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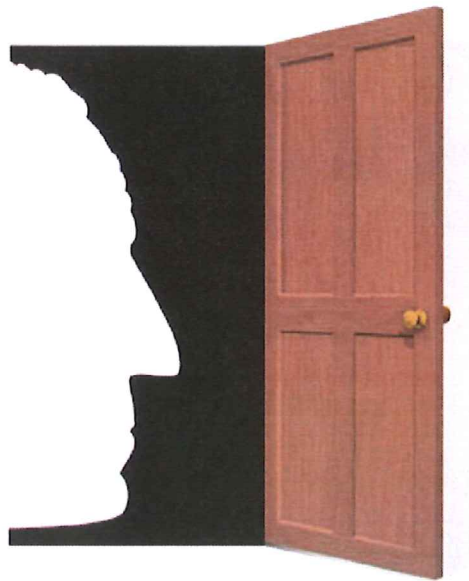
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The
Economist

Schumpeter
Exit Albert Hirschman

A great lateral thinker died on December 10th
Dec 22nd 2012 | [From the print edition](#)



Brett Ryder

ALBERT HIRSCHMAN knew what he was talking about when he called one of his books “Essays in Trespassing”. He was an extraordinarily peripatetic practitioner of the dismal science. Born in Berlin in 1915, he fled the Nazis in 1933, studied in Paris, London and Trieste, joined the anti-Mussolini resistance, fought on the Republican side in the Spanish civil war, served in the French army until France’s collapse in 1940, helped to organise an “underground railway” for refugees, emigrated to America, joined the army and was a translator at Nuremberg. He applied the cosmopolitan spirit that he had acquired in these years to everything he wrote.

He made his reputation as a development economist, focusing on Latin America, but he soon found himself trespassing obsessively—not only into other sub-disciplines such as the theory of the firm but also into other disciplines entirely such as political science and the history of thought. Mr Hirschman was never awarded the Nobel prize in economics he so richly deserved, perhaps because his writing was hard to classify. However, as if by way of recompense, Princeton University Press is about to publish a 768-page biography by Jeremy Adelman.

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Mr Hirschman’s most famous book, “Exit, Voice and Loyalty: Responses to Decline in Firms, Organisations and States”, remains as suggestive today as it was when it first appeared in 1970, for managers and policymakers as well as intellectuals. Mr Hirschman argued that people have two different ways of responding to disappointment. They can

vote with their feet (exit) or stay put and complain (voice). Exit has always been the default position in the United States: Americans are known as being quick to up sticks and move. It is also the default position in the economics profession. Indeed, when his book appeared, Milton Friedman and his colleagues in the Chicago School were busy extending the empire of exit to new areas. If public schools or public housing were rotten, they argued, people should be encouraged to escape them.

Mr Hirschman raised some problems with the cult of exit. Sometimes, it entrenches the status quo. Dictators may rule longer if their bravest critics flee abroad (indeed, Cuba uses emigration as a safety valve). Monopolies may have an easier life if their stroppest customers find an alternative. Mr Hirschman got the idea for his book during a ghastly train journey in Nigeria: he concluded that the country's railways were getting worse because the most vocal customers were shifting to the roads.

Exit may also reinforce the cycle of decline. State schools may get worse if the pushiest parents take their custom elsewhere. Mr Hirschman worried that a moderate amount of exit might produce the worst of all worlds: "an oppression of the weak by the incompetent and an exploitation of the poor by the lazy which is the more durable and stifling as it is both unambitious and escapable." (Mr Hirschman wrote better in his third language than most economists do in their first.) Exit may also entail costs. If you have invested heavily in a company that starts performing badly, then you may be better off agitating for a change in management rather than selling your shares at a loss.

Mr Hirschman overstated his case. Plenty of evidence suggests that choice can act as an energiser, not a soporific. The most comprehensive study of school choice, in Sweden in 1988-2009, by Anders Bohlmark and Mikael Lindahl, found that "free schools" (private schools that are paid for by the state) were not only good for their own pupils but also forced ordinary state schools to shape up. But Mr Hirschman's overall point was not that exit is bad but that exit and "voice" work best together. Reformers are more likely to be able to fix an organisation if there is a danger that their clients will leave. The problem with Friedman et al was that they focused only on exit and not on how exit and voice could be used to reinforce each other.

Modern technology is adding to the power of both exit and voice. Consumers can abandon expensive middlemen for electronic commerce. They can also organise online armies to protest against poor service. But companies are also fighting back—making exit more difficult by persuading people to sign long-term contracts (particularly with teaser rates) and encouraging loyalty by offering rewards such as air miles. They are also adding their own voices to the hubbub via social media.

Squawk or go

Mr Hirschman wrote so much about so many different subjects that it is easy to see why his biography stretches to 768 pages. He challenged the conventional wisdom among his fellow development economists that poor countries need "balanced growth"; he argued instead that the "disequilibria" generated by unbalanced growth might do a better job of mobilising resources. He also challenged the conventional wisdom among sociologists and historians that the Protestant ethic prepared the way for capitalism. He suggested, rather, that the starring role should be given to a group of thinkers, such as Montesquieu, who argued that the best way to prevent social disorder was to channel people's passions into moneymaking.

The Economist claims to engage in a "severe contest" with "an unworthy, timid ignorance obstructing our progress". Mr Hirschman was an eloquent ally. In "The Rhetoric of Reaction" he wrote that purveyors of "timid ignorance" rely on three types of argument: jeopardy (reforms will cost a lot and endanger previous gains); perversity (reforms will harm the people they are intended to help); and futility (problems are so huge that nothing can be done about them). That certainly describes the current debates about global warming, illegal drugs and countless other topics. With luck, Mr Hirschman's exit will not silence his voice.

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