Innovation, rent seeking and social prestige: 

towards a dynamic theory of professions

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Abstract

Professionalisation has been, and still is, a process that has profoundly influenced the economies of the most industrialised countries. Professionalisation entails a radical transformation of the whole occupational system, since it gives the members of occupations characterised by a high degree of generalised and systematic knowledge the authority to decide whether or not to admit a potential recruit, to control the behaviour of those who belong to the profession and a monopoly power on the market for professional services. One consequence is the high position in the occupational hierarchy assumed by members of the professions. This has marked effects on the occupational choices of individuals, because the social prestige accorded to an occupation is an important part of the total reward accruing from it. When individuals choose their profession, they are interested not only in the monetary return on that profession but also in the social status that they acquire from performing it. This paper analyses the economic consequences of this phenomenon, concentrating in particular on the effects of technological innovation and growth. The argument put forward in this paper is that professionalisation may hamper innovative activity: it reduces the number of researchers that the innovative sector may use since social status makes it more attractive to work in an already professionalised sector, even if it may give rise to a lower monetary reward; besides, professionals may impede the rise of “innovative” professions in order to protect their monopoly power.

In this paper we describe, albeit in a very stylised manner, the professionalisation process, by using a neo-schumpeterian growth model without accumulation of physical capital. In this kind of model we introduce a rent-seeking game to establish who will obtain the monopoly power over the market for professional services. Besides, we consider that during the interval of time when professionals have monopoly power they may expand their social status, and may impede through lobbying the introduction of radical innovations external to the profession, since the latter may reduce their monopoly power.