

tional point we would stress. Activities closely related to governmental managerial decisions (such as those in support of contractor selection), or to activities inherently governmental (such as regulatory functions, or technical activities directly bound up with military operations), are likely to call for a direct Federal capability and to be less successfully handled by contract.

Conflicts of interest

There are at least three aspects of the conflict-of-interest problem which arise in connection with governmental research and development work.

First, there are problems relating to private individuals who serve simultaneously as governmental consultants and as officers, directors, or employees of private organizations with which the Government has a contractual relationship. Many of these individuals are among the Nation's most capable people in the research and development field, and can be of very great assistance to Government agencies.

The problems arising in their case with respect to potential conflicts of interest have been dealt with in the President's memorandum of February 9, referred to earlier in this report. The essential standard set out in that memorandum was that no individual serving as an adviser or consultant should render advice on an issue whose outcome would have a direct and predictable effect on the interests of the private organization which he serves. To this end the President asked that arrangements be made whereby each adviser and consultant would disclose the full extent of his private interests, and the responsible Government officials would undertake to make sure that conflict-of-interest situations are avoided.

Second, there is a significant tendency to have on the boards of trustees and directors of the major universities, not-for-profit and profit establishments engaged in Federal research and development work, representatives of other institutions involved in such work. Such interlocking directorships may serve to reinforce and strengthen the overall management of private organizations which are heavily financed by the Government. Certainly it is in the public interest that organizations on whom so much reliance is placed for accomplishing public purposes should be controlled by the most responsible, mature, and knowledgeable men available in the Nation. However, we see the clear possibility of conflict-of-interest situations developing through such common directorships that might be harmful to the public interest. Members of governing boards of private business enterprises, universities, or other organizations which advise the Government with respect to research and development activities are often simultaneously members of governing boards of organizations which receive or may receive contracts or grants from the Government for research, development, or production work. Unless these board members also serve as consultants to the Government, present conflict-of-interest laws do not apply. The spirit, if not the letter, of the standards of conduct for Government advisers set forth in the President's memorandum, in our judgment, can and should provide guidance to boards and their members with respect to the interrelationships among universities, not-for-profit organizations, and business corporations where Government business is involved. Some boards of trustees and directors have already taken action along these lines.