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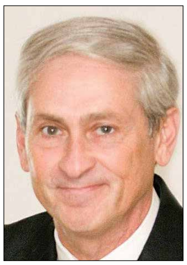
by Jeffrey M. Kaplan

# "Conflict of Interest World"

In the wake of the dispute surrounding President Trump's approach to the conflicts of interest (COIs) arising from his vast but not fully transparent business interests, it is worth stepping back and asking: "What, as a general matter, is at stake when it comes to handling COIs?"



Kaplan

To begin, and as is partly true in the President's case, COI issues often exist outside of an established legal framework (although this is not the case with all COI areas). Thus, the handling of COIs provides a genuine opportunity to test an individual's or organization's "ethical mettle" that is not present with most other more compliance-based risk areas.

Second, employees often see COIs as a having a personal dimension that is not found in most other risk areas. For instance, when a fellow employee hires a relative or otherwise profits by using her position at the company, that can be viewed as unfair to those who "play by the rules."

Third, because most harmful COIs at companies involve managers or others in positions of power, a company seeming to have a double standard between higher ups and "the little people"—to borrow from a saying attributed to the late Leona Helmsley that "only the little people pay taxes"—can undermine the sense of organizational justice at a company, to the detriment of the company's ethical culture.

Finally COIs can—if not properly addressed—lead to economic harm on two levels.

One of these was noted by Nobel prize winning economist Paul Krugman in a piece last year in the *New York Times*[1] about then-President-Elect Trump's COIs: "What's important is not the money that sticks to the fingers of the inner circle, but what they do to get that money, and the bad policy that results." The issue, as he put it, is one of bad incentives, and the problem exists not only in the political realm but also the private sector.

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The flip side of this is the disincentives that COIs can have. That is, when fearful of hidden COIs, individuals and organizations are less likely to engage in various productive activities requiring trust. "Conflict of Interest World," as one might call it, is "a place of needlessly diminished lives, resources and opportunities."[2] ✳

1. Paul Krugman: "Why Corruption Matters," *The New York Times*, November 28, 2016. Available at http://bit.ly/ny-times-why
2. Jeff Kaplan: "Why conflicts of interest matter – it is both the incentives and disincentives," *Conflict of Interest Blog*, November 29, 2016. Available at http://bit.ly/coiblog

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