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Dangerous interconnectedness: economists' conflicts of interest, ideology and financial crisis

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This study investigates potential conflicts of interest among academic economists and some measures to address them. We investigated the financial affiliations of 19 prominent academic financial economists who were associated with two economist groups proposing financial reform measures in the wake of the 2008 financial crisis. We assessed whether they had private financial affiliations, and identified the degree to which these economists disclosed these affiliations in their academic and media publications from 2005 to 2009 and again from January 2011 through April 2011. We found that private affiliations were common but that these academic economists disclosed these affiliations infrequently and inconsistently. We advocate the adoption of a code of ethics by the economics profession, similar to those commonly implemented by other disciplines, prescribing more transparent conduct for economists facing such potential conflicts of interest.

Key words: Professional ethics, Academic economists, Codes of ethics, Conflicts of interest, Disclosure
JEL classifications: G01, A11, A13

1. Introduction[1]

In the wake of the financial crises of 2008, Charles Ferguson's movie, *Inside Job*, helped to bring to the fore a troubling possibility: that prominent academic financial economists, such as those portrayed in the movie, had lucrative connections with private financial firms that they did not disclose to the public even when they were proffering public policy advice on financial matters that could affect the financial fortunes of those

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[1] This paper is based on our working paper (Epstein & Carrick-Hagenbarth, 2010) and Epstein and Carrick-Hagenbarth, 2011. We made modest changes to the sample and updated research, changing some statistics.

financial firms. These interconnections have raised questions about whether academic economists face potential conflicts of interest and whether they should reveal those conditions to the public or, in fact, try to avoid them altogether. Ferguson reminds us of Larry Summers' long-standing advocacy of financial deregulation, while pulling down more than $20 million from the financial-services sector between 2001 and 2008.[2] Glenn Hubbard, Chairman of George Bush's Council of Economic Advisers and an advocate of financial deregulation, was paid $100,000 by the defence to testify in the case of the two Bear Stearns executives charged with fraud by the US government. And, according to *Inside Job* and excellent research by Reuters' journalists, economists routinely get paid to provide testimony and write papers favourable to the financial industry (see also Flitter *et al.*, 2010).

While one cannot be sure these payments affect views on financial theory and regulation, they certainly create a conflict of interest. Perhaps these connections helped explain why few mainstream economists warned about the oncoming financial crisis. Perhaps they help explain why support among many of these economists for strict financial regulation has been relatively weak. And perhaps they help us understand some of the pressures that have led so many economists to propose austerity as a solution to the economic crisis they failed to warn about.

Yet, as we show here, these economists almost never reveal their financial associations when they make public pronouncements on issues such as financial regulation.

These incentives created by potential conflicts of interest are, we believe, cause for concern. Medicine has had a relatively long history of studying this question, particularly with relation to pharmaceutical company funding. A substantial set of studies done from the 1980s through the present time have found that the pharmaceutical affiliations of the researchers and study authors biased outcomes in favour of the sponsoring affiliation (Barnes and Bero, 1998; Bekelman *et al.*, 2003; Bero *et al.*, 2007; Davidson, 1986; Friedberg *et al.*, 1999; Friedman and Richter, 2004; Heres *et al.*, 2006; Jagsi *et al.*, 2009; Sismondo, 2008; Stelfox *et al.*, 1998). Although our sample is too small to prove such a connection in the case of economists, such findings as those in the field of medicine should be strong enough to give economists pause.

Certainly, ideology also plays a strong role along with self-interest. The economists in our study were *mostly* of the same mind prior to the last crisis, in which they failed to forewarn of financial fragility. Now, once again, there seems to be a consensus forming among many economists: the solution to the crisis that they did not predict is to promote austerity, which is not only likely to be inequitable, but also ineffective in confronting the underlying problems that have caused the crisis in the first place. A lack of strong financial regulation and austerity are not likely to be a winning formula for solving the economy's profound problems. We argue that ideology plus conflicts of interest among academic financial economists play a joint, powerful, yet hard-to-disentangle role in this widespread lunge toward crisis and austerity.

In this paper, we focus on the issue of conflicts of interest with respect to a sample of prominent financial economists. In particular, the core of this study assesses the links among academic economists, private financial firms such as banks and hedge funds, and public financial institutions like central banks and the International Monetary Fund for a sample of 19 prestigious academic economists. We chose the economists in our study based on their leading position in academia and their association with groups that advocate a set of policy proposals for the regulation of financial markets. The choice of these

[2] As Larry Summers reminded the authors of this paper in personal communication, he did disclose these connections, presumably as required due to his position in the US government, unlike most of the economists studied here.

economists made it likely they had both a media presence and a stated opinion on financial regulation. Many of these economists did write on financial regulation in the media and op-eds, and some did so through their own news columns.

We looked at economists who were members of two groups that had taken positions on financial regulation: the Squam Lake Working Group on Financial Regulation and the Financial Reform Task Force associated with the Pew Charitable Trusts Financial Reform Project. The Squam Lake group has put out a series of papers advocating a set of financial reform policies, while the Financial Reform Task Force has put forth a proposal for financial reform that a subset of its members have signed up to. Individuals from the latter group also write their own proposals for financial reform.[3]

Our study reviews media op-eds, interviews, testimonies and the academic publications of these economists between 2005 and 2009 in order to study an important potential conflict of interest when academic economists take dual roles—as experts in the media concerning topics such as financial regulation while also having affiliations with private financial institutions.[4]

We look at the conflicts of interest of *academic financial economists*. In this study, we identify the frequency of these potential conflicts of interest and whether these economists reveal them. We look at academic economists primarily because of the self-asserted role that economists have played in the post-World War II period. The profession has tried to hold itself up as objective analysts of the economy and, in the realm of policy, as objective purveyors of policy advice. At least until recently, academic economists have been relatively successful in creating this public perception and, as a result, the lack of disclosure of potential financial conflicts of interest among those offering policy advice is troubling. As we argue below, academic economists who offer economic medicine should reveal potential conflicts of interest just as readily as should medical doctors prescribing pharmaceuticals.

In fact, as we show, it is quite rare for the academic financial economists in our study to identify their private affiliations even when writing about financial regulatory issues that might affect the private firms for which they work.[5] We found that 15 of the 19 economists in our study, or almost 80%, worked in some capacity with private financial institutions. Over the period of 2005 through 2009 we found that of these 15 economists with private financial affiliations, 13 did not disclose these ties in any of the academic publications we reviewed. Of these 15 economists, 11 had general media articles, interviews or testimonies; and of these 11, 8 failed to disclose any private financial affiliations in these sources we reviewed.

Interestingly, more recently, the attention to ethics and conflicts of interest over the past year has led some economists to post disclosure statements on their web sites that indicate their private affiliations. To study this recent evolution in disclosure norms, we investigate how widespread this practice has become among the economists in our study. Although there are many positive signs that ethics and disclosure are gaining ground, there is much

[3] For these individual project reports, the Pew Financial Reform Project states, 'This note does not necessarily represent the views of the Pew Financial Reform Project.' The Financial Reform group proposal states, "The Task Force recommendations reflect the views of the signatories. The Pew Charitable Trusts takes no position on any of these recommendations."

[4] Throughout the paper the term 'conflicts of interest' is used to refer to this particular type of conflict.

[5] Business news centred on investment advice is an exception to the above norm, such as that reported on Bloomberg.com. Here, economists are often first cited by their financial affiliations and second for their academic achievements. Occasionally economists working for a financial firm will write investment advice or opinions for these firms' media outlets or web sites. In these cases they are usually cited as working for the firm first and as an academic second. Most of the economists in our study did not write investment advice, except as a duty for firms they worked for.

left to do before there is either a consistent formula for disclosure or before disclosure becomes the norm.

This leads us to conclude that there is a need for additional discussion of ethics and conflicts of interest. One mechanism for promoting such discussion and more disclosure itself is through a professional code of ethics. In the USA, arguably the best institution to establish such a code is the American Economic Association (AEA), which is the main economists' professional organisation in that country.

Before proceeding further it must be emphasised that this study is not based on a random sample of financial economists; it deals with a small subsection of financial academic economists. But we are not making claims about the broader universe of economists. We only argue that this is potentially a significant problem because, at the least, it afflicts those among the most prominent and influential economists in this important area. Indeed, the economists in our study are some of the leading figures in the academic world. These financial economists also make public pronouncements on financial issues of public policy. It should be obvious that it is the most prestigious economists who set standards for their field, including such norms as holding both academic and private financial roles, as well as failing to disclose those roles. And, in fact, there is some evidence that a larger study may reveal a similar pattern. In particular, a study by Reuters 'of 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—found no clear standard for disclosure' (Flitter *et al.*, 2010). They discovered that almost one-third of the time academics failed to disclose their private financial affiliations. So the pattern that we discovered is not confined to our group of 19 prestigious academic financial economists.

The remainder of our paper is organised as follows. In Section 2 we review the private sector affiliations of these academic financial economists and estimate how often they disclose these affiliations in their media and academic publications. Next, in Section 3 we analyse these economists' proposals for financial reform and compare them within the group and also with a group of progressive economists. We find that the our sample of financial economists tend to agree broadly on issues of financial reform and their views differ dramatically from those of more progressive economists with the latter proposing much stricter financial regulation. In Section 4 we see how these economists' disclosure practices have changed since this issue has garnered attention in the media. In Section 5 we argue that despite improvement in terms of disclosure, there is still need for further action, for example, the adoption of a code of ethics by economists' professional associations that addresses these conflicts of interest. Section 6 concludes.

2. Economists and private sector affiliations

2.1 Academic economists' affiliations with private financial institutions

It is not surprising that academic economists from the most prestigious economics departments in the USA would have private financial affiliations. Private financial institutions seek out these economists. Their knowledge and 'stature' can contribute greatly to these institutions' boards and management, and as consultants. And, on their side, the economists can gain prestige, income and useful knowledge from such activities.

We studied two groups of economists that put out proposals on financial reform and that consist of such economists: the Squam Lake Working Group on Financial Regulation[6] and the Financial Reform Task Force.[7,8] We investigated what, if any, affiliations these academic economists had with private financial institutions. More specifically, we created five categories of financial affiliations: financial services firms, stock exchanges, financial consultancy firms, credit-rating agencies, and research arms of financial and advocacy firms. Under the category of financial services firms we include the subcategories of private banks, bank holding companies, hedge funds and mutual funds.

To identify these economists' private affiliations, we looked through their curricula vitae (CVs) and searched through media archives, all on the Internet. This search seemed fairly effective at locating owners, founders or cofounders and members of boards of private financial institutions, but rather poor at identifying consultancies. If a consultancy is listed in the CV or if the company lists the academic as a consultant then these consultancies can be discovered. If neither the economist nor the company mentions these affiliations, then we may not have been able to find it.

Accordingly, we believe that our study most likely under-represents the linkages between these academics and the private financial sphere.

Nonetheless, we found extensive affiliations between financial academic economists and the private sector. Much more than half of the economists we looked at worked with private financial institutions and in many cases they occupied quite prominent positions. The depth of these connections varies, of course. In many cases we found the economists worked with more than one financial firm; in fact, eight economists worked for two or more financial firms. These data suggest that there may, in fact, be a norm in which academic financial economists acquire private financial affiliations.

2.1.1 Results.[9] Of the 19 economists that we included in our study, we found 15, or almost 80%, worked in some capacity with private financial institutions. In our sample, three of the financial academic economists are cofounders of private financial services firms where they work in key positions: as vice chairman, managing partner and chief economist (see Table 1). In the case of Economist 7 the firm is owned by all the managing partners, making the economist an owner of the firm. In the other two cases, we were unable to determine ownership. A fourth economist, Economist 19, works for three banks, in one instance as president of the research arm on the bank and in the other two as director. Nine of the financial academic economists serve on the boards of private financial firms and six economists were identified as consultants for private financial firms. Since it is difficult to

[6] Two of the members of the Squam Lake Working Group on Financial Regulation have since left the group in order to take government advisory positions. One additional member has joined. All three of these members are included in the study as these changes took place while the empirical research for our study was in progress.

[7] The Financial Reform Task Force has received support from the Pew Financial Reform Project but the Task Force states, 'The Task Force recommendations reflect the views of the signatories. The Pew Charitable Trusts takes no position on any of these recommendations' (Financial Reform Task Force, 2009, p. 1).

[8] For the Squam Lake Working Group on financial Regulation see http://www.cfr.org/project/1404/squam_lake_working_group_on_financial_regulation.html and for the Financial Reform Task Force see http://www.pewtrusts.org/our_work_detail.aspx?id=327442.

[9] The identities of these economists and our detailed evidence concerning their writings and presentations are available upon written request to the authors. We do not list them here because we believe this issue concerns a structural problem in the profession and political economy, and is not, *per se*, a problem of individuals.

Table 1. *Private financial affiliations*

Economists	Private financial affiliation	Position
Economist 1	Financial services firm; Financial services firm; Financial consultancy firm; Financial consultancy firm	Vice Chairman and a Founder; Member, Board of Directors; Chairman, Board of Advisors; Senior Advisor
Economist 2	Financial services firm; Financial services firm; Various large banks	Chairman of Board; Member, Advisory Board; Consultant
Economist 3	Financial services firm; Financial services firm	Trustee to the Board; Independent Director
Economist 4	Financial services firm	Member, Board of Trustees
Economist 5[a]	Financial services firm	Consultant
Economist 6	Stock exchange	Board of Directors
Economist 7	Financial services firm; Financial services firm	Founder, Managing Partner; Academic Advisory Board
Economist 8	None	None
Economist 9	None	None
Economist 10	Credit ratings agency; Financial services firm; Various banks and financial services firms	Board of Directors; Trustee, Director; Consultant
Economist 11	Financial services firm	Board of Directors
Economist 12	Financial services firm	Consultant
Economist 13	Various banks and financial services firms	Consultant
Economist 14	Various banks[b] and financial services firms[b]	Advisor[b]
Economist 15[c]	Financial consultancy firm	Consultant
Economist 16	Financial services firm; Research arm of financial services firm	Chief Economist and Cofounder; Member Advisory Council
Economist 17	None	None
Economist 18	Research arm of financial consultancy and advocacy firm	Academic Advisor
Economist 19	Bank; Bank; Research arm of Bank	Director; Director; President

Sources and Methods: See Appendix A.

Notes: The 'Private financial affiliation' column refers to the number and type of private financial affiliations the economist has. The 'Position' column gives the position the economist has in each of the private financial affiliations. For example Economist 1 holds positions in two different financial services firms and two different financial consultancy firms. In the first financial services firm he is a vice chairman and a founder and in the second financial services firm he is on the board of directors. He serves as chairman of the board of advisors for the first financial consultancy firm and as a senior advisor for the second financial consultancy firm.

[a]Economist 5 is a different economist in this paper compared with Epstein and Carrick-Hagenbarth, 2010.

[b]Economist lists consultancies but years are unknown. This economist is not included as having consultancies in analysis but is presented here for readers' interest.

[c]Since this economist works for only a financial consultancy firm, his case is not as clear cut an example. We include him because this is a private consulting firm that deals with financial consultancy among other types of consultancy to corporations, law firms and governments.

identify consultancies, unless either the company or the economist mentions one, it is likely, based on other evidence, that even more economists worked as consultants.

The fact that well over half the economists we evaluated have positions with private financial firms shows how commonplace the practice is and suggests how widespread potential conflicts of interest may be. This is especially troubling given the extent to which these economists are influential with respect to public policy. The public looked to these economists for guidance in the build up to the crisis. And after the crisis hit, the public has looked to them for guidance on the key questions of financial reform. These economists, for the most part, failed to warn the public about the looming crisis, and have all taken either an individual and/or a group stance on financial regulation: they have done this while having extensive relationships with private financial institutions that potentially will be significantly affected by financial regulation.

This leads to an important question: How often and in what contexts do these academic financial economists reveal their connections to these private firms?

2.2 How did economists identify themselves in their writings?

To answer this question we reviewed both general media and academic publications to determine how the economists identified themselves in both domains. We emphasise the media because it is here that policy pieces directed at influencing public opinion appear and, thus, where the clearest potential conflict of interest occurs. We focused on economists' affiliations with private financial institutions and reviewed if the economists identify these affiliations either in their general media articles, interviews and testimony or in their academic papers. Of course, for those economists who do not work in the private sector, this argument does not apply. Since these economists generally write about finance and the economy in both their academic publications and their media articles, interviews and testimony, we did not make case-by-case judgements on whether the piece in question constituted a conflict of interest. In other words, we have identified a potential conflict of interest across the board without trying to pinpoint the severity of the problem in each case. The overwhelming evidence is that the economists rarely, if ever, disclosed these financial affiliations in their academic or media papers during 2005–09.

We calculated the portion of their writings in which these economists disclosed private financial affiliations. In the case of the media, we looked primarily at their articles, such as op-eds, as well as reviewing relevant interviews and testimonies. We also evaluated a subset of their academic papers. We assessed media op-eds, interviews, testimonies and academic publications from January 2005 through October 2009 for each economist. We identified the quantity of media articles and academic publications for each person and the number of times in which s/he acknowledged a relationship with the financial sector. Lastly, we created an aggregate statistic representing the times in which the economist identified her/himself in both media and academic publications.

The results are presented below in Table 2. The second column presents the proportion of times these economists identified their private financial affiliations in their academic papers. Since almost all the economists are financial economists their views on financial regulation will have some degree of relevance to their academic work. As column two shows, we found that these economists rarely identified themselves as working in the private sphere. In fact, 13 of 15 economists never identified their private financial affiliations in their academic publications. Only Economists 7 and 16 identified their private financial affiliations in academic publications. Of all the economists in our study,

Table 2. *Identification in academia and in the general media*

Economists	Frequency with which economists identified affiliations with private financial institutions in academic papers	Frequency with which economists identified affiliations with private financial institutions in the media	Frequency with which economists identified affiliations with private financial institutions in both media and academia
Economist 1	0/10 = 0%	4/23=17%	4/33 = 12%
Economist 2	0/10 = 0%	0/17 = 0%	0/28 = 0%
Economist 3	0/6 = 0%	0/5 = 0%	0/11 = 0%
Economist 4	0/6 = 0%	0/21 = 0%	0/27 = 0%
Economist 5[a]	0/11 = 0%	0	0/11 = 0%
Economist 6[a]	0/11 = 0%	0	0/11 = 0%
Economist 7	1/17 = 6%	0	1/17 = 6%
Economist 8	0/6 = NA	0/10 = NA	NA
Economist 9	0/7 = NA	0/7 = NA	NA
Economist 10	0/20 = 0%	1/7 = 14%	1/27 = 4%
Economist 11[b]	0/10 = 0%	0	0/10 = 0%
Economist 12[a]	0/1 = 0%	0/2 = 0%	0/3 = 0%
Economist 13	0/8 = 0%	0/17 = 0%	0/26=0%
Economist 14	0/4 = NA	0/4 = NA	NA
Economist 15[a]	0/3 = 0%	0/8 = 0%	0/11 = 0%
Economist 16	2/7 = 29%	16/33 = 48%	18/40 = 45%
Economist 17	0/12 = NA	0/6 = NA	NA
Economist 18[a]	0/4 = 0%	0/6 = 0%	0/12 = 0%
Economist 19	0/19 = 0%	0/1 = 0%	0/20=0%

Sources and Methods: See Appendix A.

Notes: NA denotes not applicable in cases where the economist has no private financial affiliations. Entries marked zero signify the economist had no media appearances. The right-hand column (column four) is a combined statistic of columns two and three.

[a]The asterisk signifies that we could not identify these economists with private financial affiliations over the entire period of 2005–09. In these cases we used a subset of papers and media articles, interviews and testimonies from the years that we could identify affiliations with private financial institutions. This is approximate to the year. Economist 5 is a different economist in this paper compared Epstein and Carrick-Hagenbarth, 2010.

[b]Previous versions of the paper included blog posts Economist 11 wrote for the financial firm he works for under the 3rd column 'Frequency with which economists identified affiliations with private financial institutions in the media'. Since these blog posts are not published by newspapers or other media outlets—instead they are posted on the firm's web site—and since we did not include such writings by other economists for the financial firms they work for, we also exclude these blog posts here. Thus, Economist 11 has zero media writings, interviews or testimonies.

The 2nd column is the number of times the economists identified themselves as working in the private sector divided by the total number of academic papers reviewed for each economist. Thus for Economist 1, 0/10 signifies the economist identified himself as working with a private financial firm in zero of 10 academic papers, i.e. in all papers he identified solely his academic or public position. The 3rd column is the number of times the economists identified themselves as working in the private sector divided by total number of media articles, interviews and testimonies reviewed for each economist. Thus for Economist 1, 4/23 signifies in four of 23 media appearances the economist identified himself with at least one of his private financial affiliations and in the other 19 he only identified his academic or a public postion.

Economist 16 most regularly identifies his private financial affiliations. He is a cofounder of his own firm and frequently writes academic articles in support of a new financial product produced by his firm. In all other cases, the authors made no mention of their positions in private financial firms.

The third column shows the percentage of media articles, interviews and testimonies in which the economists cite themselves as having affiliations with private financial institutions.

Again, we find that economists most often identify themselves with their academic position and rarely with their roles in private financial institutions. This occurs even when they are proposing policies concerning the regulation of financial markets. The total number of media articles, interviews and testimonies we sampled for each person is the denominator in the third column. The denominator varies since these economists write articles and appear in the media to different degrees. We encountered both prolific authors as well as authors who write few media articles. We attempted to obtain a representative sample of media articles and appearances for each person over the period 2005–09, but it is unlikely that we were able to find all media articles, interviews and testimony.

In the case of media op-eds, interviews and testimonies, we found that most of the economists did not disclose private financial affiliations. Of the 11 economists with ties to the private financial world who also had general media articles, interviews or testimonies, 8 did not acknowledge these ties. Thus, a significant portion of the economists did not disclose any private affiliations or possible conflicts of interest when identifying themselves in the general media. The remaining three that did recognise a private affiliation did so to differing degrees. Economist 16 disclosed private financial affiliations almost half of the time. The other two were more reluctant, reporting affiliations to private financial firms only 14% and 17% of the time, respectively.

Although Economist 7 writes specific investment advice papers on behalf of the firm, s/he does not write general media articles. In fact, her/his only media articles are investment advice papers targeted toward the financial investors in the firm. As an author for the firm s/he is identified first and foremost with that firm, but these articles are not targeted to the general media and do not touch on policy issues. Consequently, we excluded these from the media articles reviewed. As a result, we count zero media articles for Economist 7. Economist 6 has not written any media articles or given interviews and testimony, to the best of our knowledge, over the time period reviewed, so again we report zero media articles. Similarly, Economists 5 and 11 also have zero media articles.[10]

The fourth column is the aggregate measure of how often these economists identified their affiliations to private financial firms in media articles, interviews, testimonies and academic publications. The total number of sources reviewed is the denominator. The frequency the economists identify private financial affiliations in the media and academic publications varies from 0% to 45%. Here we see 11 out of 15 never revealed financial firms affiliation over the 2005–09 period in the papers and articles we covered. Revealing these connections, it seems, is hardly common practice among these economists, even when they discuss issues that bear on public policy that might affect these companies.

3. Financial economists' opinions on financial reform

It is natural to ask whether these economists' connections to private financial firms affected their views of financial reform. The short answer is that our sample is far too small to really address this question. More generally, it is undoubtedly the case that economists' views on such matters reflect a complex interaction of ideology, 'cognitive capture' by dominant ideas and, as we suggest here, financial interest. In any case, an evaluation of these economists' views on financial reform reveals some interesting patterns.

Two factors became apparent in our study of financial economists' views. First, the economists we surveyed had similar opinions on financial reform. Perhaps such similarity

[10] We exclude Economist 11's blog posts for the financial firm he works for in order to be consistent with our policy regarding the other economists. This leaves no other media.

of opinions can be partly traced to graduate school socialisation—some call this 'cognitive capture'—which influences how economists model and conceptualise problems. This status quo is further rewarded beyond graduate schools: economists who hold preferred views are more likely to win accolades and entry into prestigious positions and journals. This socialisation and reinforcement has almost certainly contributed to the creation of a professional norm that has rendered a cultural aversion to strict financial regulation within economics.

Second, the economists' proposals for financial reform had more limited calls for government intervention and regulation in financial markets compared with more progressive groups, such as the Economists' Committee for Stable, Accountable, Fair and Efficient Financial Reform (SAFER).[11] Many prominent economists, including those in our sample, championed financial product innovation combined with the deregulation over the past decades. Such deregulation and increasing risk in financial markets, in part via complex financial products, contributed significantly to the financial crisis. The main response to the crisis has been one of austerity rather than strong financial reform. This is reflected in our study, where many of the economists advocate more market-based reforms and only limited government regulation of financial markets. It is an understatement to conjecture that such reforms may not be sufficient to ward off future crises.

To study these economists' views on financial reform and to compare them with those of more 'heterodox' economists, we created a *Financial Reform Index* (FRI) (see Appendix B for more information). We created our FRI by looking at a range of proposals for the regulation of financial markets put forward by many economists and analysts during the financial reform debate, such as that put out by Paul Volcker and the Group of Thirty, as well as proposals by progressive groups, such as SAFER (Group of Thirty, 2009; SAFER, 2010). Of course, we also studied the proposals put forward by the economists in our study. Lastly, we looked at the proposals developed by the Obama Administration and promulgated by Treasury Secretary Timothy Geithner (US Department of the Treasury, 2009).

Utilising this range of views we created a scale of reform proposals (from 1% to 100%) that increased according to two criteria: (i) by the degree to which private prerogatives of financial firms are constrained by government regulation; and (ii) by the degree to which regulatory agencies are subject to democratic political norms. The index is cumulative, so that the more aspects of reform an economist publicly agreed with, the higher that economist's index number is.

To understand and classify the economists' views in our study we looked through the publications each group published as well as a subset of their individual publications, both academic and media, over the period 2005–09. We then took the economists' recommendations for financial regulation and compared them with the index we created, to see the strength of their recommendations. The economists evaluated are the same as those in the previous section.

In creating the index score for each economist we relied mainly on media articles, interviews, testimonies and academic papers. Academic papers for many financial economists can be technical, which can make media articles, interviews and testimonies a better source for policy proposals of financial regulation. We also looked at the stances advocated through the papers and proposals put forth by each group calling for financial

[11] Gerald Epstein is a coordinator of SAFER (http://www.peri.umass.edu/safer/). 'SAFER presents the views of economists and analysts on financial regulation and reform. Our goal is to broaden perspectives on financial regulation in order to inform the public debate and influence policy making' (SAFER, 2010).

reform that the economist belongs to. The Squam Lake Working Group on Financial Regulation has a series of proposals that have been proposed publicly with consensus. Not all the members of the Financial Reform Task Force have endorsed a single set of policies, although a subgroup has signed on to a group proposal.

Since 17 of the economists in our study belong to these two self-created groups they tend to have similar stances on regulation. This makes it difficult to distinguish differences of opinion and, by extension, differences in the strength of their calls for regulation. In order to circumvent this problem we looked at their individual calls for regulation to get a sense of their particular opinions on financial regulation. It is natural that the group ranking would be greater than the individual ranking, as each economist brings to the table what is most important to him or her and this is then moulded into a unified group proposal.

Following this approach, we created an individual score, a group score, and a joint individual and group score. More specifically, the joint individual and group score was compiled by taking the group score and adding to it any additional reforms the individual called for that were not already called for by the group. Their individual ranking, as well as the group ranking, are used only to compare the range of views the economists hold. Of course, the most complete representation of each economist's views comes from the combination of what s/he has called for individually and as part of a group.

In any event, we found little variability in these economists' recommendations for financial reform. Table 3 shows the individual economists' positions on our index ranging from 0% to 36%. The joint individual and group calls for financial regulation range from 8% to 36%. The Squam Lake Working Group's and the Financial Reform Task Force's proposals for financial reform measured 28% and 32%, respectively. To put this in context, when we evaluated the control group, SAFER, they measured 92% on the index (Crotty and Epstein, 2009). Thus, the Squam Lake Working Group on Financial Regulation and the Financial Reform Task Force, as well as the individual economists reviewed, called for a fairly limited set of financial reforms compared with the range of reforms suggested by heterodox economists.

To summarise, the common perspectives of these groups and their stark differences regarding heterodox views of financial regulation are likely the result of a combination of ideological factors and subtle incentives created by professional and material self-interest. As we mentioned above, there is strong evidence that in the case of pharmaceuticals, financial interests do affect research results. It seems prudent to consider this possibility in the case of academic economists.

4. Recent changes in disclosure norms

In 2011 economists began to pay more attention to the issue of ethics and disclosure in economics because of several events, some of which we discussed in the Introduction. First, the largest financial crisis since the Great Depression caused the public to question the economics profession for its failure to identify financial fragility. Second, the Academy Award-winning documentary *Inside Job* dramatically criticised the financial services industry and the connections between this industry and academic financial economists (Ferguson, 2011). This drew the intensive scrutiny of the media to the role economists played in the financial crisis. Third, in response to this chorus of criticism and concern, the AEA reluctantly decided to create a task force to study the issue of disclosure and ethics in economics. This decision was influenced not only by the public outrage and the media attention just mentioned, but also by the actions of a group of 300 economists that sent

Table 3. *Financial economists' strength of calls for financial reform*

Economists	Private financial institutions	Index of individual position	Index of group position	Index of individual and group position
Economist 1	Financial services firm (×2), financial consultancy firm (×2)	36%	NA[c]	36%
Economist 2	Financial services firm (×2), various large banks[a]	24%	32%	36%
Economist 3	Financial services firm (×2)	8%	32%	32%
Economist 4	Financial services firm	8%	NA[c]	8%
Economist 5	Financial services firm	12%	28%	28%
Economist 6	Stock exchange	0%	28%	28%
Economist 7	Financial services firm (×2)	0%	28%	28%
Economist 8	None	4%	28%	32%
Economist 9	None	0%	28%	28%
Economist 10	Credit ratings agency, financial services firm (×2), banks	8%	28%	28%
Economist 11	Financial services firm	12%	28%	32%
Economist 12	Financial services firm	8%	28%	28%
Economist 13	Various banks, financial services firms	16%	28%	32%
Economist 14[b]	Various banks[a], financial services firms[a]	16%	28%	28%
Economist 15	Financial consultancy firm	16%	28%	28%
Economist 16	Financial services firm, research arm of financial services firm	8%	28%	28%
Economist 17	None	28%	28%	32%
Economist 18	Research arm of financial consultancy and advocacy firm	0%	28%	28%
Economist 19	Banks (×2), research arm of bank, bank holding company	8%	28%	28%

Sources and Methods: See Appendices A and B.

Notes: (×2), (×3), (×4) etc. mean that the economist had two, three or four of the same affiliations. For example, Economist 1 is affiliated with two financial services firms and two financial consultancy firms. For more information concerning the index, please see Appendix B or Epstein and Carrick-Hagenbarth (2010).

[a]Dates are unknown.

[b]Economist 14's private financial affiliations are current as of his disclosure statement, but since we do not know exact dates he is classified as having no private financial affiliations. Again we do not include him in our calculations.

[c]Did not sign onto group proposal.

a letter to the AEA leadership urging them to set up a committee to study a code of conduct for the economics profession. Around the same time, George DeMartino published his excellent book, *The Economist's Oath* (2011), which pointed out the absence of a serious consideration of ethics by the economics profession. All of these events reinforced the argument that economics, which has long pushed aside the field of ethics, needs to consider the field of professional ethics and implement ethical guidelines for economists.

Interestingly, this attention had a measurable impact on the economics profession that can be seen even in the short space of time from January 2011 through April 2011. To assess the impact of this heightened public focus on transparency and ethics, we extended our timeline to consider disclosure of private financial affiliations over this more recent period. The impact has surfaced through several avenues.

First, we found that many of the academic economists in our study have recently posted statements of disclosure of their private affiliations on their academic web sites. Of the 19 economists in our study we found that ten have posted publicly available disclosure statements on their academic web pages (see Table 4). Interestingly, only those economists associated with the Squam Lake group followed this practice.[12] In contrast, whereas all four members of the Financial Reform Task Force included in our study had private financial affiliations over the period 2005 through 2009 and January 2011 through April 2011, none of them provided disclosure statements on their academic web sites. Of those Squam Lake members that did not post a disclosure statement, three have no private financial affiliations to the best of our knowledge—Economists 5, 8 and 17. Of the two that do have private financial affiliations but no statement of disclosure, one—Economist 18—has his private financial affiliations front and centre on his web site CV.

Second, we find that several economists refer readers of their journal articles to their public disclosure statements. This is a significant step forward toward addressing conflicts of interest in economics. In some cases this may even be the most appropriate response. For example, when a conflict of interest is not clear cut it is best for the economist to refer readers to their public disclosure statement rather than omit disclosure altogether.

Third, Economist 2 noted in one of his media posts that the research it was based on was in part funded by the financial services industry, though he did not have a full disclosure statement. This is also an important aspect of the disclosure process. In medicine, for example, when studies are funded by private firms, such funding is expected to be disclosed.

Fourth, a recent Squam Lake Working Group proposal, titled *Reforming Money Markets*, lists all the members and states:

> Individual members of the group have potential conflicts of interest, including affiliations with rating agencies, which rate money market funds, with investment management firms that manage or invest in money market funds, with other forms of mutual funds, or with banks. Specific affiliations are disclosed on the web sites of individual members. Because he is involved with a firm that sponsors a money market fund, Ken French did not participate in deliberations concerning this proposal. (Baily *et al.*, 2011)

The Squam Lake proposal has the challenge of listing its many members and their many affiliations. Since there is little room to do so in a ten-page report, they accomplish it by listing the types of affiliations the members have and refer readers to their web sites for full disclosure, many of which have public disclosure statements. One member, mentioned above, is affiliated with a firm that would be directly affected by their policy proposals and, as such, had a direct conflict of interest. Thus, he did not contribute to the proposal. The Squam Lake group has created a possible model for dealing with conflicts of interest and disclosure.

Yet there is still a long way to go. We found that from January 2011 through April 2011 there continues to be little consistent disclosure in academic and media articles despite the

[12] In most cases private financial affiliations were held over the entire period, although in five cases an economist was not affiliated with a financial institution during the whole period. Public jobs, including those with central banks, often lasted only a year or two. If the economist had either a private affiliation or a public affiliation over this time period it is listed in the table. Eleven of the 15 Squam Lake group members had private financial affiliations over the period 2005–09 and ten of these 15 have private financial affiliations over January 2011 to April 2011. We included an affiliation if it endured for more than a short period of time; for example, many of the affiliations lasted at least several years to the whole period. Interestingly, two of those that we consider not having private financial affiliations also have disclosure statements. We do not include them because either we are not able to discern the dates of the affiliations or if the affiliations endure more than a year.

increase in disclosure statements.[13] Overall, there was a 28% average disclosure rate in academic publications. In other words, eight economists of 11 disclosed private financial affiliations in one or more academic publications. Eleven economists of the 14 with private financial affiliations in 2011 have published academic articles or working papers over this period. Those economists who published no articles are excluded from the count. The Squam Lake Working Group publication mentioned above includes many of the economists in our study. Thus it is counted as an example of disclosure in the category of academic publications for all relevant economists. If we were to exclude this one publication from the study the average would fall to a 3% disclosure rate in academic articles. In this hypothetical scenario only one of ten[14] economists would have disclosed their private financial affiliations.

We found the overall average disclosure rate in media articles to be 44%. Only two economists out of four disclose private financial affiliations. The ten other economists with private financial affiliations did not write any media articles over the period and so are not included in the count. Of course, this limited time range does not allow for a large sample of academic and media publications, and is certainly a weakness of this aspect of our study.

What are we to make of this improvement in disclosure by some of the economists in our study? We suggest that it supports the argument, made in the next section, that the kind of peer pressure that comes from an institutionalised norm, such as is likely to result from a code of ethics adopted by major economics associations, is apt to have a positive impact on disclosure practices. This may also increase the transparency associated with potential conflicts of interest among economists of the type we have discussed. Whether all of this is liable to significantly ameliorate the deep problems that afflict the economics profession that were revealed in the run up to the crisis, and have been exhibited since that time, is a large and complex question that we briefly address in the conclusion.

5. Conflicts of interest

The economics profession lost a measure of credibility during the past financial crisis. One step toward restoring professional credibility, but, more importantly, improving the transparency with which economists interact with the public in the realm of public policy would be to create a code of ethics regarding potential conflicts of interest.

In the USA, economics is unusual among the professions in that it does not have a code of ethics that provides guidelines for navigating possible conflicts of interest. George DeMartino writes, ‘virtually all other professions that matured during the same era [early twentieth century] adopted at least a code of conduct, and some adopted a full-blown body of professional ethics’ (DeMartino, 2011, p. 67). Codes of ethics have been adopted in such academic fields as sociology, anthropology and physics. In the context of this paper we can see how useful a code of ethics would be, especially for academics who choose to navigate the difficulties of combining several roles—in particular the tension between that of objective academic expert and that of private financial agent. More importantly, perhaps, it will help the ‘consumers’ of economic analysis—the public and policy makers—better understand the bases for economic analysis and advice.

[13] For example, Economist 1 often, but not always, disclosed his private financial affiliations in his media pieces but failed to do the same in his academic publications both during 2005–09 and January 2011 through April 2011.
[14] When we exclude the Squam Lake publication, Economist 18 who has only this publication now has no publications and so is also excluded from the count.

Table 4. *Disclosure: January 2011 through April 2011*

Economists	Disclosure statement	Disclosure in academic articles January 2011 through April 2011	Disclosure in media articles January 2011 through April 2011
Economist 1	No	0	3/4 = 75%
Economist 2	No	0/3 = 0%	1/1 = 100%
Economist 3	No	0/1 = 0%	0
Economist 4	No	0/2 = 0%	0/8 = 0%
Economist 5[a]	Yes	NA	NA
Economist 6	No	0	0
Economist 7	Yes	1/5 = 20%	0
Economist 8[b]	No	NA	NA
Economist 9[b]	Yes	NA	NA
Economist 10	Yes	2/4 = 50%	0
Economist 11	Yes	0	0
Economist 12[a]	Yes	NA	NA
Economist 13	Yes	1/4 = 25%	0
Economist 14[c]	Yes	1/4 = 25%	0
Economist 15	Yes	1/2 = 50%	0
Economist 16	Yes	1/5 = 20%	0
Economist 17[b]	No	NA	NA
Economist 18	No	1/1 = 100%	0/2 = 0%
Economist 19	No	1/6 = 17%	0
Total average percentage	53%	28%	44%

Sources and Methods: We evaluated media and academic publications from January 2011 through April 2011 following the methodology of Appendix A.

[a]Economists 5 and 12 do not have current private financial affiliations (January 2011 to April 2011), to the best of our knowledge, although they did over the period 2005–09.

[b]Economists that we have classified as having no private financial affiliations.

[c]Although Economist 14 was not included as having private financial affiliations over the period 2005 through 2009, we can confirm that Economist 14 had private financial affiliations more recently. Thus, he is included as having private financial affiliations from January 2011 through April 2011.

The AEA, formed in 1885, has never adopted a code of ethics, although the lack of a code has been questioned over time. For example, in the 1930s this issue came up repeatedly to the AEA's secretary.

> Needless to say, the AEA had no such code [of ethics], nor had the officers any sanctions or means of enforcement, and the executive committee, when pressed, viewed the investigation of such matters as beyond the range of its proper functions. Of course, some matters of professional behavior could not be ignored, but whenever possible these were dealt with on an individual basis, without involving the executive committee or the membership at large. (Coats, 1985, pp. 1710–1)

The reasons why the AEA has never developed a code of ethics, when so many other professions have, are unclear. Coats attributes it to the perception of proper professional behaviour as being so obvious that no code was necessary, a history of ambivalence toward this topic and the difficulty of enforcing such a code (Coats, 1985, pp. 1710–1, 1718–9; DeMartino, 2011, pp. 63–5).

With respect to the kinds of conflicts we have identified, some argue there is no need to disclose these private affiliations in the actual media or academic publications since their private financial affiliations are publicly available via CVs, biographies and now disclosure statements. We believe that this is not enough. Disclosure of affiliations is important and relevant information for the audience, few of whom will spend time searching out public CVs and biographies.

In the USA many critics of the adoption of a code of ethics by the AEA are troubled by the AEA's weak ability to enforce such a code. Unlike in the law profession, economists are not licensed by their professional organisation, the AEA. Thus, when economists violate the guidelines of a code of ethics, the AEA would have no legal means to punish transgressors. Since violating the code would not result in professional sanctions, some have termed it a code without teeth. The logic follows that because economists would not adhere to such a code it serves no purpose.

The historical absence of a code of ethics and discussion of professional ethics in economics may have resulted in ignorance regarding ethical conduct and may have itself played a role in economists' failure to disclose private financial affiliations. Yet, as we discussed in the previous section, peer pressure has begun to establish a norm. As a result, at least some economists seem more open to a set of guidelines that prescribe ethical behaviour. Guidelines would give well-meaning economists who may not have given the issue much thought a set of suggested rules for ethical conduct.

Enforcement may well become a social process in which disclosure of conflicts of interest becomes the norm. A widely acknowledged standard of ethical professional behaviour would empower colleagues, journalists, students and the public to ask the question, 'Do you have any conflicts of interest?' The very internalisation of a norm of clear rules for ethical conduct among both economists and the public could be a powerful deterrent to unethical practices, whether or not the AEA could punish transgressors.

Lastly, some have argued that the AEA is not responsible for monitoring ethical violations. Rather, they say, this is the responsibility of universities. We reviewed a sample of university guidelines for conflicts of interest and found that, while this also seems to be evolving because of the recent attention paid to these issues, for the most part they deal specifically with conflicts of interest between the economist's private affiliations and their work with the university. The university policies reviewed generally ignored conflicts of interest in the public sphere, such as those of an academic economist acting as a public expert advocating specific financial reforms while having private financial sector affiliations. A counter-example is Columbia University, which 'requires individuals to disclose outside financial interests that relate to any of their research, including unfunded research, to peers and members of the public. These disclosures must be made in publications, reports, talks, or other presentations of research' (Columbia University, 2009).

We commend Columbia University's approach. It is important for universities to expect the highest ethical conduct from their professors not only in regard to their work with the university, but also in representing themselves and the university to the public. Since university guidelines dealing with disclosure vary, the provision of a code of ethics by the AEA can create a standard for the field of economics and encourage all universities to include disclosure to public and peers in their own guidelines for ethics. In this way university guidelines for conflicts of interest would act as a complement to an AEA code of ethics rather than as a substitute.

In contrast to the AEA's past behaviour, the American Sociological Association (ASA) recognises that sociologists have a responsibility to protect the public from sociologists' conflicts of interest. The ASA states in the section of its code dealing with conflicts of interest, 'Sociologists maintain the highest degree of integrity in their professional work and avoid conflicts of interest and the appearance of conflict' (American Sociological Association, 1999, p. 7). Later the ASA goes on to state, '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*' (American Sociological Association, 1999, p. 7; emphasis added). The ASA code recognises that sociologists' roles extend to their work as academic experts in the public realm where potential conflicts of interest can occur as well.

An obvious first step for economists is to create and adhere to a code of ethics. The language of the ASA's code of ethics would be a useful starting point. In the context of this paper, such a code of ethics would prescribe that economists list their private affiliations in any appearance for the media or the government when there is a conflict of interest or the appearance of a conflict of interest. For example, if an economist were to write a journal article or an op-ed that has relevance to their private affiliations, they should describe themselves not only as a professor but also as a board member, an owner and/or a consultant. These roles should also be reported when testifying in government positions or being interviewed by the media. Such actions would take one step toward ameliorating perverse incentives.

Of course, the next question is: How far, though, would this really get us to improving economists' analyses and advice? Would it lead a greater number of prominent voices in the economics profession to argue for stricter financial regulation or a sensible alternative to the austerity hysteria that seems to have gripped our economies?

6. Conclusion

In this study we find that 15 of 19 economists had private financial affiliations over 2005–09. The norm for economists was to not identify their private financial affiliations, establishing the need for a code of ethics prescribing disclosure guidelines.

These same economists who *mostly* failed to warn of the increasing financial fragility and impending crisis also have developed a basic consensus view that favours more market-based reforms and relatively less government regulation as a way of preventing future financial meltdowns. Many heterodox economists argue that relatively mild reforms are likely to be insufficient to prevent a future crisis. For example, economists associated with SAFER argue this with respect to reforms that do not bust up too big and too interconnected to fail institutions (www.peri.umass.edu/safer/). It was this crisis and similar 'neoliberal' understandings of economic theory, combined, in all likelihood, with continuing material conflicts of interest for some economists, that led to loud, destructive voices for austerity. The voices of the rentier interests can be heard loud and clear in this call (Epstein and Jayadev, 2005). Will a code of conduct urging more transparency of these private affiliations solve these problems? Certainly not. But we believe it can help shift the balance of power, even if only slightly, between financial interests and the general populace, by stripping away some of the veneer of objectivity from those who wield academic economics to support the special interests of finance.

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Appendix A: Sources and methodology

We identified the academic financial economists in the two groups calling for financial reform: the Squam Lake Working Group on Financial Regulation and the Financial Reform Project. We searched through the economists' publications, both academic and media, looking at those posted and available on the Internet, through the database LexisNexis® *Academic* and through their own CVs and affiliated web pages. We primarily considered the years from 2005 through 2009. We first established if the economist was affiliated with a private financial institution. These affiliations were located in various ways. We found affiliations through press releases by firms, where the firm identified the economist as an expert, owner or board member. The other most common way we found private financial affiliations was when the economist listed working with the firm in their CV. Since many economists do not list all of their consultancies and many firms do not list all of their consultants, it is reasonable to assume economists have more connections to the private financial sector than we were able to locate. In each publication reviewed we looked at how the economist identified her/himself as well as any proposals for financial regulation. Aggregating this information we constructed the tables. We followed the same process for the period January 2011 through April 2011.

Appendix B: The Financial Reform Index

This index was created by looking at a range of financial reform proposals, including those of the Financial Reform Task Force, the Group of Thirty, The Squam Lake Working Group on Financial Regulation and SAFER, as well as the proposals tabled by the Obama administration. We then evaluated economists' individual proposals and recommendations for financial reform by looking at articles from the period 2005–09. The Financial Reform Index (FRI) is cumulative so that the larger the number of proposals agreed to by the economist, the stricter is the regulation with which the economist publicly agrees. (Of course, we cannot argue here that stricter is necessarily better.) The FRI is calculated as the total number of recommendations the economist supported as a share of the total list of possible recommendations. 'Nested' signifies that if an economist advocates statement two of our index she/he is also counted as advocating statement one. When nested proposals occur they are confined under each heading; they do not extend beyond the heading and they are always ordered in increasing strictness. Thus, if they are nested the higher number will include the lower number but not vice versa. 'Not nested' are those proposals for regulation that stand independently.

Systemic regulator

1. Promote a systemic regulator.
2. Promote a systemic regulator—not the Federal Reserve.

- Nested.

Regulating systemic risk

3. Impose countercyclical macroprudential regulations such as countercyclical liquidity and capital requirements (not about limiting size).

4. Limit systemic risk in the financial system by increasing capital and liquidity requirements at all times.

- Not nested.

5. Limit systemic risk by reducing the overall degree of leverage in the system (market-based solutions—not capital and liquidity requirements).
6. Limit systemic risk by reducing the overall degree of leverage in the system (not capital and liquidity requirements) through regulatory-based restrictions.

- Nested.

7. Reduce the complexity of financial institutions by limiting the range of activities they engage in (reconstitute a Glass–Steagall in that regard—this would limit size).

- Not nested.

What is included in regulation

8. Broaden the regulatory framework to include *some* financial actors, markets and products, especially those that are systemically important or risky.
9. Broaden the regulatory framework to include *all* financial actors, markets and products, especially those that are systemically import or risky.

- Nested.

Regulation of securities

10. Limit some securities to being traded or sold on markets but allow others to be traded over-the-counter (OTC).
11. All securities have to be traded or sold on markets.

- Nested.

Perverse incentives

12. Reduce perverse and asymmetric incentives in the financial system (includes applying voluntary, non-binding resolutions, e.g. on pay resolutions).
13. Reduce perverse and asymmetric incentives in the financial system by enforcing mandatory rules on compensation.

- Nested.

Conflicts of interest

14. Reduce conflicts of interest, fraud and corruption by strengthening oversight and enforcement and/or limit outsourcing of regulatory responsibilities to private institutions.
15. Reduce conflicts of interest, fraud and corruption by strengthening oversight and enforcement by using public entities such as public credit ratings.

- Nested.

Too big to fail

16. Improve financial resolution mechanisms.
17. Reconstitute a more efficient, productive and stable financial system by limiting the ability of individual institutions to become too big, complex and interdependent to fail, by breaking firms up or reimposing Glass–Steagall-type regulations.
18. Stop institutions from becoming too big, complex and interdependent to fail by taxing unproductive financial activities.

- Not nested.

Consumer protection

19. Protect consumers and investors by imposing market-based solutions that discourage excessive risk taking (such as non-binding transparent standards of safety, reducing information asymmetries, and increasing consumer awareness of financial markets, tax and subsidy policies to change incentives from high-leverage risky forms of financing to others).
20. In order to protect consumers and investors regulate financial products that are risky.
21. In order to protect consumers and investors ban financial products that are too dangerous and/or lacking in economic benefits.

- Nested.

Accountability and democracy

22. Increase the transparency of financial and regulatory institutions and markets.
23. Make financiers pay for financial meltdown not only by improving financial resolution mechanisms but do this by shifting the burden of financing these to the owners, managers and major creditors of financial institutions through a financial transactions tax or by levying fees.
24. Work to stop the regulatory race to the bottom that results from regulatory arbitrage at the international level as the competition for jobs and income in their financial sectors by some jurisdictions undermines the ability of others to enforce regulatory rules and standards in their own financial markets.
25. Ensure that current decisions about financial reform and ongoing decisions about financial structure and regulation are made in the public interest rather than shaped by the narrow interests of financial institutions and their lobbyists. This accountability and democratisation of the financial regulatory mechanism can be gained by greatly reducing the amount of money in legislation through measures like citizens on boards of directors and campaign finance reform.

- Not nested.