

THE ECONOMETRIC SOCIETY ANNUAL REPORTS
REPORT OF THE TREASURER

COLOGNE, GERMANY

AUGUST 26, 2018

2017 AND 2018 SAW MULTIPLE CHANGES for the Econometric Society. A fundraising initiative launched in November 2016 brought in 2017 donations of \$120,024. A subcommittee of the Executive Committee negotiated a new publishing contract starting in 2019 that will move all printing and distribution to Wiley-Blackwell in a deal expected to increase annual publishing revenues by \$100,000 or more. Additionally, Wiley-Blackwell provided a \$150,000 signing bonus to the Society in 2018. Coupled with the institutional bundling deal negotiated in 2015, the previously struggling publishing business is turning around.

In January 2018, Enrique Sentana was formally elected as the Society's Executive Vice President (EVP) replacing EVP Bernard Salanié, who stepped down at the end of April after four years of distinguished service to the Society, leaving it in a stronger financial and organizational position. Furthermore, Claire Sashi stepped down as General Manager and Lyn Hogan replaced her in March 2018.

As part of the EVP transition, the Society severed ties with Chase Bank and Fidelity Investments, moving to Wells Fargo and Vanguard respectively. The move was due to Chase and Fidelity restrictive policies regarding non-resident foreign nationals banking in the U.S.

1. 2017 ACCOUNTS

Overall, the Society ended 2017 in a stronger financial position than it ended 2016. The total current assets of the Econometric Society as of Dec. 31, 2017 were \$3,766,157 compared to Dec. 31, 2016 at \$3,069,969. Investment gains plus a generous \$100,000 donation account for a large part of the increase.

The value of the Society's financial portfolio (cash and investments) at the end of 2017 was \$3,286,172 (\$867,092 in cash; \$2,419,080 in non-cash investments) compared to \$2,571,277 in cash and investments at the end of 2016.

In 2017, the Society enjoyed higher revenues of \$1,999,980 coupled with lower expenses of \$1,463,004 compared to 2016 revenues of \$1,820,617 and expenses of \$1,609,308.

Total net assets (restricted and unrestricted) for 2017 stood at \$2,893,187 versus 2016 net assets of \$2,356,121.

Since 2013 the Society employs Schulman-Lobel of North Brunswick, New Jersey as its accounting firm to assist with bookkeeping 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 audit figures.

At the back of this report are several financial tables. Table I presents the end-of-year balance sheet of the Society for 2016 and 2017. Table II gives the revenues of the Society, and Table III gives its expenses comparing 2016 and 2017. Table IV provides a breakdown of the financial assets, and Table V lays out the Society's restricted accounts.

TABLE I
ECONOMETRIC SOCIETY STATEMENT OF FINANCIAL POSITION 2016 TO MID-YEAR 2017

(Unit US Dollars)	2016	2017	2018 mid-yr
Current Assets			
Cash and cash equivalents	591,431	867,092	1,493,531
Investments	1,979,846	2,419,080	2,411,175
Receivables	314,778	456,329	27,128
Public. inventory	10,148	8,456	8,456
Other current assets	172,692	15,200	24,000
Other assets	1,074	0	0
Total Current Assets	3,069,969	3,766,157	3,964,290
Liabilities and Net Assets			
Total Current liabilities	713,848	872,969	835,923
Accounts payable	76,071	96,526	59,480
Deferred revenues	637,777	776,443	776,443
Total net assets	2,356,121	2,893,187	3,128,367
Unrestricted	2,338,288	2,875,264	3,110,338
Restricted (Marschak Fund)	17,833	17,923	18,029
Total Liabilities	3,069,969	3,766,157	3,964,290

2. 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 directly through the Society's web site and back to 1933 through JStor. *Quantitative Eco-*

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2016–MID-YEAR 2018

(Unit US Dollars)	2016	2017	2018 mid-yr
Dues and subscriptions	1,238,562	1,149,227	756,780
Other operating revenue	135,688	122,612	0
Regional income	85,975	65,587	0
Other publishing income	49,713	57,025	0
Total investment income	112,382	420,050	(11,649)
Interest & dividend	40,761	45,011	10,181
Unrealized gains	65,021	350,221	(9,530)
Realized gains	6,600	24,818	(12,300)
In-Kind contributions	102,000	90,332	2,760
Meeting income	200,418	97,735	8,520
Donations	31,567	120,024	21
Total unrestrictive revenues	1,820,617	1,999,980	756,432

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2016–MID-YEAR 2018

(Unit US Dollars)	2016	2017	2018 mid
Publishing	776,562	760,038	316,804
Editorial	408,448	408,336	207,416
Circulation	158,398	127,472	17,562
Production	208,259	208,507	90,159
Other publishing expense	1,457	15,723	1,667
Administrative	727,165	630,274	189,639
Salaries and benefits	246,090	261,116	116,695
In-kind rent expense	102,000	85,000	0
Professional fees	69,789	37,802	13,200
Other administrative	41,316	46,090	20,572
Grants & Regional Meetings	221,030	155,266	34,172
Young Economist Activities	46,940	25,000	5,000
World Congress (to WC acct)	0	20,000	0
Lecture Expenses	0	0	0
Web site	21,870	14,497	3,490
Executive Committee	83,711	58,195	8,667
Travel expense	31,648	32,961	3,926
Accommodation	29,887	16,359	2,336
Other	22,176	8,875	2,405
Other operating expenses	0	0	0
Total unrestricted expenses	1,609,308	1,463,004	518,600

nomics and *Theoretical Economics* are open access. Online-only subscribers do not get the hard copies of the journals. The majority of institutional subscribers receive Society journals bundled with other similar academic journals while a small percentage still receive individual subscriptions. Since 2006, institutional subscribers to *Econometrica* have perpetual online access to the volumes to which they subscribe.

Overall, in 2017, dues and subscriptions fell slightly by \$89,335 to \$1,149,227 compared to 2016 dues and subscriptions of \$1,238,563. Web site membership dues accounted for \$615,877 of the 2017 totals while Wiley-Blackwell institutional publishing revenues accounted for \$671,666.

Both institutional publishing and membership dues have tiered pricing schemes based on the World Bank classification of countries, updated every July. Each has had three income tiers: high-income, middle-income, and low-income, comprising those economies classified by the World Bank as such. The Executive Committee agreed in August 2014 to create the low-income category for members in order to spur membership in developing or “low income countries”. In addition, individual membership offers a reduced fee for students. Pricing also breaks down between print + online and online-only subscriptions. At the 2018 North American Winter Meeting in Philadelphia, the Executive Committee agreed to add a fourth income tier for memberships, discussed in the following section.

Every year in early June, the Executive Committee in conjunction with Wiley, sets the following year’s institutional subscription rates. This year, the Executive Committee agreed to increase the institutional subscription rates by 6% for all countries in 2018 with

TABLE IV
ECONOMETRIC SOCIETY FINANCIAL ASSETS

Name of Asset	Market Value 6/30/2018		Market Value 12/31/2017		Market Value 12/31/2016	
	%	\$	%	\$	%	\$
Total Financial Assets	100	3,904,706	100	3,286,171	100	2,571,277
<i>Central Office</i>	90.5%	3,535,705	88.5%	2,910,835	87.8%	2,256,844
<i>Cash and Liquid Securities</i>						
Wells Fargo Checking		10,000		0		0
Wells Fargo Sundry		2,000		0		0
Chase Main		989,410		371,002		171,143
Chase Meeting		2,658		3545		4412
Chase Sundry		3,485		2929		7167
Fidelity Govt Money Market		156,509		155,420		123,561
<i>Debt Funds</i>						
Fidelity Total Bond		171,926		174,264		127,442
Fidelity Inflation Prot. Bond		129,677		130,056		126,627
Spartan S/T Treasury Bond		163,487		164,033		162,942
<i>Equity Funds</i>						
Fidelity Spartan 500 Index		900,814		877,716		720,666
Fidelity iShares Core S&P		54,917		50,541		45,244
Fidelity Spartan Intl Index (US)		787,435		807,987		644,562
Fidelity Emerging Mkts		145,359		155,420		105,247
Marschak Fund		18,029		17,921		17,831
<i>Australasia Account</i>	1.3%	49,326	1.6%	51,327	1.9%	48,465
Fidelity Govt Money Market (750)		13,776		13,694		13,625
Cash (AUD Global Holdings in USD)		35,550		37,633		34,840
<i>Europe Account</i>	5.6%	220,003	6.8%	224,932	6.5%	167,389
Fidelity Govt Money Market (748)		34,854		34,646		5,009
Cash (EURO Global Holdings in USD)		127,589		131,223		115,262
Fidelity Spartan Intl Index (Europe)		57,561		59,063		47,117
<i>Asia Account</i>	2.1%	81,795	2.5%	81,307	3.1%	80,898
Far East Regional Fund (Fidelity)		81,795		81,307		80,898
<i>Latin America Account</i>	0.4%	16,427	0.5%	16,329	0.6%	16,247
Latin America Regional Fund (Fidelity)		16,427		16,329		16,247
<i>Africa Account</i>	0.1%	1,450	0.1%	1,442	0.1%	1,434
Africa Regional Fund (Fidelity)		1,450		1,442		1,434

TABLE V
RESTRICTED ACCOUNTS, 2012–2017*

	2013	2014	2015	2016	2017
	\$	\$	\$	\$	\$
<i>A. Jacob Marschak Fund</i>					
1. Investment Income	2	1	3	9	90
2. Expenses	0	0	0	0	0
3. End-of-year Balance	17,817	17,819	17,822	17,833	17,923

*All accounts except the Marschak account became unrestricted after January 1, 2016.

TABLE A
PREVIOUS, CURRENT AND ADOPTED INSTITUTIONAL SUBSCRIPTION PRICES

	2017	2018	2019
High-income			
Print + online	\$890	\$944	\$1,000
Online only	\$700	\$742	\$787
Middle-income			
Print + online	\$240	\$255	\$270
Online only	\$181	\$192	\$204
Low-income			
Print + online	\$90	\$95	\$100
Online only	\$13	\$14	\$15
China deal ^a			
Print + online	\$170	\$190	\$220
Online only	\$128	\$142	\$165
China, Large Institutions		\$638	\$676

^aAt 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).

special 16% pricing increase for China in an effort to raise this country's previously low-income developing country rate to a rate closer to that of middle-income countries.

In August 2017, the Executive Committee established a Pricing Committee consisting of Drew Fudenberg (Chair), Penelopi Koujianou Goldberg, Andrew McLennan, Whitney Newey, and Bernard Salanié. At the North America Winter Meeting 2018 in Philadelphia, the committee presented, and the Executive Committee (EC) agreed, that the Society would:

- List membership fees in all regions as dollars starting in 2019;
- Have four pricing tiers (low-income, low-middle income, middle income, and high-income) using World Bank Classifications for income with up to three proposed income brackets for high income for online only and print + on-line; and to
- Set the 2019 individual rates at the August 2018 meeting.

3. FINANCIAL ASSETS

The accounts of the Society were reorganized in 2015. The 2017 financials and mid-year 2018 financials report funds at Chase and Fidelity. The Society had three banking accounts at Chase, which contained most of its liquidity. In addition, it held 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. In recent years, the Marschak lecture expenses have been paid out of the Society's main fund, leaving the "restricted" Marschak fund principal intact.

All investments were invested in no-load Fidelity mutual funds. The Society used Chase bank accounts and Fidelity money market funds to manage its liquidity without interfering with the allocation of its investments. In moving from Chase to Wells Fargo, the Society maintained its main account at Wells Fargo and its "sundry" account for expenses while

TABLE B
2017 AND 2018 INDIVIDUAL MEMBERSHIP RATES (STUDENT RATES REMAINED THE SAME 2017–2018)

Individual		\$ (US) 2017	\$ (US) 2018
Ordinary Members			
Print + Online	1 Year	200	230
Online Only	1 Year	130	140
Print + Online	3 Year	475	505
Online Only	3 Year	320	330
Middle income			
Print + Online	1 Year	95	125
Online Only	1 Year	30	40
Print + Online	3 Year	225	255
Online Only	3 Year	70	80
Low income			
Print + Online	1 Year	65	65
Online Only	1 Year	10	10
Print + Online	3 Years	150	150
Online Only	3 Years	25	25
Student			
Print and Online	1 Year	95	95
Online Only	1 Year	30	30

closing the third account. In moving from Fidelity to Vanguard, the account formats and existing investment structure are being retained.

The Society's Investment Committee advises on the allocation of the Society's assets, with the exception of the Australasia and Europe accounts, which also aim at hedging exchange rate risk. The 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. In January 2017, Yacine Ait Sahalia joined the Investment Committee, replacing Darell Duffie and in January 2018, Franklin Allen replaced José Scheinkman. The Society is very grateful to former and current members for their advice.

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. The percentage of cash depends on cash flow and is highly seasonal, as Table IV shows. In recent 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 Investment Committee has reallocated the portfolio accordingly.

At June 30, 2018, the total value of the Society's Fidelity investments was \$2,897,153 and the value of cash and cash equivalents was \$1,007,553.

The Society is in sound financial shape and equipped to increase the breadth and depth of its activities over the coming years.

ENRIQUE SENTANA