B-School faculty approve tougher conflict of interest rules

Under the new policy, Business School professors will be required to publicly disclose all outside activities —including consulting—that create or appear to create conflicts of interest.

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Business School faculty members approved stricter rules for disclosing potential conflicts of interest this week—the first policy change at Columbia's Business School in the wake of the critical documentary "Inside Job."

The 2010 documentary criticized several leading academics, including Business School Dean R. Glenn Hubbard and Business School professor Frederic Mishkin, for apparent financial conflicts of interest. The film ignited a debate about conflict of interest policies at Columbia, prompting the administration to reexamine the issue and influencing a scheduled University Senate policy review.

Under the new policy, Business School professors will be required to publicly disclose all outside activities—including consulting—that create or appear to create conflicts of interest.

"If there is even a potential for a conflict of interest, it should be disclosed," Business School professor Michael Johannes said in an email. "To me, that is what the policy prescribes. That part is easy."

The policy passed with "overwhelming" faculty support at a Tuesday faculty meeting, according to Business School Vice Dean Christopher Mayer, who chaired the committee that crafted the policy.

The new policy mandates that faculty members publish up-to-date curricula vitae, including a section on outside activities, on their Columbia webpages. In this section, they will be required to list outside organizations to which they have provided paid or unpaid services during the past five years, and which they think creates the appearance of a conflict of interest.

This section must include, but is not limited to, consulting work, research, membership on a company's board, and expert witness testimony.

"We're talking about five years of work," Mayer said. "And it's not like activities of $10,000 or more...I give a talk for $1,500 to some group four years ago, and I'm listing that on my vitae."

Hubbard praised the policy, telling Spectator that it will help combat perceived conflicts of interest at the Business School.

"Speaking for myself as an academic, it is extremely important to insure the credibility of research, and that's why as an individual, it's what I've always done," Hubbard said.

Business School professor Franklin Edwards, who attended the faculty meeting where the vote was held, said that "this [policy] goes further than the University policy." He praised the school's administration for crafting its own policy.

"The Business School is taking a leadership role in making the University's policies more concrete," Edwards said.

Columbia's current policy requires faculty to report to the University all consulting or outside activities that could conflict with their University-sponsored research, but not activities that could conflict with non-research-related activities. The current policy has no requirements for public disclosure.

Under the new policy, professors would also be required to inform the University of all outside activities—whether or not they judge those activities to create the appearance of a conflict—in their annual Financial Activity Reports. The next set of these reports will be submitted at the beginning of the spring 2012 semester.

The Business School's Faculty Executive Committee will decide how long professors have to update their CVs with their outside activities, Hubbard said.

A six-member committee drafted the new Business School policy. According to Mayer, the Business School held several faculty forums to discuss conflict of interest policy, which resulted in substantial changes to the final resolution.

The new policy comes seven months after the release of "Inside Job," which won the Oscar for Best Documentary in February. The documentary, which explores the roots of the 2008 economic crisis, highlights Hubbard and Mishkin's alleged conflicts of interest.

The film notes that Mishkin did not disclose publicly that in 2006, he was paid over $100,000 by the Iceland Chamber of Commerce to co-author a paper in which he praised the stability of Iceland's economy—two years before it collapsed. It also criticizes Hubbard for not disclosing that he is paid $250,000 per year to serve on the board of the insurance giant MetLife.

The movie director, Charles Ferguson—who spoke to Columbia professors after a University Senate-sponsored screening of his film last month—has said that when academics do not disclose their potential conflicts of interest, it casts doubt on their objectivity.

University President Lee Bollinger told Spectator earlier this year that he asked Hubbard to initiate a review of the Business School's conflict of interest policy in light of the concerns raised by "Inside Job."

Hubbard, though, said that the terms of the new policy do not reflect the allegations made in the film, noting that the Business School was involved in discussing a new conflict of interest policy that the University Senate passed in 2009.

"I don't think they're related at all," Hubbard said, referring to the movie and the new policy. "In our case, our faculty started in 2009, and in my own case, the question about my board service was clearly on my CV, and the amount was on the FEC website."

Hubbard added that all Columbia deans are already required to disclose to Columbia all of their outside activities, including the dollar amounts they are paid for their outside work.

Mayer, who headed the policy review committee, agreed that "Inside Job" was not a prominent factor in the Business School's discussions of a new policy. He said that the financial crisis had already forced academics to examine the issue of conflicts of interest before the movie's release.

"I think we all understand that there are a lot of concerns about what happened in the crisis, and I think if all of us don't take a look at what happened, we would be missing an opportunity to have learned," he said.

"I think as a profession, researchers and academics are having to take many additional steps to, I won't say restore our credibility, but keep our credibility, in these areas," he added.

Hubbard added that he told Ferguson in their on-camera interview about his public disclosures, although this portion of the interview did not appear in the film.

"I did say it to him, but he has editorial authority and I don't," Hubbard said.

Though the policy resolution that faculty voted on does not mention "Inside Job" explicitly, it acknowledges that the Business School's reputation has been called into question, noting that "increasing transparency about research and real or apparent conflict of interests and commitments helps Columbia Business School strengthen its reputation."

The resolution also states that, "When faculty members speak, write, or provide testimony, the public should understand their sources of compensation outside the University that might indicate any possible conflict of interests."

According to the policy, the Business School Dean's office will monitor and enforce compliance with the disclosure requirement, and faculty members will be expected to update their CVs at least every six months. Faculty members who do not follow these rules will be subject to sanctions, although the policy does not specify what these sanctions might be.

Hubbard, though, said he does not anticipate the need for much enforcement.

"In my experience at Columbia, I would call it clearly a perception problem," Hubbard said. "I'm not aware of an actual problem…[but] even if it's just a perception problem, it needs to be addressed."

Mayer said that he expects the rest of the University—and other universities as well—to eventually adopt policies as touch as this one. He added that he has been approached by the deans of many peer institutions, some of whom are currently setting up their own committees to review conflict of interest policies.

"We are the leading edge of this," he said.

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