

THE ECONOMETRIC SOCIETY ANNUAL REPORTS
REPORT OF THE TREASURER

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2018 THROUGH MID-2019 SAW A PERIOD in which management and financials stabilized for the Econometric Society. At the same time, the Society began to prepare for the potential financial challenges posed by an eventual move to Open Access.

The 2018 management transition brought on board Executive Vice President Enrique Sentana and General Manager Lyn Hogan. As part of this 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.

A new royalty-based contract with Wiley Publishers went into effect at the beginning of 2019, moving all printing and distribution to Wiley-Blackwell in a deal that guarantees the Society a 70% royalty on all revenue earned for the journal. The deal is expected to increase annual publishing revenues by \$80,000 to \$100,000 according to the publisher's estimates. Specifically, Wiley estimates that in 2019 the Society's royalty will likely be \$522,772 with a guaranteed minimum of \$418,218. Each year thereafter, Wiley's estimates increase by 9.8% annually.

The new contract also 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 has turned around.

A fundraising initiative for young African scholars launched in June 2019 has already brought in \$10,028 as of June 30, 2019 with more anticipated as the Society expands its campaign. The fund is earmarked to subsidize free Society memberships and travel to Society meetings for young African economists.

In 2019, the Society added to its membership some extra subscription rate options, increased rates across all categories, and for the first time an auto-renew option to membership purchases. Individual membership revenues are up for the first half of 2019. At the same time, new revenue and cost savings opportunities are being implemented that will become more apparent in the next twelve months, including a renegotiated contract with Cambridge University Press for the Monograph Series, increased journal advertising rates and mailing list sales to academic publishers (excluding those covered by the General Data Protection Regulation) and a closer partnership with EconJobMarket, an economics job posting service.

1. 2018 ACCOUNTS

Overall, the Society ended 2018 in a stronger financial position than in 2017. The total assets of the Econometric Society as of Dec. 31, 2018 were \$3,846,225 compared to \$3,766,157 on Dec. 31, 2017. A combination of factors account for the increase, including a rise in institutional publishing revenues and several cost cutting measures. Nevertheless, the one-time \$150,000 signing bonus from Wiley was offset in part by deferred management fees from 2017 that they had not invoiced in good time.

The fair market value of the Society's investment portfolio at the end of 2018 was \$2,326,216 compared to \$2,419,080 at the end of 2017, a drop of \$92,864. However, over-

all assets at the end of 2018 were higher than a year before. Total end-of-year net assets for 2018 stood at \$3,017,362 versus 2017 net assets of \$2,893,187, an increase of \$124,175.

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 2018 audited financials.

Further in this report are several tables addressing the Society's accounts: Table I: Econometric Society Statement of Financial Position 2016 To Mid-Year 2019; Table II: Econometric Society Revenues, 2016-Mid-Year 2019; and Table III: Econometric Society Expenses, 2016-Mid-Year 2019.

2. FINANCIAL ASSETS

The Society's Investment Committee is chaired by the Executive Vice-President and includes two Fellows appointed by the Executive Committee for a term of three years that can be renewed once. In January 2017, Yacine Aït Sahalia joined the Investment Committee, replacing Darrell Duffie and in January 2018, Franklin Allen replaced José Scheinkman. The Society is very grateful to former and current members for their guidance. 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.

As noted above, beginning mid-year 2018 the Society transferred both its main bank account and its "sundry" account for expenses from Chase to Wells Fargo. In addition, from July 2019 onwards the Society will make use of a third account to handle separately the large funds collected from meeting registrations and passed through to the regions after deducting the 2.5% to 4.5% transaction fees incurred.

In September 2018, the Society transferred all its funds other than its foreign currencies—held in Euros and Australian Dollars—from Fidelity to Vanguard. Nevertheless, the account formats and investment structure were initially replicated as closely as possible. Because Vanguard does not offer the option to purchase foreign currency directly, more time was taken to identify the proper vehicles for those funds, eventually moving the foreign currencies into dollar denominated ETFs that invest in foreign cash.

The Econometric Society can be characterised as a long-term passive investor with a hopefully very long horizon. Currently, annual revenues exceed annual expenses by a relatively small amount, so there is no immediate need to drawdown the financial portfolio. However, the push for Open Access journals has created substantial uncertainty about the stability of those revenues in a few years' time.

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

Taking into account the previous considerations, in June 2019 the Investment Committee agreed to the following investment strategy going forward:

(1) Regular rebalancing of the investment towards the benchmark every six months, which should be more profitable over the long run than tactical or strategic deviations.

(2) Simplification of the portfolio by merging closely related funds, which as a side effect will make the regular rebalancing easier and should also offer some small savings in terms of management fees.

Specifically, the Investment Committee decided to replace the previous two US equity funds with Vanguard's Total Stock Market Index Fund, designed to provide investors with exposure to the entire U.S. equity market, including small-, mid-, and large-cap growth and value stocks. Similarly, the Committee decided to replace the previous two international equity funds with Vanguard's Total International Stock Index Fund. This value-weighted fund provides equity exposure to both developed and emerging international economies, and it includes a small cap component.

On the other hand, the Investment Committee decided to maintain the different Vanguard fixed income funds for the time being, with the following weights: Federal Money Market Fund (2%), Inflation-Protected Securities Fund (5%), Short-Term Treasury Fund (18%) and Total Bond Market Index Fund (10%). The rebalancing and simplification took place at the end of June 2019.

In addition, the central office of the ES had accumulated a relatively large cash position, which despite current economic and geopolitical uncertainties, the Investment Committee felt should be invested in mutual funds. Specifically, and although the amount of cash is highly seasonal and volatile, the Executive Vice President and General Manager estimated that the Society had at least \$500,000 at Wells Fargo that it would not need in its day to day operations for the foreseeable future. Consequently, an additional half a million dollars were allocated to the different Vanguard funds according to the agreed proportions.

At June 30, 2019, the total value of the Society's Vanguard investments was \$3,639,031, cash on hand was \$1,079,709, putting total assets at \$4,718,740.

See Table IV 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 directly through the Society's web site and back to 1933 through JSTOR (a digital library publishing copies of the Society's journal articles 2 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 receive 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.

Overall, in 2018, institutional publishing income (including deferred publishing revenues) rose again, reaching \$698,010 in sales compared to \$557,578 in 2017. Membership income fell slightly at the end of 2018 to \$585,349 from \$591,649 (a \$6,300 drop). After instituting a new auto-renew feature, and pricing scheme discussed later in the report, mid-year 2019 membership fees increased significantly to \$546,931 compared to mid-year 2018 membership revenues of \$388,233, an impressive jump (despite a computer glitch that allowed some 2019 memberships to be renewed at 2018 rates) that indicates significantly higher 2019 end-of-year membership revenues.

Every year in early June, the Executive Committee, in conjunction with Wiley Publishers, sets the following year's institutional subscription rates. This year, the Executive

Committee agreed to increase the institutional subscription rates by 5% for all countries beginning in 2020 with special pricing for China. For Chinese institutions the EC approved a 20% rate increase, which is consistent with the Society's goal of matching China's rates to the middle-income country rates by 2023. Institutional customers can currently purchase combined print and online subscriptions for 125% of the online-only price. The decision to set the increase at a slightly lower rate than last year was due to the greater uncertainty surrounding the Open Access issue. It is also 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. Up until 2018, each had three income tiers: high-income, middle-income, and low-income, comprising those economies classified by the World Bank as such. In addition, individual membership offers a reduced fee for students. In August 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. 2020 membership rates will be set by the Executive Committee at the European summer meeting.

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: 2017 and 2018 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 I
ECONOMETRIC SOCIETY STATEMENT OF FINANCIAL POSITION 2016 TO MID-YEAR 2019

(unit US dollars)	2016 Year-End	2017 Year-End	2018 Year-End	2019 Mid-Year
Current Assets				
Cash	591,431	867,092	1,220,196	1,079,708
Investments	1,979,846	2,419,080	2,326,216	3,639,030
Receivables	314,778	456,329	271,155	39,919
Public. inventory	10,148	8,456	7,648	7,648
Other current assets	172,692	15,200	21,010	24,855
Other assets (property and equipment)	1,074	–	–	–
Total Current Assets	3,069,969	3,766,157	3,846,225	4,791,161
Liabilities and Net Assets				
Total Current liabilities	713,848	872,969	828,863	649,847
Accounts payable	76,071	96,526	322,010	142,994
Deferred revenues	637,777	776,443	506,853	506,853
Total net assets	2,356,121	2,893,187	3,017,361	4,141,314
Unrestricted	2,356,121	2,875,264	2,999,196	4,077,714
Restricted (Marschak)	17,831	17,921	18,165	18,376
Retained earnings	–	–	–	169,609
Total Liabilities and Equity (Total Assets)	3,069,969	3,766,157	3,846,225	4,791,161

TABLE II
ECONOMETRIC SOCIETY REVENUES, 2016-MID-YEAR 2019

(unit US dollars)	2016 Year-End	2017 Year-End	2018 Year-End	2019 Mid-Year
Dues and subscriptions	1,238,562	1,149,227	1,283,359	965,149
Membership Income ^a	562,592	591,649	585,349	546,931
Institutional Publishing	675,970	557,578	698,010	418,218
Other revenue	336,106	220,347	300,396	318,715
Regional income				
Regional meetings ^b	200,418	97,735	9,630	318,030
Regional surplus ^c	85,975	65,587	86,870	–
Other publishing income				
JSTOR	44,489	40,737	40,117	–
Permissions	295	13,760	1,000	–
List rentals	829	2,528	–	–
Job Market	–	–	8,500	–
Advertising	4,100	–	–	–
Royalties (+CUP)	–	–	154,279 ^d	685
Total investment income	112,382	420,050	(95,126)	325,029
Interest & dividend (central and regional accts)	40,761	45,011	43,782	35,467
Unrealized gains	65,021	350,221	(818,383)	181,998
Realized gains	6,600	24,818	691,104	107,564
Loss/Gain Foreign Exchange	–	– ^e	(11,616)	–
Donations	31,567	120,024	2,271	10,028^f
In-Kind contributions (rent and donated stipend)	102,000	90,332	13,160	–
Total unrestrictive revenues	1,820,617	1,999,980	1,504,060	1,618,921
Marschak Dividends Restricted	9	90	256	211

^aFigure includes \$1,042 of membership subscriptions deposited as paper checks.

^bThis income is pass-through income to the regions. The figure is higher than normal due to four regions running their meeting registration through the Society's main account.

^cThis category was called "regional income" in past reports.

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

^eA Loss/Gain Frn Exchange of \$18,753 is included in "Total Investment Income" to match previous years' Treasurers' Reports.

^fThis figure represents the first donations to the new Africa Fund.

TABLE III
ECONOMETRIC SOCIETY EXPENSES, 2016-MID-YEAR 2019

(unit US dollars)	2016	2017	2018	2019
	Year-End	Year-End	Year-End	Mid-Year
Publishing	776,562	760,038	800,505	290,411
Editorial	408,448	408,336	418,144	211,080
Circulation	158,398	127,472	125,425	– ^a
Production	208,259	208,507	243,418	72,634
Other publishing expense	1,457	15,723	13,518	2697
Administrative	459,195	429,246	412,961	199,041
Salaries and benefits	246,090	261,116	301,991	149,931
In-kind rent expense	102,000	85,000	10,400	–
Professional fees	69,789	37,802	60,757	13,550
Other administrative	41,316	45,328	39,813	35,560
Regional Expenses	287,970	200,266	97,328	39,500
Regional Meeting Expenses ^b	221,030	155,266	57,482	29,500
Young Economist Activities	46,940	25,000	19,846	10,000
World Congress (to WC acct)	20,000	20,000	20,000	–
Lecture Expenses	–	–	–	–
Web site	21,870	14,497	14,351	9,202
Executive Committee	83,711	58,957	54,996	10,510
Travel expenses (air & ground transportation)	31,648	32,961	28,759	3,093
Hotel accommodations	29,887	16,359	15,307	1,265
EC dinners & meeting reg.	22,176	8,875	10,734	6,152
Total unrestricted expenses	1,609,308	1,463,004	1,380,141	544,664

^aDue to the new Wiley royalty-only contract, circulation costs have gone to 0 in 2019.

^bRegional expenses are pass-throughs for the regions of which the Central Office takes a small percentage to cover the bank and credit card expenses incurred.

TABLE IV
SOCIETY TOTAL ASSETS, 2017 TO MID-2019

Name of Asset	Market Value		Market Value		Market Value	
	12/31/17	%	12/31/18	%	6/30/19	%
Total Financial Assets^a	3,286,171	100	3,703,614	100	4,664,739	100
Central Office Only, Cash & Assets	2,910,835	88.6	3,090,191	83.4	4,161,222	89.2
Cash and liquid securities						
Wells Fargo Checking			721,783		1,017,222	
Chase Main	371,002					
Wells Fargo Sundry			10,804		8,487	
Chase Sundry	2,929					
Chase Meeting	3,545					
V Federal Money Market			66,075		56,647	
F Govt Money Market	155,420					
Debt Funds						
V Total Bond Market Index			176,221		312,164	
F Total Bond	174,264					
V Inflation Prot Securities			129,668		155,413	
F Inflation Prot Bond	130,056					
V Short Term Treasury			165,862		560,517	
F S/T Treasury Bond	164,033					
Equity Funds						
V Total Stock Market Index					945,343	
V S&P 500			887,015			
F Spartan 500 Index	877,716					
V Small Cap Index			52,263			
F iShares Core S&P	50,541					
V Total International Stock Index Fund					1,087,053	
V Developed Markets Index Fund			723,002			
F Spartan Intl Index	807,987					
V Emerging Market Stock Index Fund			139,333			
Fidelity Emerging Markets	155,420					
Marschak						
V Federal Money Market			18,165		18,376	
F Govt Money Market	17,921					
Africa	1,442	0.0	5,143	0.1	16,698	0.4
V Federal Money Market			5,143		16,698	
F Govt Money Market	1,442					
Asia	81,307	2.5	72,334	2.0	73,184	1.6
V Federal Money Market			72,344		73,184	
F Govt Money Market	81,307					
Australasia	51,327	1.6	85,930	2.3	50,637	1.1
V Federal Money Market			51,747		17,168	
F Govt Money Market	13,694					
V Invesco Currency Shares AUD					33,469	
F AUD Global Holdings	37,633		34,183			

(Continues)

TABLE IV—Continued

Name of Asset	Market Value		Market Value		Market Value	
	12/31/17	%	12/31/18	%	6/30/19	%
Europe	224,932	6.8	400,363	10.8	318,779	6.8
V Federal Money Market			224,456		136,743	
F Govt Money Market	34,646					
V Developed Market Index			52,851		60,124	
F Spartan International	59,063					
V Invesco Currency Shares EUR					121,912	
F EUR Global Holdings	131,223		123,056			
Latin America	16,329	0.5	25,108	0.7	15,352	0.3
V Federal Money Market			25,108		15,352	
F Govt Money Market	16,329					
North America	N/A		24,535	0.7	28,866	0.6
V Federal Money Market			24,535		28,866	

^aNote: “V” denotes Vanguard funds; “F” denotes Fidelity funds.

TABLE A
PREVIOUS, CURRENT AND ADOPTED INSTITUTIONAL SUBSCRIPTION PRICES

	2017	2018	2019	2020 (5% adopted)
High-income				
Print + online	\$890	\$944	\$1,000	\$1050
Online only	\$700	\$742	\$787	\$826
Middle-income				
Print + online	\$240	\$255	\$270	\$284
Online only	\$181	\$192	\$204	\$214
Low-income				
Print + online	\$90	\$95	\$100	\$105
Online only	\$13	\$14	\$15	\$826
China deal^{ab}				
Print + online	\$170	\$190	\$220	\$264
Online only	\$128	\$142	\$165	\$198
China, Large Institutions^c		\$638	\$676	\$710

^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).

^bThe China deal required a larger increase. In 2019, the EC agreed to a 20% increase for 2020 China individual subscriptions.

^cFor China institutional sales, a 2020 increase of 5% was agreed upon.

TABLE B
2017–2019 INDIVIDUAL MEMBERSHIP RATES

Individual		\$ (US) 2017	\$ (US) 2018	\$ (US) 2019
Ordinary Members				
Print + Online	1 Year	200	230	–
Online Only	1 Year	130	140	–
Print + Online	3 Years	475	505	–
Online Only	3 Years	320	330	–
High Income I				
Less than \$100,000				
Print + Online	1 Year	–	–	190
Online Only	1 Year	–	–	150
Print + Online	3 Years	–	–	430
Online Only	3 Years	–	–	340
High Income II				
Equal/greater \$100,000				
Print + Online	1 Year	–	–	–
Online Only	1 Year	–	–	–
Print + Online	3 Years	–	–	–
Online Only	3 Years	–	–	–
Middle income				
Print + Online	1 Year	95	125	90
Online Only	1 Year	30	40	50
Print + Online	3 Years	225	255	205
Online Only	3 Years	70	80	115
Lower-Middle Income				
Print + Online	1 Year	–	–	80
Online Only	1 Year	–	–	40
Print + Online	3 Years	–	–	180
Online Only	3 Years	–	–	90
Low income				
Print + Online	1 Year	65	65	50
Online Only	1 Year	10	10	10
Print + Online	3 Years	150	150	115
Online Only	3 Years	25	25	25
Student				
Print and Online	1 Year	95	95	90
Online Only	1 Year	30	30	50