

'Inside Job' prompts new look at conflict of interest policy

The University Senate is screening 'Inside Job' on Friday, and Provost Steele has said the administration is taking the film's allegations very seriously.

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Jasper L. Clyatt / Senior staff photographer

This is the first in a three-part series about the University's disclosure policies. See also parts [two](#) and [three](#).

When filmmaker Charles Ferguson asked Business School Dean R. Glenn Hubbard to discuss the roots of the 2008 economic crisis with him, Hubbard was happy to oblige.

Hubbard, the former chairman of President George W. Bush's Council of Economic Advisers, sat down with Ferguson for an on-camera interview.

The conversation, portions of which appeared in Ferguson's 2010 documentary "Inside Job," started out calmly. But when the director asked Hubbard why his paid consulting arrangements with financial services companies were not disclosed on his curriculum vitae, Hubbard grew angry.

"This isn't a deposition, sir ... I was polite enough to give you my time," he said. "You have three minutes. Give it your best shot."

Hubbard did not want to talk about the fact that he is paid \$250,000 per year to serve on the board of Metropolitan Life, one of the largest global insurance providers, and that he sat on the board of Capmark, a major commercial mortgage lender, until shortly before its bankruptcy in 2009.

"Inside Job," which won Best Documentary at the Academy Awards in February, explores the causes of the economic meltdown and criticizes Hubbard and other leading economists for failing to forecast the economic collapse.

The film alleges that prominent academics are often paid to consult for companies, creating conflicts of interest. The movie claims that without knowing who is funding economists, the public cannot trust their research or policy recommendations.

Hubbard is not the only Columbia academic criticized in the film. "Inside Job" also features Business School professor Frederic Mishkin, who according to the Wall

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Street Journal was paid almost \$135,000 by the Icelandic Chamber of Commerce in 2006 to author a report that praised the stability of Iceland's economy and banking system—two years before they collapsed.



Mishkin did not disclose the payment in the report.

"Inside Job," which was released last October, has caused a stir among senior Columbia administrators, professors, and students. Columbia's central administration, the University Senate, and the Business School are currently reviewing the adequacy of Columbia's conflict of interest disclosure policies, and University President Lee Bollinger has said that new policies will be released in the next couple of months.

This Friday, the senate is screening the film, and Ferguson will be in attendance to answer senators' questions afterward.

Provost Claude Steele, Columbia's top academic officer, said the administration is taking the movie's allegations very seriously.

"It was a powerful movie that had an impact on society about all kinds of things, one of them being conflict of interest policies in universities," Steele said. "That's the part of the movie where we are implicated. ...We are definitely paying attention to that."

"THE MOVIE WAS RIGHT"

In February, Teachers College Professor Kathleen O'Connell asked Steele how the administration is handling the allegations made in the film. To O'Connell's surprise, Steele shared his personal reaction to the film.

Steele, O'Connell recalled, told her "The movie got it right ... What they [the professors] did was unconscionable."

Steele wrote in an email that he does not remember making that statement.

"While I take the issues raised in the movie with the utmost seriousness, I simply don't remember saying anything like what that quote says I said," he said.

Through a Business School spokesperson, Hubbard declined to be interviewed for this story. But the day after "Inside Job" won its Oscar, he posted a message on the Business School's Facebook page expressing his disappointment with Ferguson's desire to "advance his personal agenda rather than contribute to the meaningful analysis and public dialogue about the global financial crisis."

"When I was first approached for an interview, the film's producer described his project as a serious attempt to explore 'the development, onset, and consequences of the global financial and economic crisis.' The economic crisis is a very serious matter to me, so I did not hesitate to accept his invitation. I did not expect the interview session to be, in fact, a one-sided presentation of the producer's perspectives," Hubbard wrote.

"I have not actively worked to correct the incomplete picture that Mr. Ferguson has sought to present. Rather I am counting on the discerning minds of individuals to see through to the heart of the issues," he added.

Mishkin also declined requests to be interviewed. But in an October 2010 post on the Financial Times' Economic Forum, he defended his paper on the Icelandic economy, saying that many factors that put Iceland at risk had not yet emerged when he wrote it. He also criticized Ferguson, saying the director presented the film to him as "a thoughtful examination of the factors leading up to the 2008 global economic collapse."

"About five minutes after the microphone was clipped to my lapel ... it became clear that my role in the film was predetermined—and I would not be wearing a white hat," Mishkin wrote.

Ferguson defended his work in a recent interview with Spectator, saying that while

the film “does not neutrally present all sides” or give “equal times to all points of view,” it is not biased.

“I didn’t go into this with predisposed or preselected point of view or ideology,” Ferguson said. “I don’t have any financial, partisan, political, or ideological interests.”

CONFLICTS AND CONCERNS

Business School Professor Michael Feiner, a member of the faculty committee of Columbia’s Sanford C. Bernstein and Co. Center for Leadership and Ethics, said he told his students to see the film and has recommended that it be shown to all Business School students.

“It raises important issues about what are some of the pitfalls with our system, what happens when there aren’t appropriate checks and balance, what happens when the capitalist system is abused and misused,” Feiner said.

Other professors on the ethics and leadership board, including director Bruce Kogut, declined to comment.

“Inside Job” also scrutinizes leading economists from Harvard University, Brown University, and the University of California. Columbia Economics Department Chair Michael Riordan said that the film has sparked healthy debate within his department about conflicts of interest and the University’s disclosure requirements.

“The controversies have caused faculty to give another read—or maybe even a first read—of the University’s policy of conflict of interest,” Riordan said. “It’s led the schools to send out emails reminding faculty that there is a university policy of conflict of interest to abide by.”

Riordan added that it is important that Columbia protect its reputation and the public’s trust in its professors’ expert opinions.

“What does the university stand for but if not for the quality of the ideas that come out of that university?” he asked.

Some Columbia faculty members have defended Hubbard and Mishkin, and criticized the film.

When a few students asked Business School professor Robert Fallon about the movie in his class, he said he told them it made him uncomfortable that the documentary was “constructed to try and bring an attack on Professor Mishkin and Dean Hubbard.”

He felt the movie was trying to say “Ah! We got you, there is conflict of interest and it hasn’t been disclosed, without giving all the facts.”

“It’s important that people understand that there are different sides of every issue,” Fallon said. “Attempting to link Columbia faculty to the events of the financial crisis is a misrepresentation of the true cause of the crisis.”

INTERNAL REVIEWS

Whether or not Hubbard’s and Mishkin’s activities constitute conflicts of interest, their prominent role in the film has led Columbia to rethink its conflict of interest policies.

Columbia currently requires all faculty members to disclose to the University who is funding their Columbia-related research, as well as any financial ties they have to commercial organizations that could benefit from their work. These disclosures are confidential.

But unlike the disclosure policies of some other universities, including Stanford University and the University of Pennsylvania, Columbia professors do not have to disclose outside compensation, including consulting arrangements, if it does not fund their University-sponsored research.

On a conference call with alumni in November, Bollinger was asked about the concerns raised by "Inside Job."

"There is at the moment strong criticism of a variety of disciplines that there has been too much outside activity which has had a negative impact on the scholarly independence. I think that can happen and when that does happen it's a tragedy, it's wrong; it violates what we stand for," Bollinger said at the time. "But it's important to realize that we really benefit in our scholarship from engagement with outside activity; we want our faculty to be a part of the outside."

Before the end of 2010, Bollinger asked Provost Steele and Executive Vice President of Arts and Sciences Nicholas Dirks to lead the administration's conflict of interest review.

Steele said last month that the administration is primarily concerned with becoming more familiar with the University's current policy and making sure "that we have the policies that would help us as an institution protect against unseen conflict of interests."

Associate Vice President for Research Compliance Naomi Schrag also made a presentation at the December Board of Trustees meeting about the University's conflict of interest disclosure policy. Through a University spokesperson, Schrag declined requests for an interview.

Steele stressed that it is too early to recommend changes to the conflict of interest policy, but said that he is pleased with the University's current disclosure requirements.

"I think we are pretty proud of the basic structure we have at this point, and I think that other universities have seemed to follow our footsteps so we are pretty proud of that," Steele said.

Bollinger would not comment on the specifics of Hubbard and Mishkin's cases, but he told *Spectator* in a recent interview that the University should establish what paid consulting activities need to be disclosed.

"We are in a process of grappling with those issues. And I'm very confident that by the end of this academic year we will have some good policies in place," Bollinger said.

Bollinger also asked Hubbard to review the Business School's conflict of interest policies. A committee of business school professors, led by Senior Vice Dean Christopher Mayer, will present recommendations to faculty members before the end of the academic year.

Mayer wrote in an email that Hubbard appointed the committee, although Mayer declined to name its members or discuss its work because he said he did not want to bias its recommendations.

One member of the committee, Professor Ray Horton, declined to comment.

Despite the film's allegations against Hubbard, Bollinger said he trusts him to conduct a thorough conflict of interest review.

"Glenn Hubbard is very strongly in favor of new policies about disclosure of conflict of interest, so he's very much personally on board on this," Bollinger said.

Hubbard told the *New York Times* in January that a proposal to create a code of ethics for the American Economic Association "sounds like a very good idea."

The University Senate has formed a 10-member, all-faculty committee to conduct its own review, chaired by political science professor Sharyn O'Halloran.

This review has been planned since 2009, when the senate passed a conflict of interest policy overhaul that dealt mostly with conflicts in medical research. But current discussions among senators have been heavily influenced by "Inside Job,"

according to student senator Liya Yu, GSAS, who co-chairs the senate's External Relations and Research Policy Committee with O'Halloran.

O'Halloran said she would not discuss the committee's deliberations.

"We're working hard," O'Halloran said.

Steele said that "Inside Job" did "what those types of movies are supposed to do," and that the University is working to ensure its policies are adequate.

"We are all a little embarrassed but may be better because of it," he said. "We can find out what didn't work and can fix it."

Sammy Roth contributed reporting.

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