‘Inside Job’ sparks three separate reviews of disclosure policy

Business schools with more comprehensive disclosure policies than Columbia’s include the University of Chicago, the University of Pennsylvania, Northwestern University, and Stanford University—ranked first, third, fourth, and fifth best in the country, respectively, by Bloomberg Businessweek last year.

By Shira Poliak and Sammy Roth
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This is the second in a three-part series about the University's disclosure policies. See also parts one and three.

In 2006, the Iceland Chamber of Commerce paid Columbia Business School professor Frederic Mishkin $134,858 to co-author a report on Iceland’s economy and banking systems. In the report, titled “Financial Stability in Iceland,” Mishkin painted a bright picture of the country’s economic future, but he did not disclose who was paying him to write it.

“Although Iceland’s economy does have imbalances that will eventually be reversed, financial fragility is not high and the likelihood of a financial meltdown is very low,” Mishkin wrote.

Two years later, Iceland’s economy collapsed. Its major banks failed, its currency lost much of its value, and thousands of its citizens lost their jobs. The New York Times wrote at the time that, to Icelanders, “the collapse came so fast it seemed unreal, impossible.”

Mishkin was confronted about his report in the documentary “Inside Job,” which explores the roots of the global economic crisis and won the Academy Award for Best Documentary Feature in February. The movie also featured an interview with Business School Dean R. Glenn Hubbard—a one-time top economic adviser to former President George W. Bush—who is paid $250,000 per year to sit on the board of insurance giant Metropolitan Life.

Mishkin, who declined to be interviewed for this story, has said that many of the factors that caused Iceland’s economy to collapse had not yet emerged when he wrote the study. But that has not stopped “Inside Job” director Charles Ferguson and others from alleging that Mishkin, Hubbard, and other leading economists’ paid consulting work frequently influences their scholarly work.

Columbia professors and administrators say that “Inside Job” has brought the issue of conflict of interest to the public’s attention in a powerful way. The film has prompted Columbia to reevaluate its policies and consider whether professors should be required to disclose all paid outside consulting jobs to the University.

“The ability of the movie—whether rightly or wrongly, fairly or unfairly—to tie the crisis to the advice of economists that might not have been accompanied by appropriate disclosure has certainly brought the issue to the floor,” economics department chair Michael Riordan said.

‘A SERIOUS SHORTCOMING’

Columbia’s current conflict of interest policy requires researchers to report to the University any financial interests that relate to their research before that research gets underway. That way, potential conflicts can be reviewed and resolved,

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Columbia spokesperson Robert Hornsby said. The policy also requires researchers to disclose relevant financial interests in all publications, presentations, or other reports of their research.

But the current policy, which was implemented in 2009, does not require faculty members to disclose consulting work or other activities, such as positions on corporate boards, to the University.

Columbia University Medical Center professor Samuel Silverstein, a University senator and longtime advocate for greater faculty disclosure, called the policy's lack of such a requirement "a serious shortcoming," saying that transparency is key.

"Without such disclosure, the University has no way to determine … whether faculty have been truthful in reporting financial conflicts in their University research, or in work they do in their consulting practices," Silverstein said in an email.

The University is currently conducting three reviews of its conflict of interest policies: one by senior administrators, one by the University Senate, and one by the Business School. Ferguson will talk to the University Senate tomorrow after a private senate screening of his film.

The debate on campus has centered on whether professors should be required to disclose outside consulting work to University administrators. University President Lee Bollinger said in a recent interview that faculty members should be required to disclose their consulting work to the deans of their schools.

"I also believe that everyone should have to disclose their outside activities to their respective deans, and the deans should be able to monitor what's appropriate and consistent with the University relationship with the faculty," Bollinger said.

Steele, who is overseeing the administration's conflict of interest policy review, agreed that professors should disclose consulting work to the University, but only if that work creates the appearance of a conflict of interest in one's research.

"I suppose that if you have a consulting relationship that in some way establishes a conflict of interest with your research, then that should be disclosed," he said. Ferguson, though, called for a more extreme solution.

"Require public disclosure of people's consulting activities, including in their publications, on their websites, when they write books, etc.," he told Spectator. "The second step, which is something that a number of medical schools have done, is to limit outside income that directly presents a conflict of interest."

Silverstein said that the medical school will probably start publicly reporting its faculty's consulting arrangements and other commercial ties in the near future, although it will not report the dollar amounts of those arrangements.

But full public disclosure is not likely to gain much traction in the debate over a University-wide policy. Steele said that it is not necessary to publicly release disclosures made privately to University officials.

"I don't think that the public needs to have access to forms that people fill out and all the materials that go into that," Steele said. "That would be onerous at least, and there might be other objections … that you are invading people's sense of privacy and freedom."

Silverstein agreed.

"For universities to unilaterally disclose would be a huge disadvantage for professors to disclose honestly," he said.

But some, including Business School professor and University Senator Frank Lichtenberg, oppose the disclosure of consulting to the University. Lichtenberg said that many factors besides money can influence professors' academic opinions.

"There are lots of other sources of bias and non-neutrality in academia anyway," Lichtenberg said. “People often have predispositions for or against different hypotheses, and unfortunately, those sometimes prevail.”

Some professors question whether paid consulting positions influence researchers at all. Business School professor Bruce Greenwald said that the economists featured in “Inside Job” have “long espoused and long promoted” pro-market ideas and would have made the same arguments regardless of financial ties.

“Public groups who use economic professors for public policy purposes are careful to select the ones whose views coincide with their … preferred positions,” he wrote in an email.

Riordan, though, said there is a general consensus within the economics profession that researchers should disclose their funding sources.

“The funding source of research is an attribute of the research,” he said. “In order to evaluate the objectivity of the ideas, it’s important to know how the research that produced the ideas is being supported.”

A FAILED EFFORT

When the University Senate was debating a new conflict of interest policy in 2009, two senators—Silverstein and biology professor Robert Pollack, CC ’61—proposed an amendment that would have required faculty to report income from outside consulting work. The requirement would have applied to “all income from all sources by all members of the University, in excess of $10,000 or 1/5 of annual University income, whichever is larger.”

But some senators staunchly opposed the 2009 Pollack-Silverstein amendment, and it ultimately did not pass. During a debate on the amendment, senator and industrial engineering professor Soulaymane Kachani read aloud a letter from Business School Senior Vice Dean Christopher Mayer, in which, according to senate minutes, Mayer wrote that the amendment would create “an onerous and invasive reporting structure.”

He also expressed concern that the amendment would make Columbia’s policy stricter than those in place at other major universities, writing that he know of “no policies of nearly this scope of reporting at any of our peer institutions.” He argued that implementing the amendment could drive faculty away from Columbia.

“Should this proposal be put into place, it would likely cause Columbia to lose some of our most productive and valuable faculty,” Mayer wrote.

Mayer, who was pegged by Hubbard to lead the Business School’s conflict of interest policy review, declined to be interviewed for this story, as did Kachani and Hubbard.

University Senator Liya Yu, GSAS and co-chair of the External Relations and Research Policy Committee, disagreed with the idea that a stricter disclosure policy would lead to faculty flight.

“Actually, they [professors] have more freedom at Columbia,” Yu said.

Some peer institutions have more comprehensive disclosure policies than Columbia’s. These schools include the University of Chicago, the University of Pennsylvania, Northwestern University, and Stanford University, whose business schools were ranked first, third, fourth, and fifth best in the country, respectively, by Bloomberg Businessweek last year. All four schools require faculty members to disclose their consulting activities—including those unrelated to academic research—on annual, confidential forms.

Silverstein lauded Stanford’s policy as an example for Columbia to emulate, saying that requiring faculty to report all consulting is a “reasonable request.”

“It’s the only way the University can monitor if faculty and staff are disclosing appropriately in publications and lectures,” he said.

At Stanford and Penn, professors are required to disclose the exact dollar amounts of compensation for their consulting work. Silverstein’s amendment would have made this a requirement at Columbia.

Lichtenberg said such a requirement would be “excessive.”

“Yes, the fact that you have relationships with certain organizations may be appropriate for public disclosure, but getting into more detail than that is potentially problematic and an invasion of privacy,” Lichtenberg said.

Others say they would support a policy like the ones in place at Stanford and Penn. Riordan, the economics department chair, said he would be willing to disclose his outside income to Columbia so long as it remained confidential.

“I have no problem with the University requesting information on my consulting activity or the income I earn,” he said.

Silverstein emphasized that universities should know about their professors’ potential conflicts of interests.

“History indicates that Pollack and I were right,” Silverstein said, referring to the revelations made in “Inside Job.” “Our proposal was not one that is unreasonable in any employment situation.”

'NO NORMS'

The policy changes being discussed at Columbia would have the greatest effect on a select few academic disciplines, among them business and economics. Other disciplines, including psychology, medicine, and sociology, already have well-established codes for disclosure.

Bollinger said there are some disciplines in which “there basically are no norms with respect to disclosing outside activities that may result in appearances of conflict of interest.” He added that this lack of norms “strikes me as wrong,” and that he thinks it is an issue Columbia should address internally.

“I asked the senate to take this up as part of their two-year review,” he said.

Still, some say it is equally important that the various disciplines police themselves. Steele, a social psychologist, said that in psychology journals it is standard practice to disclose any potential conflicts of interest on the first page of an article. He said disciplines that do not have such codes should follow the example of those that do.

“The simpler solution is that the disciplines get on the ball and do this,” he said.

The American Economic Association, the country’s leading organization for the discipline, is now considering establishing formal ethics rules for economists. In January, the AEA established the Ad Hoc Committee on Ethical Standards for Economists.

Nobel Prize-winning economist Robert Solow, a professor emeritus at the Massachusetts Institute of Technology and the chair of that committee, told Spectator that it is time for academic economists to establish its own disclosure policy. He added that the AEA has considered creating an ethics code in the past, but that this is the first time it has set up a committee to handle the issue.

“I think that professional associations should have disclosure requirements, and universities should as well,” Solow said. “One institution shouldn’t have exclusive rights.”

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