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Exit, Voice, and Loyalty: Further Reflections and a Survey of Recent Contributions*

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MY BOOK *EXIT, VOICE, AND LOYALTY: RESPONSES TO Decline in Firms, Organizations, and States* was published in 1970.¹ Reactions to it and applications of its concepts have been fairly numerous and I have myself had quite a few afterthoughts. It will therefore be difficult to bring these matters together in a passably structured paper. In the following, I shall limit myself to four broad areas of inquiry which have been so arranged that my own further reflections figure rather prominently though by no means exclusively in the first two sections while the latter two are more heavily weighted with reports and comments on the research and contributions of others.

New Economic Arguments in Favor of Voice

As most economists who have made contributions to political science in recent decades, I have occasionally used economic models and modes of reasoning to dissect political phenomena. While such exer-

* This paper first appeared in 1974, in *Social Science Information* (1):7–26, and is reprinted with the permission of the publisher and the author.

¹ By Harvard University Press, which published a slightly revised paperback edition in 1972.

cises in interdisciplinary imperialism can be genuinely enlightening, only a small part of my work has been of this particular kind. In fact, in much of *Exit, Voice, and Loyalty* I have been guilty, not of imperialist ambition or designs, but rather of the opposite: namely, of the desire to convince economists of the importance and usefulness, for the analysis of economic phenomena, of an essentially political concept such as voice. Perhaps it is in recognition of these somewhat treasonable services on behalf of political science that political scientists rather than economists have honored me by calling together a seminar with my book as basic document for discussion.

In the large portion of my book which was an essay in persuasion on behalf of voice I argued that voice can and should complement and occasionally supersede exit as a recuperation mechanism when business firms, public services, and other organizations deteriorate. My approach was both positive and normative. I explained the conditions under which voice comes into existence and can be expected to be powerful, but I also argued that, in some situations, the proper balance of institutional incentives ought to be adjusted so as to strengthen voice in relation to exit. I now find that my advocacy of voice was not exaggerated, but, on the contrary, too timid. This is not surprising. Since voice is an entirely new category for economists, our thought processes are not properly attuned to it and it will take some time to uncover all the situations in which the importance of voice has been underrated. In this section I propose to discuss three such situations.

*When the Cost of Voice Turns into a Benefit*²

In discussing customers' or members' choice between exit and voice I naturally gave some attention to the cost of exit as compared to the cost of voice. This comparison tipped the scales against voice, for I considered exit to be generally costless, except when loyalty is present, while resort to voice is typically costly as buyers of a product or members of an organization spend time, effort and perhaps even money in the attempt to exert influence on the firm or organization with whose products or policies they are dissatisfied.³

² Some of the arguments of this section have been previously put forward in Hirschman, 1971, Introduction, pp. 4–7.

³ See *Exit, Voice, and Loyalty*. See below, pp. 439–440, for situations in which exit is costly for reasons other than loyalty.

This was good economic reasoning, appropriate to "normalcy." It took the explosion of protest activities after the Cambodia invasion and the Kent State shootings to remind me that, in certain situations, the use of voice can suddenly become a most sought-after, fulfilling activity, in fact, the ultimate justification of human existence.

In other words, while normally felt as a chore and a cost which one tries to minimize or shirk, the activities connected with voice can on occasion become a highly desired end in itself. How is it possible to account for this strange mutation?

In addition to choosing and allocating their time and income between various consumer goods, individuals also decide how to apportion their activities between all private pursuits, on the one hand, and such contributions as they choose to make to the "public happiness" on the other. Decisions to make such contributions appear to be subject to a number of characteristic properties in comparison to private consumption decisions. For one thing, simple observation reveals that the preference for participation in public affairs over the "idiocy" of private life is much more unstable, and subject to much wider fluctuations, than the preference for, say, apples over pears or for present over future consumption. Events such as demonstrations, marches, riots, and revolutions are "participation explosions," that is, they result from a sudden enormous intensification of the preference for public actions for which there are no parallels, with the possible exception of the world of fashion, in the realm of private consumption choices.

The reason for this instability of the taste for participation in public affairs lies in the peculiar dual character of this activity. On the one hand, such participation is equivalent to expressing a demand for certain public policies, and since such public policies, once established, can be enjoyed or "consumed" by everyone in the community, the demand for public policies has the earmarks of the demand for public goods. It follows that actual participation on the part of those who favor a given policy is undermined by the well-known tendency to lie low and to hide or understate the true intensity of one's demand for a public good in the hope of getting a "free ride" through the exertion of others. This is a major reason for the much lamented "apathy" in relation to public issues. What looks like apathy is often not absence of interest in a public policy, but considerable interest

combined with the expectation that someone else will exert himself on one's own behalf.

But there is another side to the story which has not been analyzed by the public goods theorists and which works in exactly the opposite direction. In the case of the acquisition of normal public goods—say, public parks or police protection—the usual distinction between the value of the services rendered by these amenities and their cost is sufficiently clear cut. But ambiguities arise when one transfers these categories to public policies. The cost of obtaining or pushing through these policies is the cost, in time spent, risk shouldered, and perhaps money expended in the course of their advocacy. In other words, striving for these policies through various acts of participation and voice is their cost which, in accordance with the theory of public goods, tends to be shirked by the individual. However, it is in the nature of *the* “public good” or the “public happiness” that striving for it cannot be neatly separated from possessing it. This is so because striving for the public happiness will often be felt not so much as a cost, but as the closest available substitute for it. We all know that participation in a movement to bring about a desirable policy is (and, unfortunately, may be for a long time) the next best thing to having that policy.⁴

Uncertainty is an important element in this strange transformation of means into ends, and of costs into benefits. Success in the advocacy of a public policy is always uncertain: nobody knows the size of citizens' advocacy or protest that is needed to impose, change, or stop a given public policy. If a citizen feels strongly, he may therefore experience the need to negate the uncertainty about the desired

⁴ Elsewhere I have shown that the distinction between private and public goods goes back to Pascal who contrasted “particular things which can only be possessed by a single individual” with “the true good [which] must be such that all can possess it at the same time” (*Pensées*, 425). Pascal refers here to God who is indeed the quintessential public good since His possession, unlike that of public parks, can never become “rival” or “exclusive.” But Pascal's analysis went one step farther: God is also the archetype of that category of public goods in whose case striving cannot be separated from possessing and this important property of some public goods was again contrasted by Pascal with private goods: “The hope Christians have to possess an infinite good is mixed with actual enjoyment [. . .] for they are not like those who would hope for a kingdom of which they have nothing, being subjects; rather, they hope for holiness, for freedom from injustice, and they partake of it” (*Pensées*, 540).

outcome by the certainty of participation in the movement to bring about that outcome. In a more rational vein, uncertainty may act at times as a discriminating monopolist as it extracts from each person with a "taste" for a certain policy the *full* amount he would be willing to pay to have that policy; this would happen if each individual becomes convinced that his contribution makes the difference between success and failure of the movement.

No matter what the precise explanation—one could simply take refuge in the definition of man as an animal with the ability and propensity to transform means into ends—the sudden, historically so decisive outbursts of popular energies must be explained by precisely this change in sign, by the turning of what is normally sensed as a cost that is to be shirked into a benefit, a rewarding experience, and a "happiness of pursuit" in which one simply must share.

The possibility of this mutation is fundamental for the understanding of political change: achieving change often requires such a mutation. It is also helpful in reconciling the conflicting views on political participation in a democracy which are perhaps best epitomized by Rousseau's *Contrat social*, on the one hand, and Benjamin Constant's *De la liberté des Anciens comparée à celle des Modernes*, on the other. The total participation considered as essential for the preservation of liberty by Rousseau and the strictly limited participation advocated by Constant can both characterize, *in turn*, the same polity, whose good health may actually be served by some alternation or oscillation between the Rousseau and the Constant model.

The moral of this excursion into political theory for the exit-voice alternative is clear: if active concern with the public happiness can on occasion be felt as a benefit and as an important contribution to the private happiness rather than as a subtraction from it and as a cost, then voice will have an occasional edge over exit in those situations that clearly impinge on the public happiness. This means that voice can be expected to play a role in relation to those goods and in particular to those dimensions of goods and services that have a strong public interest component. Thus, deterioration in the taste of a firm's food product will give rise to exit; but the presence of a health hazard will lead to voice. Similarly, in the case of automobiles, unattractive design will lead to exit, while safety problems will bring out voice. Wherever the public interest is involved, voice will not be felt as a cost but as a benefit by some people at some time, and, in this way, one of

the primary handicaps of voice in relation to exit will be reduced and, on occasion, eliminated.

A recent illustration of these matters is the changing role of the shareholder in the corporation. As I had mentioned in my book, exit had long reigned supreme in this area, in obedience to the Wall Street rule "if you don't like the management, you should sell your stock" and in spite of remonstrances against this practice on the part of some financial writers (see *Exit* . . . , p. 46). In connection with the ordinary, private-regarding, return-maximizing activities of investors there has been no overwhelming change in this respect even though, according to some indications, institutional investors, such as trust departments of banks, have tended to vote against management proposals somewhat more frequently (Eisenberg, 1969). But a considerable shift occurred when institutional investors took an interest in, and became concerned over, corporate policies and practices in such matters of public concern as pollution or racial discrimination. In these situations, the concerned investors generally decided not to exit by selling their stock, but to use what influence they could marshal in order to modify corporate policies.

The institutional investors that were most active or, perhaps, reactive in this field were the large private universities. They had to respond to campaigns, such as "Campaign G.M." in 1970 and again in 1971, which had been launched by citizens' groups outside of the universities, but soon received support from important student and faculty groups. Committees were appointed and new policies developed. As a result, universities generally decided to take a more activist role in shareholder meetings and, in general, in relation to the management of corporations in which they are important stockholders. At the same time, a consensus developed on rejecting exit (*i.e.* sale) as the only or even as the proper response to discontent in matters where the public interest was at stake, as can be seen from a very cautious committee report issued at Harvard University (1971). The most emphatic and elaborate statement on the problem appears in a book, *The Ethical Investor* by John G. Simon *et al.* (1971) that grew out of the discussion of these issues at Yale University. Here exit is advocated only as a last resort after voice has failed:

We have expressed dissatisfaction with attempts to cleanse a portfolio through the sale of morally or socially objectionable hold-

ings. Such efforts [. . .] tend to involve one in illusions about moral purity [. . .] we advocate such action when other attempts to correct or avert a serious wrong have failed. (p. 53)⁵

The corporation thus stands as an example of a private organization in which the relation between management and stockholders was dominated by exit until such time as some activities of the corporation were shown to affect the public interest; and as soon as stockholders had complaints on the ground of these activities, the use of voice seemed the more natural choice. It is of course possible that the use of voice, once well established in connection with public-interest issues, will contaminate the private, hitherto exit-dominated areas, and will come to play a greater role in stockholder-management relations in general, for better or worse.

Ignorance of Consumers and Producers

A second, not completely unrelated way of identifying goods, services and organizations that are or should be voice- rather than exit-intensive was suggested to me through recent papers of Richard R. Nelson and Michael Krashinsky (1972) and Kenneth Arrow (1973). In discussing institutional alternatives for the delivery of day-care services, Nelson and Krashinsky make a distinction between goods in which "the consumer can be assumed to be an expert in knowing what he likes, *e.g.* sweet juicy oranges" and such services as day care for small children whose quality is difficult to fathom for the parents. Besides, clear quality standards for day care are simply not available. Arrow addresses himself somewhat similarly to situations in which there is a disproportion of knowledge between seller and buyer—as in the case of medical services or in that of complex technological products such as drugs and automobiles—and he underlines the importance of ethical codes (about disclosure of information, for example) which sellers ought to observe in such situations as a restraint on socially undesirable profit-maximization. Both Nelson-Krashinsky and Arrow are concerned with institutional implications of market

⁵ That voice is in fact more effective than exit in changing corporate policies that are objectionable to some of its stockholders on public-interest grounds is shown in Malkiel and Quandt (1971).

situations in which the buyer lacks knowledge about product quality or is far inferior in this respect to the seller. As in the case of exploitation of the consumer by a monopolist, some form of public intervention or self-policing on the part of the producers or sellers seems to be the answer to these situations since the consumers are assumed to be in an inferior and impotent position in which neither exit nor voice on their part is likely to perform as an adequate safeguard of their interests.

The case of day care goes beyond these important, but still traditional concerns about "market failure." As Nelson-Krashinsky almost intimate at one point, we have here a situation in which ignorance about quality, about what one is really after, is by no means limited to the buyer or consumer or member. Day care is typical of a whole class of services for which, for a number of reasons, a strong demand arises at some point; some people are willing to pay for it or feel that it should be offered as a public service and some other people step forward claiming to be able to accommodate the new demand or are willing to do so to the best of their ability. The reality of the situation is that demand for a service has arisen *in advance of real knowledge of how to satisfy it*; society then delegates some of its members to search for the best method of filling the new demand and of supplying the newly arisen need; and the institutional question is here not one of protecting the consumer, but of educating the producer, of providing him with as much information as possible about his performance. In such situations, the contribution of voice can clearly be of the greatest importance, simply because the information it supplies is rich and detailed as compared to the bareness and blankness of silent exit. Moreover, exit may fail to supply even the bare information about the existence of discontent, if dissatisfied consumers switch back and forth between various equally unsatisfactory suppliers so that each individual supplier gains new customers as fast as he loses them. This phenomenon has been described in my book under the heading "Competition as collusive behavior."

Producers' ignorance, or a substantial degree of such ignorance, about ways and means of satisfying certain demands is probably more widespread than is generally realized. It characterizes a large portion of sectors that show a high rate of growth in modern economies, namely education, health, and leisure activities. When the delivery of

health services can proceed along standard lines within well-charted territory as, say, in the case of minor dentistry, consumer dissatisfaction with one dentist is likely to take the form of exit. But the individual who has some as yet poorly articulated complaint with respect to his general physical or mental health is probably well advised not to abandon his family doctor or psychiatrist at the slightest disappointment, but to help them grope on his behalf and to collaborate intensively with them through active use of voice.

To repeat, the second new criterion for discriminating between exit-prone and voice-prone situations can be defined as ignorance and uncertainty, shared by consumers and producers, about the manner of procuring a desired good or service and, in fact, about their precise nature. It is clear that there is a strong affinity between this criterion and the first one which centered on the presence of a "public happiness" component. Generalized ignorance and uncertainty about what one is after exist typically when motivation to solve a problem is outrunning understanding,⁶ and this situation arises in turn when there are pressing *public* demands to "do something" about a poorly understood problem. In such situations, then, the use of voice rather than exit is to be expected and recommended on both counts.

The ignorance criterion is also helpful in accounting for swings from the predominance of exit to that of voice in relation to the *same* goods or services. Ignorance and uncertainty with respect to the desired nature of a good or service are not always something that is conquered once and for all. For a number of such goods and services, doubts are periodically *reborn* in the light of new experience. In fact, in many cases doubts about the desirability of the product in its present form arise for the first time after a more or less prolonged period of unquestioning acceptance. Recent examples are automobiles, DDT, and some drugs. Products which are subject to cycles of acceptance and questioning are typically such complex and ignorance-intensive services as psychiatric help and higher education. It is then quite proper that exit should be the principal reaction of dissatisfied students when no fundamental questions are widely asked about the value and current methods of the university, while voice will predominate during periods of generalized loss of confidence in the traditional system.

⁶ This topic is discussed in Hirschman, 1963, pp. 235-238.

*Vertical Integration and Marriage
as Institutionalized Voice*

I now come to a third criterion which throws light on the difference between exit-prone and voice-prone situations and which had been neglected in my book. It is somewhat symmetrical to the first criterion which dealt with situations in which voice becomes less costly than it would be under "normal" circumstances, or is even sensed as a benefit by the customer-member. Just as I failed to question adequately whether voice is costly under all circumstances, so I took the costlessness of exit too much for granted. I did allow for the existence of a cost of exit to the extent that loyalty was present; but exit can imply considerable cost in purely economic market situations even in the absence of loyalty. Such costs are least in evidence in the case of consumer purchases on which I had principally focused; but they come to the fore in interindustry transactions when a firm buys a specialized input from one among a limited number of potential suppliers. In such situations, the firm will often spend considerable time and money in apprenticing the supplier and these costs would have to be incurred over again if the firm were to switch to another supplier because, for some reason, it becomes dissatisfied with the current relationship. The same applies to the supplier firm to the extent that it has shouldered some of the costs of apprenticeship—they would be largely lost to it if it had to look for a new customer. This situation will therefore cause voice to become relatively more attractive than exit for both firms in case of friction, but it also is one of the basic motivations for vertical integration of firms as Professor Oliver Williamson (1971; 1973) has pointed out. Integration can indeed be considered as an arrangement, not for suppressing voice through hierarchy, but rather for institutionalizing and routinizing it; it is voice from one unit to another within a unified organization with a common goal, supplemented by an established mechanism for adjudicating any unresolvable disputes that may arise between the various producing units. The logic that makes for this sort of institutionalized voice has asserted itself also in the Soviet Union where "direct ties" between input-using and input-producing firms, and between producers and retail outlets, have made their appearance. This is regarded by Spechler (1970) as a "major innovation without overwhelming support from the highest places."

It is not easy to think of analogues for this phenomenon outside of the economy. But marriage could perhaps be interpreted as a similar institutional arrangement: when a man and a woman have reached an advanced degree of mutual understanding and adjustment, the costs of exit from this relationship are high—one has to start from scratch with the next partner. An attempt will therefore be made to take care of remaining and recurring frictions through voice, and marriage can be considered, just like the merger of two firms, as a way of routinizing this voice—with unresolvable disputes being referred to the psychotherapist in lieu of the Executive Vice-President. There are probably other situations in which the decision to enter a formal organization is not prompted so much by fundamental agreement on values and goals or by the desire to eliminate conflict, but, on the contrary, by the need to bring necessarily recurrent conflict more frankly and more routinely into the open without risking, each time, the survival of the relationship. It is precisely because voice hides here behind the façade of organization, hierarchy, and harmonious unity that I failed to become aware of these situations.

Exit and Voice: The View from the Top

In 1970 a reader of *Exit, Voice, and Loyalty* remarked to me that the book was written almost entirely “from below,” that is, from the point of view of customers or members as victims of deteriorating quality, and that he would have liked to see the topic of exit versus voice treated from the point of view of top management of various organizations. No wonder he expressed such a preference, for this was right after the Cambodia events and the poor fellow had just been appointed president of one of our more turbulent colleges! I could of course point out to him that throughout the book and especially in my concluding chapter I had made an attempt to look at those institutional combinations of exit and voice that might be optimal from the point of view of the survival and strength of the organization. But I admit that I had not addressed myself directly and systematically to the possible manipulation of exit and voice as “management tools,” to use the language of our business schools. I shall try to do a little better now, although only in connection with one particular organization: the State.

Fortunately, Professor Rokkan (1974) has since made a considerable contribution to this area through his paper. As I wrote him after he sent it to me, I was first rather stunned to see the sweep of European political development since the Middle Ages reinterpreted through my concepts, but while I am still a bit puzzled about the marriage he arranged in the process between Talcott Parsons and myself, I do find the historical scheme he traces in the second part of his paper remarkably illuminating.

Let me briefly paraphrase this portion of Rokkan's argument in order to bring it into contact with the general notion of exit and voice as "management tools." Every state—and indeed every organization—requires for its establishment and existence some limitations or *ceilings* on the extent of exit or of voice or of both. In other words, there are levels of exit (disintegration) and voice (disruption) beyond which it is impossible for an organization to exist as an organization. At the same time, an organization needs *minimal* or *floor* levels of exit and voice in order to receive the necessary feedback about its performance. Every organization thus navigates between the Scylla of disintegration-disruption and the Charybdis of deterioration due to lack of feedback. A territorial organization such as a national state must by its very nature suppress exit in the form of secession (though not necessarily the emigration of individual citizens); hence, feedback is here bound to take primarily the form of voice. But, as Rokkan shows, in the center of Europe the attempt to suppress territorial exit—and to assert the right to control the movement of men and commodities across borders—required so great a concentration of effort and authority that the attempt to achieve manageably low levels of exit led also to the crushing of voice, which was reduced in the process to levels far below those required for long-run stability and health. The countries of the European periphery (and a few others) found it easier to control their borders and therefore "managed to keep a better balance between exit controls and voice channeling during the crucial phases of state-building" (Rokkan, 1974).

Rokkan is probably right in asserting that, particularly during some initial phase of organization, attempts to restrict exit and to choke off voice tend to go hand in hand and to feed on each other. I had looked primarily at selective manipulations of one of these two levers and had suggested that they would be engaged in by management, not in order to receive feedback about its performance, but on the contrary to

encourage that particular reaction mode that is least unsettling to it and least dangerous to its perpetuation in power (*Exit . . .*, p. 124).

Rokkan's paper provides a stimulus for going over this terrain with greater care and perhaps somewhat greater charity toward the political managers. For one thing, just as the process of state-building required restricting both exit and voice, so liberalization and widening of participation may not be possible, or may be extraordinarily difficult to handle, unless exit and voice controls can be eased jointly. The reason is simple: the forces of criticism and dissent that have been dammed up by stringent voice and exit controls may be so powerful, especially during a period of economic transformation, that, if they are released into one channel (usually voice) only, they will exceed tolerable levels or, at any rate, such levels as are thought to be tolerable by the rulers. Illustrations from recent and current history come to mind immediately. The history of Europe in the 19th century would probably have been either far more turbulent or far more repressive and the trend toward representative government much more halting, had it not been possible for millions of people to emigrate toward the United States and elsewhere.

This proposition represents an application to Europe of the "labor safety valve" theory which was originally put forward in the United States to explain, by the availability of the "frontier," the lack of militancy of the American working class during the 19th century in comparison to its European counterpart. While the theory has been strongly controverted for the United States, a European safety valve theory might well be proposed: for all the class-consciousness of the European workers, it is well known that their revolutionary accomplishments did not quite come up to the expectations of, say, Marx and Engels and one reason may be the availability of overseas emigration. Some empirical backing for such a European safety valve theory has recently come to my attention: according to a study by J.S. MacDonald (1963-1964) of emigration from rural Italy for the decade preceding World War I, the socialist vote and labor militancy were high in those Italian provinces that showed low rates of emigration, and vice versa. MacDonald argues quite convincingly that the differential response to rural poverty—labor militancy in central Italy and in Apulia and emigration in the rest of the South—can be explained by differences in land tenure and other aspects of agricultural organization. But at the same time, his data suggest strongly that the

availability of mass migration reduced the total amount of social conflict with which the Italian State might otherwise have had to cope.⁷

It is interesting to look at contemporary non-European politics in the light of this European experience. Today the safety valve, or outlet for excess voice which emigration represents, is largely nonexistent, except for the Mediterranean countries in relation to Western Europe. This may well be a factor rendering more difficult the introduction and maintenance of a measure of voice in the newly independent and industrializing countries of the twentieth century.⁸ Similarly, the difficulties of liberalization in the countries of Eastern Europe (including the USSR) are intensified by the insistence of their political managers on maintaining strict exit controls.

The manipulation of exit and voice controls on the part of "management" can be constrained in yet another way. In my book, I considered lack of feedback as the principal cost an organization incurs as a result of suppressing voice and exit. But, at the level of the state, a very important immediate cost, in contrast to lack of feedback and information which is primarily a cost in the longer run, can be the need for repression. Many countries find it entirely impossible (that is, unacceptably expensive) to control their frontiers and some rulers may not be willing to go beyond a certain degree of repression in limiting or choking off voice, possibly for humane reasons, but also because they know by now that unlimited repression brings rule by the secret police. The immediate cost of repressing exit and voice—admittedly, in the case of some sadistic rulers, some of this cost also turns into a benefit—is then an important element in explaining the behavior of states in relation to the limitation of exit and voice. I believe, for example, that the puzzling and unique permissiveness of the Cuban socialist regime with respect to emigration can be interpreted in this fashion: Fidel Castro was determined to establish an authoritarian political order with a strictly limited amount of voice, but at the same time he did *not* want Cuba to become a state with an all-powerful secret police and, given the size of the internal opposition, he preferred to let as many disaffected Cubans as possible depart

⁷ I am grateful to Samuel P. Huntington for reminding me of this early study in exit and voice.

⁸ In line with this reasoning, the poor countries might well demand the opening up of immigration into the rich countries on political as well as on purely economic grounds.

rather than having to subject them to permanent police surveillance and worse.

The interaction of these three variables—suppression of exit, suppression of voice, and repression—can also be observed in other settings. One might even propose a theorem: a state can control only two out of these three variables. In Cuba, Fidel Castro chose to suppress voice and to limit the amount of repression: so he had to put up with an unexpectedly large loss of skilled manpower as hundreds of thousands of Cubans chose to emigrate. In Stalin's Russia, complete suppression of exit and voice yielded repression of a size and kind that surely had not been fully intended at the outset, while in post-Stalinist Russia, the decision to set limits to repression, combined with the continued strict controls on exit, has led to the voicing of considerably more dissent than the authorities had planned for.

I do not wish to make too much of this theorem. Its merit is to create a richer field of forces than the usual two-way alternative between participation and repression. The trouble with the theorem is that the freedom to exit will not always act as a brake on voice: Fidel Castro may have been particularly lucky in that so many Cubans thought of Miami as a potentially satisfactory second home. As we know from Ronald Dore, in countries such as Japan the permission to exit is likely to be as feeble a restraint on voice as the permission to commit suicide.

Exit and Voice in Political Parties and Politics

Political parties in polyarchies are among the rare organizations in which both voice and exit have well-recognized, important roles to play. They should be therefore privileged topics for the testing and refinement of the hypotheses I developed in my book.

Before reviewing the work of others in this area, I cannot resist pointing out that the critique of the Hotelling-Downs model which I put forward in chapter 6 of my book was confirmed by the decision of the Democratic National Convention to nominate George McGovern for President in 1972. Once again, as eight years earlier in the case of Barry Goldwater's nomination by the Republicans, it has been shown that those members who are farthest from the center can wield con-

siderable power in the party even though, according to Hotelling-Downs, they have "nowhere to go" and should therefore be powerless while the party was expected to cater to the middle vote which can wield the power of exit. My point was of course that power grows not only out of the ability to exit, but also out of voice and that voice will be wielded with special energy and dedication by those who have nowhere to exit to.

One proposition I put forward about party politics dealt with the probable amount of internal democracy within parties as opposed to bureaucratic or machine control. I suggested that in a two-party system articulation of opinion on the part of party members and therefore a degree of internal democracy are more likely to be forthcoming than in multiparty systems because in the former ideological distance between parties can be assumed to be greater and loyalty stronger so that dissatisfied members will ordinarily voice rather than exit, the opposite being true for multiparty systems. This was of course a very general deduction from an admittedly primitive political model: in it there is just one spectrum of opinion (left to right) and the ideological distance from extreme left to extreme right is everywhere the same. Clearly the world isn't that simple, as Professor Val Lorwin soon pointed out to me in correspondence. In particular, so he stressed, there are democracies such as Belgium and the Netherlands, whose religious and cultural cleavages have made for a multiparty system in which parties may occupy some position along the left-right continuum but are also, and sometimes principally, identified with a religious or language group. In this situation, a country can obviously have more than two parties and yet the distance between any two of them need not be any shorter, and may in fact be larger, than in a country with a two-party system, but without overriding cleavages. It is therefore quite in line with exit-voice theory when Lorwin (1971) writes in an article on the smaller European democracies (Belgium, Netherlands, Austria, Switzerland): "The pluralism due to segmentation (= cleavage) has, on the whole, made for more, rather than for less, participation in voluntary organization" (p. 157).

The foregoing does not mean, of course, that cleavages, and what the Dutch call *verzuiling*, that is, the organization of parties, interest groups, etc., along strictly confessional or language lines, are guarantees of democracy. While *verzuiling* may strengthen feeling of identification and participation *within* parties and other organizations, it is

only too obvious that the cleavages which give rise to *verzuiling*, also tear countries and communities apart: Nigeria, Pakistan, and Northern Ireland are among the more recent examples. Looking at the range of these outcomes an economist cannot suppress the mechanical and perfectly unhelpful thought that there may be some optimal degree of *verzuiling* which would assure internal democracy and participation within organizations while permitting peaceful and democratic coexistence of the various segmented groups in the wider society.

My model of political parties was excessively simple and general from a number of other points of view. For example, I did not distinguish between the voters, the party members, and the party leaders. Clearly the propensity to voice rather than exit can be expected to increase along this dimension. It follows that in the more traditional European-type parties, where members are supposed to be permanently active and represent a sizable fraction of the total vote, one can expect voice to be more in evidence than in "electoral" or "catchall" parties of the American type. To the extent that "catchall" parties predominate in two-party systems, this structural factor may then detract from the propensity toward voice that parties in a two-party system were expected to exhibit, according to my analysis, in comparison with multiparty systems.⁹

An important further complication is dealt with in an article on party organization and strategy by Wellhofer and Hennessey (1973). In my scheme, dissatisfaction with one's party arises exclusively on ideological grounds as the party pursues policies that are not to the liking of some of the membership. Another potent reason for dissatisfaction is quite simply the failure of a party to grow and to score at election time. In this view, a party must supply its voters with the satisfaction to be on the winning side and its active members with the more tangible benefits of a widening supply of party jobs and, eventually, of public offices. If members are dissatisfied with the party's performance in these respects, their possible reactions are once again exit or voice, and Hennessey and Wellhofer show that, contrary to what one might expect, exit is not necessarily the dominant reaction of those who are primarily success- and office-oriented.

In any event, the voice or exit pattern of those who are primarily policy-oriented is likely to be quite different from those who are

⁹ I am indebted to Aristide Zolberg for discussions on this point.

primarily success- and office-oriented—it is easy to imagine party moves that will arouse the former while delighting the latter and vice versa. Interesting remarks along such lines are made in a paper by Schlesinger (1972).

In my opinion, it may be even more realistic to assume that every “political animal” is part ideologue and part reward-oriented, and is therefore willing to trade off a certain amount of opportunism on the part of the party for its power and success at the polls. Voice and exit behavior would then be understood as a function of such trade-offs.

Similar mixtures of motivations lie behind resignations from public office, a subject to which I addressed myself toward the end of my book. I showed that exit from the United States Government had fallen into excessive disuse and speculated about possible psychological and institutional reasons. The record of the last few years has, on the whole, confirmed my analysis, although there have been a few interesting exits. An important research project in this area is now in progress: Professors Thomas Franck of New York University and Edward Weisband of the State University of New York at Stony Brook have compiled and are now analyzing all resignations from the Cabinet and from certain other top administrative positions that have occurred since 1900 in the United States and Great Britain. A principal question they are interested in is whether resignations were accompanied by reasoned declarations of dissent or were silent, in deference to some loyalty code or simply on opportunistic grounds, and whether resignation behavior of one or the other kind had noticeably different effects on reentry into public office. It is my hope that the study will lead to a better understanding of how the present scarcity of exit behavior in the United States has come about.

Exit and Voice in the Urban Context and in the Organization of Public Services

In the field of urban studies, the exit-voice dichotomy was obviously one of those ideas whose time had come. Without having seen my book, Professor Oliver P. Williams (1971) writes in *Metropolitan Political Analysis*: “There are essentially two options for those who wish to employ a location strategy to change their access within the urban complex. They can move or they can change the characteristics of the place they presently occupy” (p. 29).

To appreciate the change this approach means in comparison to earlier analyses, it is useful to recall the well-known paper by Tiebout (1956), which had celebrated mobility as making possible an efficient allocation of public services to the consumer-citizens in a metropolitan area. Each municipality was viewed as a firm offering a differentiated set of services to customers with different preferences; and, in the model, the only way in which a customer could express his preferences was by moving—there was no room in it for voting or for other political action tending to make his *own* community more to his liking. Together with the advocacy of competition in education by Milton Friedman, which is mentioned in my book, this article can stand as the perfect expression of the economist's bias against voice and in favor of exit.

In the fifties it was perhaps forgivable to search for the hidden rationality of the drive to the suburbs. In the sixties, of course, the overt irrationalities of the phenomenon exploded. The merit of exit-voice theory is to call attention to hitherto neglected, alternative courses of action. Very much in this spirit, Williams calls the current preference for exit "mobility as a substitute for formal politics" (p. 110) and raises critical questions about the institutional framework that has led to this abdication.

A striking case of convergence with my work is an article of Professors Orbell and Uno (1972). In 1966, they had conducted a sample survey in Columbus, Ohio, to elicit information from residents on the kind of neighborhood problems they were concerned about and on how they were planning to react to whatever problems they perceived. It turned out that people's intentions could be arranged into two categories: either they planned to move or they intended to ameliorate the problems they experienced through political action. In the process of writing up the results of their survey as an article for the *American Political Science Review*, Orbell and Uno learned about my book, came to correspond with me, and subsequently decided to use my terminology in presenting and analyzing their data. As the survey and my book were asking very similar questions, Orbell and Uno were able to test a number of my hypotheses. One of those confidently expected findings which it is nevertheless nice to see empirically confirmed was that "blacks are more likely to voice in response to problems than are whites of similar status who live in similar urban areas" (p. 484). The reason for this greater propensity to voice on the

part of blacks is of course their lower mobility because of *de facto* segregation of housing in numerous urban and suburban areas.

On the whole, the study confirms what we know about proneness of whites to exit rather than to voice from urban areas as a response to neighborhood problems; but Orbell and Uno uncovered interesting differential behavior patterns not only for whites and blacks, but also for higher-status and lower-status whites, with the latter particularly prone to exit while higher-status whites are also often inclined to take political action. Once people reach the suburbs, the pattern changes of course radically and the first reaction to newly arising neighborhood problems in the suburbs is voice rather than exit. This leads Orbell and Uno to an interesting analysis of "exit-fatigue," the reality of which anyone who has recently moved can readily confirm.

The concept of exit-fatigue leads me to open a brief parenthesis about the general topic of exit-voice sequences. One might ask: does exit (and subsequent entry elsewhere) lead to more exit in faster and faster succession? Or do exit and voice typically alternate? Obviously such questions cannot be given a uniform answer but they serve to lead us to diverse situations and to the identification of contrasting sequences and critical variables. For example, when highly structured and hierarchical organizations lose their hold on some members, as the Catholic Church did during the Reformation, or Communist parties in the West during various twists of the party line, then such first exits tend to be followed by many others as is shown by the proneness to splintering among both Protestant sects and groups belonging to the ex-Communist Left. On the other hand, there are cases where exit-fatigue after a first exit leads to the determination to be "loyal," or to use voice within the new community, as in the case of those who have moved to the suburbs or who have emigrated to a new country (see *Exit* . . . , pp. 112–114). Finally there must be many sequences about which it is difficult to have a strong intuitive *a priori* feeling: for example, is a person who remarries after one divorce more or less likely to divorce than when he or she married for the first time? I am told that the second time around one tends to try harder to make the marriage work; on the other hand, those who divorce once contain a good proportion of men and women who really cannot abide married life, but insist on trying again and again.¹⁰

¹⁰ For some data for the United States, see Bell, 1967, pp. 509 ff.

To return to the city. Both Williams and Orbell-Uno lament the victory of exit over voice, that is, of mobility over politics which is responsible for the deterioration of the American city over recent decades, and both end up speculating about remedial policies. One of the more interesting findings of Orbell-Uno is that many people seem to be considering both exit and voice in response to neighborhood problems so that the actual exit decision may often win out only by a narrow margin. Hence small improvements in the attractiveness and efficiency of voice could make a great deal of difference and the further deterioration of the central city is not an irresistible wave of the future after all. It could be arrested and reversed by improvements in the political process, supplemented perhaps by economic measures that would tax exit and subsidize nonexit. As to the political process in the urban context, both the movement toward decentralization and "community control," and the proposals for metropolitan integration are relevant to the strengthening of voice, but these huge topics obviously fall outside the scope of the present paper, as does the closely related issue of ghetto-improvement versus ghetto-dispersal.

The exit-voice framework has also been found useful in connection with the search for optimal ways of organizing urban public services. In this field Dennis Young proposed in 1971, once again without prior knowledge of my book, a systematic survey of three possible ways of improving efficiency: one was systematic performance evaluation, the second decentralization which can be considered a form of intensifying voice, and the third competition-exit. In an introduction to a projected reader in this field (1972) he uses the exit-voice framework explicitly in order to look at a wide range of public services, from taxis, garbage collection, cable television, fire protection and police, to school systems, day care for children, medical care and criminal correction. A systematic examination of organizational alternatives yields some surprising conclusions: for example, the introduction of a measure of competition is recommended for garbage collection,¹¹ whereas decentralization and other ways of strengthening voice are advocated for police departments. A particularly interesting combination of exit and voice is proposed for the organization of day care for children, on

¹¹ This is consistent with the notion that competition is at its best when the consumer knows exactly what sort of good and service he is after (see above, p. 436).

the basis of the already noted contribution of Nelson and Krashinsky (1972), and even more ingenious proposals for introducing some measure of both exit and voice are made with respect to criminal correction and prison reform.

Finally, the exit-voice framework appears to be particularly applicable to certain debates around the British National Health Service. The partisans of the NHS have taken a stand against extending some of its benefits (cheaper medicines and laboratory tests) to those who would avail themselves of private rather than public medicine for precisely the reason why I advocated "locking in" of the dissatisfied customer in certain situations. The defenders of the NHS, well aware of its possible failings, feel that NHS needs precisely the potential exiters—educated, vocal middle-class people—as critics *within* the service; hence exit should not be made too easy or cheap for them. A detailed review of the issue and the debates around it as well as a thorough examination of the analytical problems involved will be supplied in the forthcoming doctoral dissertation of Hugh B. Davies (1973), a British graduate student in economics at the University of Pennsylvania. Mr. Davies, whose thesis advisor is Professor Williamson, has also extensively reformulated some of my own analysis of exit and voice and, in the process, has made it more amenable to mathematical treatment. While I naturally welcome this effort, I have nevertheless somewhat mixed feelings about it. If Mr. Davies is successful he may well spawn a large and increasingly complex mathematical literature with the result that it will become ever harder for me to read the papers that will be written on exit and voice, let alone to comment on them in the easygoing fashion which I have been able to use this time around.

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