



Reflections on the public interest in accounting

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Abstract

The expression, ‘the public interest’ is so ingrained in policy development, that reforms in accounting are often championed under the notion that such developments will enhance the well-being of the community. While the public interest is well understood at policy level, at operating level the expression is ambiguous and has a multiplicity of interpretations. Current conceptions of the public interest are inadequate to define a principle which must stand as a measure of public policy. Who exactly is the public, what are the interests of the public, and what does it mean to serve the public interest? Consequently, members of the accounting profession are expected to comply with a principle that is vague and ambiguous. This paper undertakes a critical analysis of the public interest in accounting relying on a typology of public interest theories (normative, consensualist, process, and abolitionist theories) developed by Cochran [Cochran CE. Political science and “the public interest”. *The Journal of Politics* 1974;36(2):327–55]. The analysis indicates that existing knowledge and understanding of the public interest, is in part, consistent with some aspects of the Cochran’s [Cochran CE. Political science and “the public interest”. *The Journal of Politics* 1974;36(2):327–55] typology of public interest theories and inconsistent in others. The analysis also indicates that there is room for the profession to provide further guidance on the meaning of the public interest and how to apply it in practice.

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1. Introduction

Sociological studies on professionalism in accounting are dominated by the functionalist view which centres on a checklist of attributes or key criteria that distinguish professions from non-professions. Greenwood (1975) identified five distinct characteristics that set apart professions from other occupational groups.¹ Embedded in these characteristics is the notion that a profession's founding and continued being relies on performing services not for its own interest but for the public good (Abercrombie et al., 1994, p. 335). According to this view, professions are created because of a genuine human need. A profession's social obligation to serve the public is paralleled by its enhanced occupational status. In return for this enhanced status, members of the profession agree to undertake their work with the public interest in mind (Carey, 1965, p. 376). Therefore, at the heart of a profession is a commitment to serve and protect the public interest (Bivins, 1993, p. 118; Briloff, 1986, p. 1; Canning and O'Dwyer, 2001, p. 727; Mitchell et al., 1994, p. 40). An orientation to serve the needs of the public is a critical factor that sociologists use to distinguish professions from other occupations (Freidson, 1993, p. 19).

The functionalist view of professionalisation assumes that there is a natural harmony between individual interests and the interests of society as a whole. However, the functionalist view has been challenged by critical researchers adopting self-interest rationales in understanding the nature of professions. The interactionist perspective (also referred to as the conflict model) views the profession as an occupational monopoly that seeks to further its self-interest (Bédard, 2001). According to this view, the high social and economic status enjoyed by the profession is the result of obtaining a monopolistic position which is maintained by controlling entry through educational requirements (Lindblom and Ruland, 1997). Unfortunately, members use their expertise and authority to abuse the trust that society has placed in them, most often to "advance their own interests at the expense of those they serve" (Frankel, 1989, p. 110). Perhaps it is for this reason that the 'heart' of a profession is a commitment, first and foremost, to serve the public interest. However, research in the profession's disciplinary enforcement shows primacy of private interest over public interest (Bédard, 2001, p. 430; Canning and O'Dwyer, 2001; Parker, 1994). Therefore, according to the interactionist perspective, the public interest is advocated only in that it supports the profession's self-interest.

The sociology of professions, discussed only briefly in this paper, highlights the centrality of the public interest to the existence of a profession like accounting. Behaviour contrary to the public interest, real or apparent, can have devastating affects. Consider the case of Arthur Andersen who collapsed in a scandal for its perceived failure to protect the public interest. Andersen was convicted in 2002 for obstruction of justice for shredding documents relating to the collapse of the Enron. The conviction was overturned by the Supreme Court in 2005, however by this time Andersen lost nearly all of its clients. Andersen's greatest foe was not the courts but the public who lost trust in a firm that had built its reputation on integrity. This case demonstrates quite dramatically how the profession relies on the assumptions of trust and how accounting firms can squander their social status (McMillan,

¹ Greenwood (1975) labels these attributes as: a systematic body of theory; professional authority; sanction of the community; regulative code of ethics; and a professional culture.

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