Treasurer's Report on LASA's Finances and Endowment

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In the interest of providing LASA members with timely information concerning our Association's finances, this report reviews issues concerning LASA's permanent endowment and the Association's overall financial situation. The report published in the *Forum* in Fall 2008 (volume 39, issue 4) discussed the Association's general financial management; this report highlights developments since then.

Endowment

Decisions concerning the management of LASA's endowment are made by the Ways and Means Committee, on advice of members of the Investment Advisory Committee. In addition to its *ex officio* members (LASA's president, treasurer, and executive director), the committee's current membership consists of Judith Albert, Marc P. Blum, Kimberley Conroy, and Thomas J. Trebat, all of whom have substantial experience in private-sector banking and investment firms.

At its February 2010 meeting, LASA's Executive Council agreed that from October 2010 the past Treasurer will serve as an additional member of the Investment Advisory Committee for a period of eighteen months. The goal is to promote continuity in the transition from one elected Treasurer to the next.

Since June 2005 LASA's endowment has been managed professionally by Smith Barney (now MorganStanleySmithBarney), a major U.S. brokerage firm. The fund manager is Joan M. Fiore, who is based in the company's Pittsburgh office.

The non-LASA members of the Investment Advisory Committee have unanimously recommended that, as part of a periodic review of the Association's investment procedures and practices, the Ways and Means Committee should over the next six months rebid LASA's endowment management contract. Even if LASA decides to continue its contractual arrangement with MorganStanleySmithBarney, this action would be congruent with LASA's general commitment to transparency and accountability in its operations.

The distribution of a significant proportion of LASA's equity investments in broad "market category" index funds ("large capitalization" stocks, "small capitalization" stocks, "emerging market" funds, bonds, and so forth) reflects the Investment Advisory Committee's judgment that LASA's endowment is still too small to merit the higher fees sometimes associated with speciality portfolio management, in which an account manager would be actively involved in buying and selling shares in individual companies.

Overall Performance

As of October 13, 2010, LASA's endowment totaled $4,017,941. Despite a significant recovery in equity markets since early 2009, this total was still down from its peak of $4,294,232 million in October 2007—a consequence of the steep decline in global stock markets that occurred beginning in 2008.

The October 2010 total was allocated among three major categories: equities (stocks), 60.5 percent; fixed-income assets (bonds), 33.4 percent; cash (U.S. government-guaranteed certificates of deposit), 2.5 percent; and other investments (inflation-indexed U.S. Treasury bonds and a commodities index fund), 3.7 percent. This allocation reflects the Investment Advisory Committee's continuing recommendation that LASA retain a relatively cautious profile during a period of market uncertainty.

If one includes in the calculation the approximately $1.58 million in cash reserves that LASA held in October 2010, then at that time equity investments represented an even more conservative 43.4 percent of total LASA financial assets.

"Social Responsibility" Investing

Over the past several years the Executive Council has consistently expressed strong support for the allocation of a significant proportion of endowment funds in more socially responsible investments (SRI). Since October 2007 the principal means of implementing this policy has been via the Domini 400 Social Index. The "large capitalization" stocks (shares of companies with assets of more than US$1 billion) that comprise the Domini 400 fund are drawn from the Standard & Poor's 500 Index (giving it considerable market breadth), and they are "filtered" by quite rigorous SRI criteria. As of October 13, 2010, 24.5 percent of LASA's total endowment was invested in the Domini 400 fund.

Over the past three years the Domini 400 has performed favorably vis-à-vis the broader Standard & Poor's 500 fund in both "down" and "up" markets, even after accounting for the higher management fee LASA pays for the former (50 and 9 basis points, respectively). However, in order to diversify LASA's SRI investments while gradually expanding its overall SRI commitment, in July 2010 the Investment Advisory Committee identified the Neuberger-Berman SRI Fund as a second good option in terms of both SRI "filter" criteria and past financial performance. Although it is comprised of a smaller number of stocks than the Domini 400, a significant share (41.7 percent) of its holdings are in "mid" and "small capitalization" stocks. Management fees for the Neuberger-Berman fund are slightly

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lower than those for the Domini 400 (45 and 50 basis points, respectively). LASA has allocated $157.888 (3.9 percent of the total endowment) to it and will monitor its performance carefully.

The Domini 400 and the Neuberger-Berman funds currently comprise all of LASA's "large capitalization" investments and together account for 26.7 percent of the total endowment and 46.9 percent of all equity investments. As shifts occur over time in allocations between "large cap" funds and other equity investment categories, it is possible that LASA's overall SRI commitment may also decline or rise somewhat. However, if the Neuberger-Berman fund performs well, it may provide LASA with an expanded range of investment options across the "large," "mid," and "small" capitalization categories.

LASA members with questions concerning any of the issues addressed in this report can contact me at <kevinmiddlebrook@aol.com>.

Cristina Eguizábal (Florida International University) began her term as LASA's Treasurer on November 1, 2010. ■

Open Access to *LARR* for Latin America and the Caribbean

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In recent years, *LARR* has sponsored a series of workshops on academic publishing at LASA Congresses. When LASA had its first Congress in Brazil I 2009, perhaps the strongest message that came out of the workshop discussion was the importance of open access to research; in other words the ability of researchers and students to be able to access current research via the web free of charge. We listened and on behalf of *LARR*'s Editorial Committee and the Executive Committee of the Latin American Studies Association, I am proud to announce that as of January 2011, anyone residing in Latin America or the Caribbean will be able to access all current and past *LARR* issues free of charge through the LASA/*LARR* website. To the best of our knowledge, we are the first among our peer journals to offer this service.

While the message coming out of the Rio workshop was perhaps unexpected, it should not have come as a surprise. The free exchange of ideas and research goes to the heart of any academic enterprise. Yet in Canada, Western Europe and the United States, we often take for granted how relatively privileged we are in terms of our ready access to extensive library collections and electronic resources such as JSTOR and Project Muse. For most people residing in Latin America and the Caribbean, the scarcity of resources makes such access much more problematic. For example, only 4 percent of universities in Latin America and the Caribbean have access to all *LARR* issues through their institutional membership in LASA.[1] Even adding to this the 2.4 percent of regional institutions that have access to back issues of *LARR* through Project MUSE and the 17.7 percent that offered their students and faculty the opportunity to purchase individual articles through their participation in JSTOR,[2] as well as the access to *LARR* enjoyed by the just over 2000 individual LASA members who resided in the region in 2009, it is clear that the vast majority of people in Latin American and the Caribbean simply are excluded from use the important research published in *LARR*.

While this new policy is an important advance, the ideal solution would be open access for all, allowing any interested person, anywhere in the world, the opportunity to download articles of interest to them free of charge. Inevitably, the problem is the cost involved: who will pay? While *LARR* is in a unique situation compared to other similar journals since it is the flagship journal of LASA and most of its subscriptions are paid for through individual and institutional LASA memberships, truly open access for all is not financially feasible, even for *LARR*. This is because LASA receives substantial revenues through royalties from Project Muse, in particular, and JSTOR. There are other, non-monetary, elements of risk as well. Open access initiatives are still very new and we know little about their potential implications, both positive and negative. How would potential readers and, perhaps even more important, potential authors view a journal that is available only online and free of charge? While there are some precedents, particularly in the natural sciences, any open access policy by *LARR*, however limited, is even riskier since we would be the first among our peer journals to do so. So while open access to residents of Latin America and the Caribbean definitely has clear and important advantages, restricting such access only to people residing in the region should be seen as a compromise and a strategic experiment; we are trying to address a real need at the same time that we are seeking to minimize risks and understand the larger implications of open access for possible future initiatives by *LARR*. While we have tested its feasibility and attempted to ensure that it is consistent with the various copyright and indexing