Q3

(a) What is meant by conflict of interest? Illustrate with examples, the difference between the actual and potential conflicts of interest. (b) "In looking for people to hire, you look for three qualities: integrity, intelligence and energy. And if they do not have the first, the other two will kill you." - Warren Buffett What do you understand by this statement in the present-day scenario? Explain.

UPSC Civil Services Mains 2018 · GS IV · 10 marks · Ethics in Public Administration

Public / Civil service values and Ethics in Public administration: Status and problems; ethical concerns and dilemmas in government and private institutions; laws, rules, regulations and conscience as sources of ethical guidance; accountability and ethical governance; strengthening of ethical and moral values in governance; ethical issues in international relations and funding; corporate governance.

Core demand of the question

- (a) What is meant by conflict of interest? Illustrate with examples, the difference between the actual and potential conflicts of interest
- (b) "In looking for people to hire, you look for three qualities: integrity, intelligence and energy. And if they do not have the first, the other two will kill you." - Warren Buffett. What do you understand by this statement in the present-day scenario? Explain

Revision summary

Conflict of interest is a private interest that can twist a public or fiduciary duty.

Actual conflict is already operating on this decision; potential conflict is reasonably foreseeable even if today's file looks clean.

The cure is disclosure, recusal, divestment and screens, not private hope.

Buffett ranks integrity first because intelligence and energy multiply both service and fraud.

Present-day scams, surveillance tools and mark-worshipping recruitment make that ranking more, not less, urgent.

Introduction

Part (a) names the moment when a public duty and a private stake pull the same person. Part (b) reads Buffett's hiring rule as a warning for governments and firms that still prize clever, tireless people without honesty.

Body

(a) Conflict of interest: actual and potential

- Conflict of interest is a situation in which a public duty, or a fiduciary duty, can be twisted by a private interest of the decision-maker, a relative, or a close associate.

- The private interest may be money, land, a job for a child, a party's win, or even a friendship that expects a return.
- The harm is not only a bribe already taken. The harm is that the public can no longer trust the decision as clean.
- Actual conflict of interest exists when the private stake is already live in the decision that is being taken now.
- **Example of actual conflict:** an officer sits on a tender committee while a sibling's firm is a bidder.
- **Example of actual conflict:** a minister decides an alignment that raises the price of land already bought in a spouse's name.
- **Example of actual conflict:** a doctor refers every patient to a diagnostic centre that the doctor secretly owns, without disclosure.
- Potential conflict of interest exists when the private stake is not yet driving this file, but a reasonable person can see that it soon could.
- **Example of potential conflict:** an officer owns shares in a company that does not yet bid in the district, but is expected to enter the sector next year.
- **Example of potential conflict:** a civil servant's child has taken a job in a regulated firm, and the parent still handles that firm's files, even if today's note is routine.
- **Example of potential conflict:** a retired regulator joining, after a short gap, a firm he used to police - the revolving door is a potential conflict until cooling-off and recusal are real.
- **The ethical response is the same in structure:** disclose, recuse, divest, or put a screen between the person and the file. Hope is not a control.
- The Companies Act, 2013 and service conduct rules treat related-party and gift situations as conflicts whether or not a court has already named a crime.

(b) Buffett in the present-day scenario

- Buffett is ranking character above talent. Integrity is the first filter; intelligence and energy are multipliers.
- **If the first is missing, the other two "kill you":** they help the dishonest person steal faster, hide better, and work nights on the fraud.
- Present-day public life shows the same arithmetic. A brilliant engineer who falsifies a bridge test, a tireless GST inspector who runs a raid-for-bribe unit, or a coder who builds a leak of personal data for profit, all injure more than a lazy thief.
- Satyam in 2009 looked efficient. Intelligence and energy kept a false cash book standing until it collapsed on workers, investors and the idea of Indian IT governance.
- Banking and securities frauds of the last decade used smart products and long workdays. The missing piece was integrity, not a shortage of MBAs.
- **Social media and surveillance tools raise the stakes:** an energetic, intelligent officer without integrity can target a rival with a leak or a selective raid at scale.
- Recruitment that worships marks, rank and "drive" without integrity tests will keep producing this type.
- The quote is not anti-intelligence. A dull honest person may still fail a complex file. The claim is that honesty is the gate, and talent is the room behind it.
- **For civil services the lesson is selection, mid-career scrutiny, and leadership example:** do not celebrate the officer who "gets things done" by breaking the tender.
- **For private hiring, the same:** a salesperson who lies to the Ministry will later lie to the board.

Flow diagram

Conflict of interest -> Actual: live private stake

Conflict of interest -> Potential: foreseeable stake

Actual: live private stake -> Disclose recuse divest

Potential: foreseeable stake -> Disclose recuse divest

Intelligence and energy -> Multiplier

Integrity -> First filter

Multiplier -> Delivery or disaster

First filter -> Delivery or disaster

Conclusion

Conflict of interest is a private stake sitting on a public file. Actual conflict is already in the decision; potential conflict is the stake that a reasonable person can see coming. Buffett's line is present tense: talent without integrity is a more efficient disaster.

Facts & figures

Conflict of interest

A clash between official or fiduciary duty and a private stake of the decision-maker or a close person; trust fails even before a bribe is proved.

Companies Act, 2013, related-party rules

Require disclosure and restrictions when directors and firms deal with related parties, a corporate form of conflict control.

Cooling-off after public office

Service and some regulatory rules restrict post-retirement commercial employment so that today's file is not a job interview.

Satyam Computer Services Limited, 2009

A large accounting fraud that showed how skilled, energetic management without integrity can destroy a firm and public trust.

Warren Buffett on hiring

His oft-cited filter: integrity, intelligence and energy, with integrity as the non-negotiable first quality.