ABSTRACT. Professions are granted autonomy by society, to regulate their own affairs. In return for the economic benefits autonomy grants to professions, society expects professions to act in a socially responsible manner. This paper presents a game-theoretic analysis of the relationship between society and professions, which shows that the relationship is unstable in the face of opportunities for professions to renegade on the “social contract.” It also shows how periodic controversies regarding the degree to which professionals act in the “public interest” are expected to occur periodically, and how they are resolved.

Introduction

There is little doubt that members of professional occupations have some form of obligation to the rest of society. The social responsibilities of various professions have been the subject of controversy periodically, once they emerge into social prominence as occupations in which the public has an interest.

This paper analyzes the basic structure of the relationship between professionals and society. The nature of this relationship is treated as a problem of rational choice, in which a given profession and society each must choose an optimal strategy. That is, they must choose a structure for their relationship which is optimal for them.

The analysis does not rely on some set of social or ethical principles for determining professionals’ rights and obligations vis-à-vis society (as well as society’s rights and obligations vis-à-vis the profession). Rather, the basic idea is that the nature of the relationship should be viewed as the outcome of a negotiating process. That is, if an agreement can be reached on the social role of the profession — and if the parties stick to the agreement — then a stable arrangement is achieved, which is to the benefit of both the profession and society. In addition to avoiding appeals to controversial theories about such matters, an analysis based on the concept of rational choice captures the basic facts that relationships between professional groups and society have an impact on the welfare of both groups, and that the actual nature of the relationship is largely, if not wholly, the result of decisions made in a political environment.

The basic agreement between a profession and society concerns the degree to which the profession is allowed by society to govern its own affairs, in exchange for a commitment to act in “the public interest.” Most recognized professional occupations have been given a substantial amount of autonomy. This autonomy means that the profession is a regulated industry, but where the regulation is largely self-imposed. According to Daniels:

In practice, autonomy exists when the leaders of a profession define the nature of the service offered in the following ways: they control recruitment and certification of members, and set the standards of adequate practice. (1973, p. 39)

Consistent with this, the State allows professional organizations¹ to set their own certification standards, governing admission to and continuing membership of professional organizations.² In addition, government licensing boards,³ which are in most
cases controlled by members of the profession, control the process which confers the legal right to engage in the public practice of the profession. This freedom, or autonomy, clearly confers a substantial benefit on members of the profession. But it also implies a concomitant obligation to society, to regulate the profession in such a way that the benefits to society are maximized. Socially responsible behavior is the quid pro quo, the price professionals must pay to society for their autonomy. (Moore, 1970) For example, Williams has described the agreement between the public accounting profession and society in these terms:

\[ \ldots [T]he enactment of the federal securities laws and the demand these statutes created for a sophisticated and reliable private auditing profession are, in large measure, the genesis of the size, prestige, and economic rewards which the profession enjoys today. \ldots \] In certifying financial statements under the federal securities laws, the private auditor performs a kind of quasi-public function. And with that role go special responsibilities — responsibilities which might not exist if the auditor-client relationship were purely one of private concern. (1979, p. 4f)

These responsibilities or obligations have two sources. One source consists of self-imposed professional standards of behavior, such as are contained in statements of generally accepted public accounting standards and codes of professional conduct. Second, there are externally imposed standards. Examples of these include common law and statutory standards of due professional care (which help to determine public accountants' legal liability), and government regulations (such as Securities and Exchange Commission regulations governing audits of publicly traded corporations).

The rationale behind the contract between a profession and society is that members of the profession are regarded as the experts in a field which non-members of the profession have difficulty understanding and evaluating. This means that the professionals are supposed to be in the best position to determine the standards of competence and ethical behavior, and to judge the behavior of individual professionals against these standards. Therefore, on the assumption that it is in "the public interest" for the behavior of professionals to be regulated, they have been left largely free by society to regulate themselves.

Many controversies have centered around this arrangement: Is the "exchange" between a given profession and society a "fair" one, or is one party benefiting at the expense of the other? Accordingly, most public attention has been directed at the question of whether a profession has taken, or is taking, unfair advantage of its privileged position. For example, codes of conduct of many professions may have generated undue benefits to professionals by discouraging economic competition, e.g., by banning advertising and other forms of "encroachment" (such as bidding for work performed by another professional).

It is also possible that the profession may be shortchanged, at least at times. For example, the current controversy concerning the responsibility of public accountants to detect fraud has important ramifications for the profitability of the public accounting profession, through the threat of higher legal liability and higher audit costs.

This paper is organized as follows. The next section is a brief discussion of game theory in general, and of the Prisoners' Dilemma. Following that is a short review of some of the basic principles in the sociology of the professions, regarding the relationship between professional groups and "society." Then, this relationship is analyzed, and shown to conform to the structure of the Prisoners' Dilemma (which is a well-known and particularly troublesome pattern of interdependence). Next, the auditing profession is used to illustrate the general structure of the profession-society relationship. The relationships between professions and society change over time. A recent controversy involving the auditing profession is analyzed in terms of variations on the basic structure of the Prisoners' Dilemma. The last section consists of a summary and conclusions.

No opinions are offered in this paper about what the nature of the profession-society relationship should be. Instead, the focus is on the basic structure of the relationship, and on the strategic choices open to the parties in trying to resolve differences in opinion about what professionals' rights and responsibilities should be. A number of basic insights are gained into the issue of the social responsibility of auditors, and of the basic strategies open to the