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AIMR and 'best practices' on ethics

BY BRUCE I. JACOBS

In instituting and overseeing "best practices" at the "Financial Analysts Journal," the new editor might find it fruitful to consider the policies in place at other professional journals. Medical journals long have been grappling with the problem of conflicts of interest and their potentially deleterious effect on independence and objectivity. An editorial in the "New England Journal of Medicine," signed by the editors of the world's leading medical journals, quotes extensively from the "Uniform Requirements for Manuscripts Submitted to Biomedical Journals":

"Public trust in the peer review process and the credibility of published articles depend in part on how well conflict of interest is handled during writing, peer review and editorial decision making. Conflict of interest exists when an author (or the author's institution), reviewer, or editor has financial or personal relationships with other persons or organizations that inappropriately influence (bias) his or her actions. ... The potential for conflict of interest can exist whether or not an individual believes that the relationship affects his or her scientific judgment. Financial relationships . . . are the most easily identifiable conflicts of interest and the most likely to undermine the credibility of the journal, the authors, and of science itself" (Sept. 13, 2001).

In response to the Association for Investment Management and Research's recently proposed Research Objectivity Standards, I suggested AIMR's own research publications adopt specific standards of the type in place at medical journals to curb conflicts of interest and encourage independence and objectivity.

To this end, it is encouraging that FAJ's new editor, Robert Arnott, commits himself to ensuring the journal is "open and transparent" (Pensions & Investments, "Showcasing reforms," Nov. 25). Transparency can go a long way toward ameliorating conflict of interest problems. Disclosure of the business affiliations of authors in the FAJ or of AIMR Research Foundation monographs, for example, allows readers to assess the possible effects of

conflicts of interest on authors' research. Similarly, publishing the ethical obligations and conflict-of-interest policies governing FAJ (as AIMR recently has promised to do) can help to lift the veil of secrecy under which editors, editorial board members, reviewers and others involved in the processes underlying publication (including peer reviews of manuscripts and grant proposals) operate. Without transparency, there is no way for the investment community to determine the FAJ's independence and objectivity.

Medical journals have a "best practice" approach to handling ethical issues, one that aims for transparency in the interest of objectivity, dirty linen and all. Should our profession settle for anything less?

Mr. Arnott states in "Showcasing reforms" that transparency should stop short of "airing dirty linen." It is not entirely clear what Mr. Arnott means by this phrase. The way I view it, however, airing the dirty linen is at times necessary to clean things out. Standard practice at the medical journals provides for a full airing of questionable actions via letters and editorial commentary. Consider the "Journal of the American Medical Association."

An editorial in the March 23/30, 1990, issue dismissed as myth the occurrence of neurological illnesses resulting from certain vaccinations. In the April 25, 1990, issue, the editor published a correction stating the journal inadvertently had omitted to publish a disclosure noting the author's affiliations with vaccine-producing laboratories. In the Nov. 14, 1990, issue, together with a host of letters on the vaccine question, the editor published a special editorial note stating the letters' authors had been asked to enlarge upon the conflict-of-interest statements they had signed and elucidating any potential conflicts of interest.

Contrast these procedures with the following examples from FAJ. In the May/June 2001 issue ("Postscript: Reviewer's Response"), the book review editor left investment practitioners with the false impression (antithetical to securities law) that disclosure by investment managers is adequate so long as "sophisticated investors who know the right questions to ask" would not be misled. I submitted a letter to the editor that would have corrected this misstatement and clarified that full disclosure, not caveat emptor, is the correct standard for investment advisory disclosure. The FAJ declined to publish this letter.

In fact, the issue was left to be aired in the pages of P&I ("Praise for book turns to criticism," June 25, 2001, and "Rubinstein to stay on editorial board of FAJ despite talking with Fridson," Sept. 3, 2001), which went to the trouble of contacting AIMR to obtain its views on standards of disclosure. P&I also uncovered that a member of the FAJ's editorial board had influenced the journal's book review editor to retract a prior favorable review of my book, "Capital Ideas and Market Realities," which was critical of the way in which that board member's firm had marketed an investment product. Not only did FAJ never disclose this blatant conflict of interest, but the book review editor himself asserted (in "Postscript: Reviewer's Response") that his anonymous sources "had no obvious reason either to attack Jacobs or defend (the board member's firm)."

It seems to me a professional journal like the FAJ would want to avoid conflicts of interest and also correct its own record, if only out of fairness to its readers. Medical journals have a "best practice" approach to handling ethical issues, one that aims for transparency in the interest of objectivity, dirty linen and all. Should our profession settle for anything less?

BRUCE I. JACOBS is a member of the Association for Investment Management and Research and is a principal of Jacobs Levy Equity Management Inc., Florham Park, N.J.

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