,000	1,246,524	1,140,000	1,166,000

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2005–2008

	Actual 2005 \$	Estimate 2006 \$	Actual 2006 \$	Estimate 2007 \$	Budget 2008 \$
<i>A. Publishing</i>	343,475	350,000	329,283	330,000	320,000
1. Composition	35,825	40,000	47,934	50,000	50,000
2. Printing	74,434	80,000	76,943	80,000	80,000
3. Inventory	217	0	5,184	0	0
4. Circulation	76,296	80,000	89,061	90,000	90,000
5. Postage	156,703	150,000	110,161	110,000	100,000
<i>B. Editorial</i>	309,052	275,000	233,008	277,000	305,000
1. Editors	186,238	165,000	145,375	170,000	190,000
2. Editorial Assistants	82,169	90,000	80,937	96,000	104,000
3. Software	1,000	0	1,000	1,000	1,000
4. Meetings	39,645	20,000	5,696	10,000	10,000
<i>C. Administrative</i>	208,550	190,000	170,443	202,000	203,000
1. Salaries and Honoraria	158,407	140,000	127,300	145,000	150,000
2. Office	15,699	9,000	16,447	12,000	12,000
3. Accounting and Auditing	5,438	10,000	18,200	22,000	22,000
4. IRS	1,084	1,000	1,243	1,500	1,500
5. Website	16,897	20,000	6,653	21,500	7,500
6. Other	11,025	10,000	600	0	10,000
<i>D. Executive Committee</i>	31,753	35,000	24,630	30,000	30,000
<i>E. Meetings</i>	111,385	90,000	119,259	105,000	122,000
1. World Congress Fund	106,385	80,000	88,500	80,000	80,000
2. Regional Meetings	5,000	10,000	30,759	25,000	42,000
<i>F. Special Expenses</i>	81,089	75,000	74,162	0	0
1. Transition	81,089	75,000	74,162	0	0
<i>G. Total Expenses</i>	1,085,304	1,015,000	950,785	944,000	980,000
<i>H. Surplus</i>	63,321	155,000	295,739	196,000	186,000
<i>I. Fund Balance</i>	951,467	1,106,467	1,247,206	1,443,206	1,629,206
<i>J. Ratio of Fund Balance to Total Expenses</i>	0.88	1.09	1.31	1.53	1.66

TABLE IV
JACOB MARSCHAK FUND, 2002–2006

	2002 \$	2003 \$	2004 \$	2005 \$	2006 \$
<i>A. Income</i>	572	316	387	1,135	1,393
<i>B. Expenses</i>	0	1,002	0	0	3,844
<i>C. Fund Balance</i>	28,176	27,490	27,876	29,011	26,560

TABLE V
FAR EASTERN FUND, 2002–2006

	2002	2003	2004	2005	2006
	\$	\$	\$	\$	\$
A. <i>Income</i>	995	552	674	1,866	3,048
B. <i>Expenses</i>	0	0	0	0	0
C. <i>Fund Balance</i>	60,484	61,036	61,710	63,576	66,624

TABLE VI
LATIN AMERICAN FUND, 2002–2006

	2002	2003	2004	2005	2006
	\$	\$	\$	\$	\$
A. <i>Income</i>	384	212	197	558	1,057
1. Interest and Dividends	384	212	197	558	1,057
2. Refund Previous Withdrawal	0	0	0	7,000	0
B. <i>Expenses</i>	0	0	(10,000)	0	0
C. <i>Fund Balance</i>	24,078	24,292	14,489	22,046	23,103

\$196,000 and \$186,000, respectively. Thus the ratio of net worth to total expenses is expected to reach 153 percent in 2007 and 166 percent in 2008.

In light of these figures, the Executive Committee should consider replacing the target ratio of net worth to total expenses of 100 percent with a target range that could be between 120 and 160 percent (agreed by the Executive Committee). The uncertainties around the future pricing of academic journals as well as the possibility that the Society may decide to publish new journals justify holding higher precautionary balances. At the same time, the Committee should think about ways to reduce somewhat these projected surpluses (it was agreed to increase the grants for activities involving young economists in regions other than Europe and North America from \$5,000 to \$10,000 per year, starting in 2008).

The Executive Committee decided by e-mail in June 2007 to keep institutional subscription rates unchanged for 2008. These rates are the following:

High income Premium	\$520
High income Online only	\$480
Concessionary Premium	\$40
Concessionary Online only	Free

High income rates are applied to economies classified as high income by the World Bank. For 2006 these economies are those with gross national income per capita (calculated using the World Bank Atlas method) higher than \$11,115. Income classifications are set each year on July 1. Concessionary rates are applied to economies that are not classified as high income. Premium subscribers receive paper copies of the six issues

TABLE VII
WORLD CONGRESS FUND, 2002–2006

	2002	2003	2004	2005	2006
	\$	\$	\$	\$	\$
A. <i>Income</i>	60,000	60,000	60,000	180,000	80,000
1. Transfer from General Fund	60,000	60,000	60,000	180,000	80,000
B. <i>Expenses</i>	0	0	0	400,000	0
1. Travel Grants	0	0	0	326,385	0
2. Transfer to General Fund	0	0	0	73,615	0
C. <i>Fund Balance</i>	180,000	240,000	300,000	80,000	160,000

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*,” the difference between paper and online only subscriptions should gradually be adjusted to cover the marginal cost of printing and postage, estimated to be about \$40. My proposal for 2008 (agreed by the Executive Committee) is the following:

	<u>2007</u>	<u>2008</u>
Ordinary member (High income) Print + Online	\$45	\$55
Ordinary member (High income) Online only	\$25	\$25
Student member (High income) Print + Online	\$30	\$40
Student member (High income) Online only	\$10	\$10
Ordinary or student member (Concessionary) Print + Online	\$30	\$40
Ordinary or student member (Concessionary) Online only	\$10	\$10

On November 17, 2006, John Wiley & Sons announced the agreement to acquire Blackwell Publishing Ltd., the Society’s circulation agent. The current arrangements on pricing and services will remain unchanged.

The Society’s Investments Committee, whose members are John Campbell, Rafael Repullo, and Hyun Shin, met in January 2007 during the ASSA meetings in Chicago to review the structure of the Society’s unrestricted portfolio on 12/31/2006 (Table VIII, Column 2). The Committee decided to transfer the investment in high yield bonds to short-term government bonds, an operation that was executed on 1/10/2007. The reference asset allocation agreed for 2007 was 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. All investments are in no-load Fidelity mutual funds.

The Committee met again in June 2007 and decided to transfer the investment in short-term government bonds to medium-term government bonds, an operation that was executed on 7/9/2007. On 7/31/2007, the breakdown by type of asset was 26.4 percent cash, 9.1 percent bonds, 28.8 percent U.S. equities, 29.0 percent international equities, and 6.7 percent emerging markets equities (Table VIII, Column 3). The higher

TABLE VIII
ECONOMETRIC SOCIETY INVESTMENT PORTFOLIO

Name of Fund	Market Value 7/31/2006		Market Value 12/31/2006		Market Value 7/31/2007	
	\$	%	\$	%	\$	%
<i>Unrestricted Investment Portfolio</i>	1,642,974	100.0	1,548,878	100.0	1,968,879	100.0
Fidelity Money Market	565,475	34.4	335,402	21.7	520,306	26.4
Fidelity High Income	136,926	8.3	146,416	9.5	—	—
Spartan Interm. Treasury Bond	—	—	—	—	178,761	9.1
Spartan 500 Index	447,521	27.2	501,330	32.4	567,265	28.8
Spartan International Index	423,427	25.8	481,453	31.1	571,630	29.0
Fidelity Emerging Markets	69,625	4.2	84,277	5.4	130,917	6.7
<i>Restricted Investment Portfolio</i>	117,642	100.0	116,287		119,764	100.0
Fidelity Money Market	117,642	100.0	116,287		119,764	100.0
<i>Total Investment Portfolio</i>	1,760,616		1,665,165		2,088,643	

position in cash is explained by the fact that most on the subscription income is received at the beginning of the year while the expenditure is evenly spread over the year. The return of the unrestricted portfolio in the year ending July 31, 2007 was 15.86 percent, as compared to the increase in the S&P 500 stock market index of 13.99 percent. The return of the restricted portfolio (fully invested in cash) during this year was 5.12 percent.

In 2006 the Society adopted QuickBooks Online accounting software. The 2006 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 & Company, 1350 Avenue of the Americas, New York, NY 10019. Finally, I would like to thank Stella Santos of E. C. Ortiz & Co. for her advice on accounting matters.

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