Robert E. Hall President American Economic Association 2014 Broadway, Suite 305 Nashville, TN 37203

January 3, 2011

Dear Dr. Hall,

We strongly urge the American Economic Association (AEA) to adopt a code of ethics that requires disclosure of potential conflicts of interest that can arise between economists' roles as economic experts and as paid consultants, principals or agents for private firms. As the economics profession serves a prominent role in economic policy, the public's confidence in the integrity of the profession will, in part, depend on how the issue of potential conflicts of interest is addressed. We believe that the AEA, as the main professional organization of the economics profession, should take the lead on creating and adopting a code of ethics to address this issue.

More specifically we propose that the AEA adopt a code modeled on that of the American Sociological Association. This code could state that: "Economists should maintain the highest degree of integrity in their professional work and avoid conflicts of interest and the appearance of conflict. Moreover, economists should disclose relevant sources of financial support and relevant personal or professional relationships that may have the appearance or potential for a conflict of interest in public speeches and writing, as well as in academic publications."

This issue has taken on greater salience as the recent financial crisis has highlighted economists' potentially conflicting roles that may have affected their real or perceived impartiality as analysts and experts. For example, in an assessment of 19 economists who have played prominent and influential roles in recent public policy debates, Gerald Epstein and Jessica Carrick-Hagenbarth found that 13 out of 19 economists had private financial affiliations indicative of some possible conflicts of interest, but only 5 had clearly and publicly revealed their affiliations.² A Reuters study of Congressional testimony by academics (many but not all of whom are economists) analyzed "... 96 testimonies given by 82 academics to the Senate Banking Committee and the House Financial Services Committee between late 2008 and early 2010 -- as lawmakers debated the biggest overhaul of financial regulation since the 1930s." They found that "...roughly a third (of the academics) did not reveal their financial affiliations in their testimonies, based on a

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¹ The ASA code requires that "Sociologists maintain the highest degree of integrity in their professional work and avoid conflicts of interest and the appearance of conflict." With respect to transparency, the sociologists' code requires that: "Sociologists disclose relevant sources of financial support and relevant personal or professional relationships that may have the appearance or potential for a conflict of interest to an employer or client, to the sponsors of their professional work, or in public speeches and writing." www.asanet.org/images/asa/docs/pdf/CodeofEthics.pdf

² See <u>Financial Economists</u>, <u>Financial Interests and Dark Corners of the Meltdown: It's Time to Set Ethical Standards for the Economics Profession</u>

comparison of the text of their testimonies available on the Congressional committees' websites with their resumes available online."³

Economics is unusual among the social science professions in that it lacks professional ethical codes or guidelines. In addition to the American Sociological Association, the American Anthropology Association has a code of ethics. Similarly, the American Psychology Association and the American Statistical Association both have guidelines for ethics. These codes and guidelines vary in several ways: some demand that professional members simply reveal potential conflicts; others demand that they do whatever they can to avoid or end such conflicts.⁵

We anticipate that objections may be raised to this proposal for a code of ethics. First, some may argue that this code would be redundant since many academic economists are already working under a conflict of interest policy as put forth by their respective universities. But these codes primarily proscribe conduct that would conflict with the interests of their universities and do not address potential conflicts with respect to the broader public or government. Moreover, many economists are not academic economists and they too should be held to uniform standards of professional conduct.

Second, some economists may believe that listing their paid positions on their CVs and/or biographies constitutes a sufficient act of disclosure. However, we do not think this is sufficient disclosure. It is not reasonable to expect the public to look up each expert's CV and biography when trying to assess their statements. Our proposed code would require economists to disclose all relevant potential conflicts of interest in all relevant situations, particularly in academic articles, general media pieces, speeches and testimonies.

In conclusion, we strongly urge that the AEA create and then promote adherence to a professional code of ethics that at a minimum requires transparency with respect to potential conflicts of interest. We believe this would be an important and necessary step toward enhancing the credibility and integrity of the profession.

We urge the AEA to take up this matter at its first opportunity.

Sincerely,

Gerald Epstein, Professor of Economics and Chair, Department of Economics, University of Massachusetts, Amherst

Jessica Carrick-Hagenbarth, Department of Economics, University of Massachusetts, Amherst

³ See Emily Fliter, Kristina Cooke and Pedro Da Costa, "Special Report: For Some Disclosure is Academic" http://www.portfolio.com/business-news/reuters/2010/12/20/special-report-for-some-professors-disclosure-isacademic#ixzz18sqrBmnL

⁴See George DeMartino, The Economist's Oath: On the need for and Content of Professional Economic Ethics.

⁵ The American Psychologists Association declares in their ethics guideline that psychologists should avoid a professional role that could impair their objectivity to carrying out their duties as psychologists. The American Statistical Association demands that statisticians should not only disclose all conflicts of interest but they should also resolve them.

Organizational affiliations are for identification purposes only, and do not indicate endorsement by the institutions below.

George Akerlof, University of California, Berkeley

Tanweer Akram, ING Investment Management

Randy Albelda, University of Massachusetts, Boston

Piruz Alemi, John Jay College of Criminal Justice, City University of New York

Sylvia A. Allegretto, University of California, Berkeley

Jack Amariglio, Merrimack College

Alice Amsden, Massachusetts Institute of Technology

Eileen Appelbaum, Center for Economic and Policy Research

Enid Arvidson, University of Texas, Arlington

Michael Ash, University of Massachusetts, Amherst

Glen Atkinson, University of Nevada, Reno

Lee Badgett, University of Massachusetts, Amherst

El-hadj Bah, University of Auckland

Dean Baker, Center for Economic and Policy Research

Erdogan Bakir, Bucknell University

Radhika Balakrishnan, Rutgers

Fabian Balardini, Borough of Manhattan Community College, City University of New York

Nina Banks, Bucknell University

David Barkin, Universidad Autonoma Metropolitana, Xochimilco

John Barnshaw, University of South Florida

Paul Bartlett, Saint Peter's College

Deepankar Basu, University of Massachusetts, Amherst

Dale Belman, Michigan State University

Suzanne Bergeron, University of Michigan, Dearborn

Gunseli Berik, University of Utah

Cihan Bilginsoy, University of Utah

Cyrus Bina, University of Minnesota, Morris

Ron Blackwell, AFL-CIO

Marion Blute, University of Toronto

Raford Boddy, San Diego State University

Les Boden, Boston University

Peter Bohmer, The Evergreen State College

Howard Botwinick, State University of New York, Cortland

Roger Even Bove, West Chester University

James K. Boyce, University of Massachusetts, Amherst

Elissa Braunstein, Colorado State University

Clair Brown, University of California, Berkeley

Christopher Brown, Arkansas State University

Michael Brün, Illinois State University

Robert Buchele, Smith College

Leonardo Burlamagui, The Ford Foundation

Antonio Callari, Franklin and Marshall College

Al Campbell, University of Utah

Jim Campen, University of Massachusetts

Gerard Caprio, Williams College

Molly Scott Cato, Cardiff School of Management

Katherine Chalmers, California State University, Sacramento

Howard Chernick, Hunter College, City University of New York

Robert Chernomas, University of Manitoba

Lynne Chester, University of Sydney

Kimberly Christensen, Sarah Lawrence College

Jens Christiansen, Mount Holyoke College

HeeKyoung Chun, Center for Disease Control and Prevention

Anne P. Cobb, Empire State College

Steve Cohn, Knox College

J. Kevin Crocker, University of Massachusetts, Amherst

James Crotty, University of Massachusetts, Amherst

Natalia Czap, University of Michigan, Dearborn

Omar Dahi, Hampshire College

Anita Dancs, Western New England College

Jane D'Arista, Political Economy Research Institute, University of Massachusetts, Amherst

Paul Davidson, Journal of Post Keynesian Economics

Andy Denis, City University London

James Devine, Loyola Marymount University

Geert Dhondt, John Jay College of Criminal Justice, The City University of New York

Paul L. Dion, Rhode Island Department of Revenue

Randall Dodd, Financial Policy Forum

Peter Dorman, The Evergreen State College

Doug Dowd, University of Modena

Arindrajit Dube, University of Massachusetts, Amherst

Amitava Dutt, University of Notre Dame

Richard Edwards, University of Nebraska

Catherine S. Elliott, New College of Florida

Wolfram Elsner, University of Bremen

Chris Erickson, University of California, Los Angeles

Bilge Erten, Drew University

Sasan Fayazmanesh, California State University, Fresno

Susan Feiner, University of Southern Maine

Marianne Ferber, University of Illinois, Champaign-Urbana

Rudy Fichtenbaum, Wright State University

Daniel K. Finn, St. John's University

Ellen Fitzpatrick, State University of New York, Plattsburgh

Ian Fletcher, U.S. Business & Industry Council

Nancy Folbre, University of Massachusetts, Amherst

Duncan K. Foley, The New School

Josh Frank, Center for Responsible Lending

Alan Freeman, Greater London Authority.

Richard B. Freeman, Harvard University

Gerald Friedman, University of Massachusetts, Amherst

Anthony Gabb, St. John's University

Kevin Gallagher, Boston University

John Luke Gallup, Portland State University

Lorenzo Garbo, University of Redlands

Robert Garnett, Texas Christian University

Arlene Geiger, John Jay College of Criminal Justice, The City University of New York

David George, La Salle University

Mwangi wa Githinji, University of Massachusetts, Amherst

David Gold, The New School

Deborah Goldsmith, City College of San Francisco

Don Goldstein, Allegheny College

Jonathan Goldstein, Bowdoin College

Eban Goodstein, Bard College

John Gowdy, Rensselaer Polytechnic Institute

Ilene Grabel, University of Denver

Ulla Grapard, Colgate University

Michael Greenberger, University of Maryland

Daphne Greenwood, University of Colorado, Colorado Springs

Jo Marie Griesgraber, New Rules for Global Finance

Adam Grossberg, Trinity College

Christopher Gunn, Hobart and William Smith Colleges

Robert Guttmann, Hofstra University

Alan Haight, State University of New York, Cortland

John Battaile Hall, Portland State University

Heidi Hartmann, Institute for Women's Policy Research

John T. Harvey, Texas Christian University

F. Gregory Hayden, University of Nebraska, Lincoln

Carol Heim, University of Massachusetts, Amherst

James Heintz, University of Massachusetts, Amherst

Hazel Henderson, Ethical Markets Media

John F. Henry, University of Missouri, Kansas City

Thea Hensel, VF Corporation

Barry Herman, The New School

Gillian Hewitson, University of Sydney

Marianne Hill, Center for Policy Research and Planning, MS

Geoffrey M. Hodgson, University of Hertfordshire

David Howell, The New School

Candace Howes, Connecticut College

Amy Ickowitz, Clark University

Sanford M. Jacoby, University of California, Los Angeles

Arjun Jayadev, University of Massachusetts, Boston

Frederic B. Jennings Jr., Center for Ecological Economic and Ethical Education

Tae-Hee Jo, Buffalo State College

Robert Johnson, Institute for New Economic Thinking; Roosevelt Institute

Alison Snow Jones, Drexel University

Kenneth D. Jones, Federal Deposit Insurance Corporation

Rajani Kanth, Harvard University

Thomas Kavet, Vermont Legislature

Emily Kawano, Center for Popular Economics

Farida C. Khan, University of Wisconsin, Parkside

Marlene Kim, University of Massachusetts, Boston

Mary King, Portland State University

Steven Klees, University of Maryland, College Park

Mark Klinedinst, University of Southern Mississippi

Tim Koechlin, Vassar College

Andrew I. Kohen, James Madison University

Harry Konstantinidis, University of Massachusetts, Amherst

Sherrie A. Kossoudji, The University of Michigan, Ann Arbor

David Kotz, University of Massachusetts, Amherst

Peter Karl Kresl, Bucknell University

Jill Kriesky, West Virginia Center for Budget and Policy

James Kwak, The Baseline Scenario

David Laibman, Brooklyn College and Graduate School, City University of New York

Thomas Lambert, Indiana University Southeast

June Lapidus, Roosevelt University

Mehrene Larudee, Earlham University

William Lazonick, University of Massachusetts, Lowell

Frederic Lee, University of Missouri, Kansas City

Charles Levenstein, University of Massachusetts, Lowell

Margaret Levenstein, University of Michigan, Ann Arbor

Frank Levy, Massachusetts Institute of Technology

Carlos F. Liard-Muriente, Central Connecticut State University

Peter M. Lichtenstein, Boise State University

Panagis Liossatos, Florida International University

Catherine Lynde, University of Massachusetts, Boston

Sean MacDonald, New York City College of Technology, City University of New York

Arthur MacEwan, University of Massachusetts, Boston

Jeff Madrick, The New School

Jean Maier, Windsor, California

Mark Maier, Glendale Community College

Thomas Masterson, Bard College

Julie Matthaei, Wellesley College

Peter Hans Matthews, Middlebury College

Deirdre N. McCloskey, University of Illinois, Chicago

Elaine McCrate, University of Vermont

Terrence McDonough, National University of Ireland, Galway

Kate McGovern, Springfield College

Ric McIntyre, University of Rhode Island

Jim McNulty, Florida Atlantic University

Michael Meeropol, John Jay College of Criminal Justice, City University of New York

Emel Memis, Ankara University

John Messier, University of Maine, Farmington

Peter Meyer, University of Louisville

Marcelo Milan, University of Wisconsin, Parkside

William Milberg, The New School

John Miller, Wheaton College

Fred Moseley, Mount Holyoke College

Adil Mouhammed, University of Illinois, Springfield

Catherine P. Mulder, John Jay College of Criminal Justice, City University of New York

Jason Burke Murphy, Elms College

C.W.M. (Ro) Naastepad, Delft University of Technology

Kamran Nayeri, University of California, Berkeley

Edward Nell, The New School

Julie A. Nelson, University of Massachusetts, Boston

Laurie Nisonoff, Hampshire College

Jose Antonio Ocampo, Columbia University

Jennifer Olmsted, Drew University

Erik Olsen, University of Missouri, Kansas City

Oladele Omosegbon, Indiana Wesleyan University

Ozgur Orhangazi, Roosevelt University

Wafa Hakim Orman, University of Alabama, Huntsville

Aaron Pacitti, Siena College

Spencer Pack, Connecticut College

Jairo Parada, Universidad del Norte, Colombia

Pranee Parkeenvincha, University of Missouri, Kansas City

Richard Parker, Harvard University

James Parrott, Fiscal Policy Institute

Sanjay Paul, Elizabethtown College

Michael Perelman, California State University, Chico

V. Spike Peterson, University of Arizona

Lynda Pickbourn, University of Massachusetts, Amherst

Bruce Pietrykowski, University of Michigan, Dearborn

Eugenia Pires, University of London

Robert Pollin, Political Economy Research Institute, University of Massachusetts, Amherst

Steven Pressman, Monmouth University

Frederic L. Pryor, Swarthmore College

Paddy Quick, St. Francis College

Susan Randolph, University of Connecticut

Mohan Rao, University of Massachusetts, Amherst

Angelo Reati, Commission of the European Union

Sanjay G. Reddy, The New School

Miriam Rehm, The New School

Michael Reich, University of California, Berkeley

Stephen Resnick, University of Massachusetts, Amherst

Bruce Roberts, University of Southern Maine

John Roche, St John Fisher College

Louis-Philippe Rochon, Laurentian University

Charles P. Rock, Rollins College

Joel Rogers, University of Wisconsin, Madison

Christina Romer, University of California, Berkeley

David Romer, University of California, Berkeley

Frank Roosevelt, Sarah Lawrence College

Samuel Rosenberg, Roosevelt University

Basel Saleh, Radford University

Daniel Saros, Valparaiso University

Lisa Saunders, University of Massachusetts, Amherst

James Sawyer, Seattle University

Harwood D. Schaffer, University of Tennessee

John Schmitt, Center for Economic and Policy Research

Markus Schneider, University of Denver

Juliet Schor, Boston College

Mechthild Schrooten, University of Bremen

Eric A. Schutz, Rollins College

Elliott Sclar, Columbia University

Ian J. Seda-Irizarry, University of Massachusetts, Amherst

Stephanie Seguino, University of Vermont

Janet Seiz, Grinnell College

Mark Setterfield, Trinity College

Jean Shackelford, Bucknell University

Laurence Shute, California State Polytechnic University

Peter Skott, University of Massachusetts, Amherst

Peter Spiegler, University of Massachusetts, Boston

Janet Spitz, The College of Saint Rose.

James Ronald Stanfield, Colorado State University

Martha Starr, American University

James B. Stewart, Penn State University

Daniel Stone, Oregon State University

Servaas Storm, Delft University of Technology

Myra H. Strober, Stanford University

B. Katherine Swartz, Harvard University

Daniele Tavani, Colorado State University

Kenna C. Taylor, Rollins College

Irina A. Telyukova, University of California, San Diego

Chris Tilly, University of California, Los Angeles

Sarah Tinkler, Portland State University

Renee Toback, Yonkers, New York

Zdravka Todorova, Wright State University

Mariano Torras, Adelphi University

Brandon Tracy, World Bank

Eric Tymoigne, Lewis & Clark College

Fatma Gul Unal, United Nations Development Programme

Marjolein van der Veen, Shoreline Community College

William Van Lear, Belmont Abbey College

Irene van Staveren, Erasmus University

Ramaa Vasudevan, Colorado State University, Fort Colllins

Roberto Veneziani, Queen Mary University

Eric Verhoogen, Columbia University

Matías Vernengo, University of Utah

Emily Vidrine, University of Massachusetts, Lowell

Tonia L. Warnecke, Rollins College

John Weeks, University of London

Scott A. Weir, Wake Technical Community College

Tom Weisskopf, University of Michigan

Christian Weller, University of Massachusetts, Boston

Jeannette Wicks-Lim, University of Massachusetts, Amherst

Charles Wilber, University of Notre Dame

Jon Wisman, American University

Martin Wolfson, University of Notre Dame

Paul J. Wolfson, Dartmouth College

L. Randall Wray, University of Missouri, Kansas City

Yavuz Yaşar, University of Denver

David A. Zalewski, Providence College

Stephen Ziliak, Roosevelt University

Ben Zipperer, University of Massachusetts, Amherst

Michael Zweig, State University of New York, Stony Brook