

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.¹ 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

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 [Financial Economists, Financial Interests and Dark Corners of the Meltdown: It's Time to Set Ethical Standards for the Economics Profession](#)

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.⁴ 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,

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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-is-academic#ixzz18sqrBmnl>.

⁴ See 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.

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