



## Exit, Voice, and the State

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# EXIT, VOICE, AND THE STATE

By ALBERT O. HIRSCHMAN\*

THERE are two main types of activist reactions to discontent with organizations to which one belongs or with which one does business: either to *voice* one's complaints, while continuing as a member or customer, in the hope of improving matters; or to *exit* from the organization, to take one's business elsewhere. *Exit, Voice, and Loyalty*<sup>1</sup> was built on this dichotomy.

One of my main contentions was that economists, with their emphasis on the virtues of competition (i.e., exit), had disregarded the possible contributions of voice just as political scientists, with their interest in political participation and protest, had neglected the possible role of exit in the analysis of political behavior. The book, however, gave more attention to the former point and dealt only briefly with the political scientist's principal object of study: the state.<sup>2</sup> In the present paper, I shall attempt a more extensive survey. The importance of exit in relation to the state is the common theme of the diverse situations, ranging from the stateless societies of tropical Africa to the modern small welfare state, that I will explore.

## I. EXIT, ROUSSEAU'S SAVAGE, AND STATELESS SOCIETIES

Does the exit-voice model have something useful to contribute to the analysis of the state? It does, in the opinion of Jean-Jacques Rousseau.

\* This paper was originally written for a symposium held in June 1977 at the University of Uppsala, Sweden, on the occasion of the 500-year jubilee of the foundation of the University. It is reproduced here with some changes. The author is grateful to Ulf Himmelstrand who organized the Uppsala symposium, and to Karen Blu and Clifford Geertz for discussion and critical comments.

<sup>1</sup> Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge: Harvard University Press 1970).

<sup>2</sup> Primarily in connection with the issue of resignation of officials who are in disagreement with public policies (see chaps. 7 and 8). I have touched on emigration in relation to the state in two subsequent papers: "Exit, Voice, and Loyalty: Further Reflections and a Survey of Recent Contributions," *Social Science Information*, XIII (February 1974), 7-26, and "Political Economy: Some Uses of the Exit-Voice Approach—Discussion," *American Economic Review, Papers and Proceedings*, Vol. 66 (May 1976), 386-89. Secessionist movements are brought into the exit-voice framework by Stein Rokkan, "Dimensions of State Formation and Nation-Building: A Possible Paradigm for Research on Variations within Europe," in Charles Tilly, ed., *The Formation of National States in Western Europe* (Princeton: Princeton University Press 1975), 562-600, and by Samuel E. Finer, "State-Building, State Boundaries and Border Control: An Essay on Certain Aspects of the First Phase of State-Building in Western Europe, Considered in the Light of the Rokkan-Hirschman Model," *Social Science Information*, XIII (August-October 1974), 79-126.

In the *Discourse on the Origin and the Foundations of Inequality among Men* he wrote:

When the savage has had his dinner he is at peace with all of Nature and friends with everyone around him. What if a dispute arises about the meal? In that case, he will never become involved in a real fight without having first compared the difficulty of winning with *that of finding elsewhere the means of subsistence*; and since considerations of pride are of no consequence the fight is rapidly settled by the exchange of some fisticuffs: the winner eats, the loser *goes to look for better luck elsewhere (va chercher fortune)* and everything is at peace again; but with man in society things are altogether different. . . .<sup>3</sup>

Rousseau allowed here for a strictly limited amount of nonverbal voice —“some fisticuffs” in the unusual case in which there is a fight at all—and exit was for him the principal way in which the “savage” manifests nonconformity with other members of his group. This way of dealing with dissent has the virtue of minimizing conflict; it also is likely to keep any one group quite small. For exit to function in this beneficial manner, Rousseau’s principal condition is the absence of “pride”—elsewhere he called it *amour propre* and contrasted it with the commendable *amour de soi* which is concerned with the satisfaction of basic physiological needs. The question whether the “savage” would be able to fill these needs after having exited from a group was taken up by Rousseau in his *Essay on the Origin of Languages* and, consistently enough, received a resoundingly affirmative answer.

. . . the origin of languages is not due to the first needs of men; it would be absurd to hold that from the *cause that separates men* there should derive the instrument that unites them. Where, then, does language originate? In the moral needs, in the passions. Passions bring men closer together *while the need to stay alive obliges them to flee from each other*.<sup>4</sup>

Most readers of the *Essay* are of course interested in Rousseau’s remarkable theory of language which is brought underway with these vigorous sentences. I choose to emphasize here his view that breaking away from a group is not necessarily a bar to survival, so that exit becomes a feasible option in case of conflict. It is well to remember that the *Essay* was originally part of the *Discourse*;<sup>5</sup> the two quoted passages are different aspects of the same thought. Jointly they constitute a theory of a small, stateless society in which the availability of exit

<sup>3</sup> Rousseau, *Oeuvres complètes* (Paris: NRF, Pléiade 1966), III, 203; emphasis added.

<sup>4</sup> See Rousseau, *Essai sur l'origine des langues . . .*, edition, introduction, and notes by Charles Porset (Bordeaux: Ducros 1970), chap. II, 43; emphasis added.

<sup>5</sup> *Ibid.*, 11 (introduction by Porset).

has the dual function of defusing conflict and of assuring a continuous process of fission—and thereby the continuation of the condition of statelessness.

Observation of certain so-called primitive societies in recent decades has turned up a number of situations that correspond to Rousseau's model. Writing in 1944, Claude Lévi-Strauss gives the following account of political life among the Nambikuara of Central Brazil:

No social structure is weaker and more fragile than the Nambikuara band. If the chief's authority appears too exacting, if he keeps too many women for himself, or if he does not satisfactorily solve the food problem in times of scarcity, discontent will very likely appear. Then, individuals, or families, will separate from the group and join another band believed to be better managed. . . . Therefore, Nambikuara social structure appears continuously on the move. The bands take shape, they disorganize, they increase and they vanish. Within a few months, sometimes, their composition, number and distribution cannot be recognized.<sup>6</sup>

A similar pattern of social and political behavior, also from Central Brazil, is reported by Joan Bamberger about a tribe called Kayapó:

Should traditional leadership fail to re-establish harmony after a dispute has broken out, the contestants and sometimes their supporters, which in the most dramatic instance includes the entire community, may engage in physical combat. Fighting of this kind is institutionalized among the Kayapó in the formal duel, known as *aben tak* ("hitting together"). . . . whoever loses an *aben tak*, whether it is a two-person fight or a community brawl, must leave the village. The Kayapó say that the vanquished depart because they have too much "shame" (*piaam*) to remain in the same village with those people with whom they have fought. . . .<sup>7</sup>

The similarity to Rousseau's fisticuffs scenario is remarkable, even though the Kayapó seem to be afflicted with more than a trace of pride and *amour propre*. The disaffected Kayapó also resemble Rousseau's savage in that they simply exit without necessarily *entering* or joining some other group that seems to them to be better managed (as is the case for the group described by Lévi-Strauss); a breakaway group is here apparently willing and able to go it alone.

On turning from America to Africa, one meets with many more illus-

<sup>6</sup> Lévi-Strauss, "The Social and Psychological Aspects of Chieftainship in a Primitive Tribe: The Nambikuara of Northwestern Mato Grosso" (1944), reprinted in Ronald Cohen and John Middleton, eds., *Comparative Political Systems: Studies in the Politics of Pre-Industrial Societies* (Garden City, N.Y.: Natural History Press 1967), 53-54.

<sup>7</sup> Bamberger, "Exit and Voice in Central Brazil: On the Politics of Flight in Kayapó Society," in David Maybury-Lewis, ed., *Dialectical Societies* (Cambridge: Harvard University Press, forthcoming).

trations of the phenomenon of fissiparous politics—known to the anthropological literature under such titles as acephalous or stateless societies, segmentary lineage systems, fission and fusion, and the like. A large part of that literature deals with what in modern politics is known as “secession” rather than as “emigration.” In other words, the tendency toward fission frequently takes the form of a group detaching itself from a larger one while staying (or moving about, in the case of nomadic tribes) in the same area as before. The exit concept could, of course, be extended to cover cases of this sort. I shall, however, limit myself here to situations in which physical moving away of individuals or groups is an essential characteristic of the splitting-up process.

Frequent recourse to exit in this sense appears to be an important ingredient of statelessness in a number of African societies. Evans-Pritchard says about the Nuer that “any Nuer may leave his tribe and settle in a new tribe of which he thereby becomes a member.”<sup>8</sup> In their Introduction to *Tribes Without Rulers*, Middleton and Tait write, “In much of Central Africa, for example, there are politically uncentralized societies in which . . . the main political structure is provided by relations between chiefs and villagers of cognatic kin, related in various ways to a headman and free to choose their village residence where they please.”<sup>9</sup> Reporting on Bushman bands in South Africa, Lorna Marshall points out that “the possibility of choice and change of members from one band to another . . . allows for adjustment in the size of the band to the relative scarcity of food and water” and that “a new band can be formed at any time that circumstances permit and people desire to form one.” Friction in human relations is one reason for such new band formation.<sup>10</sup>

The most elaborate description of the fission process via geographical separation is in Turnbull’s account of Mbuti pygmy bands in the tropical rain forest of Central Africa. Here fissions that have little to do with lineal relationships are frequent occurrences, specially on the occasion when a camp moves.

Sites are even chosen because they afford greater privacy between the various sections, thus minimizing any serious disputes that are in progress. Some interpersonal hostilities will persist, however, and it is these

<sup>8</sup> Evans-Pritchard, “The Nuer of the Southern Sudan,” in M. Fortes and E. E. Evans-Pritchard, eds., *African Political Systems* (London: Oxford University Press 1940), 279.

<sup>9</sup> John Middleton and David Tait, eds., *Tribes Without Rulers: Studies in African Segmentary Systems* (London: Routledge & Kegan Paul 1958), 3. It should be noted that the book does not deal with these societies; it concentrates on those having “segmentary lineage systems,” where exit resembles secession rather than emigration.

<sup>10</sup> Marshall, “!Kung Bushman Bands” (1960), reprinted in Cohen and Middleton (fn. 6), 17, 34-35.

and not lineal relationships that are reflected in the final fission, when the camp divides into a number of independent camps, or sub-bands, each going its own way. If the dispute is serious, one or another sub-band may go off to another territory, and seek to join up with that band. . . .

So the monthly change of camp is an opportunity not only for a diplomatic rearrangement of the layout, minimizing latent hostilities, but it is also an opportunity for improving the economic strength of the band by either adding to it or subtracting from it.<sup>11</sup>

By bringing together these various situations—which Rousseau hit upon by pure deduction—I hope to have demonstrated that some forms of statelessness are closely associated with the possibility and regular practice of exit. But it is by no means easy to interpret the nature of this association. The fact that my most explicit examples in America and Africa come from bands living in thinly populated tropical rain forests or savannahs suggests that the availability of at least minimally fertile, unoccupied natural resources makes exit permanently attractive and prevents the emergence of any larger political grouping with state-like authority. Such availability, however, is not a sufficient condition for statelessness: within a lord-peasant or lord-laborer context, exactly the same situation has been quite plausibly invoked by Nieboer and others as favoring the introduction of *slavery*.<sup>12</sup> The presence of “open resources” is no doubt important in shaping political forms; but, depending on other system determinants, it can lead either to a highly coercive system or to one that lacks any specialized and permanently constituted political authority. Moreover, these two polar opposites do not exhaust the universe of possibilities: after all, Nieboer’s “open resources” are not so far from Turner’s “open frontier.”<sup>13</sup>

In any event, I do not wish to propound here an ecological theory of stateless societies. What interests me is not so much the fundamental reason for which exit takes place with such regularity as the political effects of institutionalized exit. One of these effects is the non-emergence of large, centralized societies with specialized state organs. Another is the apparent stability of the statelessness-cum-exit condition

<sup>11</sup> Colin M. Turnbull, *Wayward Servants: The Two Worlds of the African Pygmies* (London: Eyre & Spottiswoode 1965), 106. Turnbull attempts to explain this constant “flux and instability” of the Mbuti bands by their antagonistic relationship with the settled villagers who, as a result of this confusion, are unable to assert the lineal and territorial rights they claim over the Mbuti.

<sup>12</sup> H. J. Nieboer, *Slavery as an Industrial System* (The Hague: Nijhoff 1900); Evsey Domar, “The Causes of Slavery or Serfdom: A Hypothesis,” *Journal of Economic History*, xxx (March 1970), 18-32.

<sup>13</sup> Nieboer and Frederick Jackson Turner were contemporaries, but were probably unaware that one was speaking of “open resources” as a factor conducive to slavery and the other of the “open frontier” as conditioning American-style democracy.

over wide areas and through time. Political arrangements that are unstable at the level of individual bands, with their constant fission and fusion, have been remarkably stable—as though frozen in this pattern of instability—when looked at from a slightly more macro point of view. One reason is that the exit pattern of conflict behavior, once set, is very difficult to change except through some outside event such as invasion or exhaustion of the “open resources.” Once again, the practice of exit is self-reinforcing. Once this avoidance mechanism for dealing with disputes or venting dissatisfaction is readily available, the contribution of voice—that is of the political process—to such matters is likely to be and to remain limited.<sup>14</sup>

In accounting for stability, one would wish to know something about the feedback effect of exit on the organization that is being left: does the organization take notice of exits by its members and act in consequence in such a manner as to remedy its weaknesses and inefficiencies? Unfortunately, the anthropological studies I have cited do not supply much material in answer to this question. When exit occurs as a result of disputes between the two parties, it probably just produces satisfaction for the one that remains, and a “good riddance” reaction. According to some of the descriptions, however, exit results not only from the push of internal dispute, but also from the pull of “superior management” of other bands. In such a case, the bands that are losing members are more likely to react to the loss by attempting to improve their own performance. In view of the stability of these societies through time, one may perhaps infer that such a stabilizing feedback process must be at work: if exit were always cumulative, with losing bands never being able to recoup their losses, a tendency toward consolidation of the many bands into one would have asserted itself. (Another explanation why this does not occur would be that there is some sort of optimal size for bands with diseconomies of scale setting in if this size is exceeded.)

The exit behavior characteristic of the societies just reviewed, particularly when exit from one band involves entry into another, “better managed” one, is remarkably similar to what has been called “voting with one’s feet.” Because it resembles the working of the market where a buyer is free to switch from one seller to another, some quarters have celebrated this mechanism as far more “efficient” than the “cumbersome” political process for the redress of people’s grievances or the fulfillment of their demands.<sup>15</sup> Unfortunately, because of differences in

<sup>14</sup> This is true even for so elaborate a function as that of the “leopard-skin chief” of the Nuer in mediating disputes. See Evans-Pritchard (fn. 8), 291-95.

<sup>15</sup> Milton Friedman, *Capitalism and Freedom* (Chicago: Chicago University Press

income and wealth, the ability to vote with one's feet is unequally distributed in modern societies. In the United States, where the problem is compounded because of race discrimination, inequality in access to exit has had some appalling consequences, such as the "ghettoization" and partial ruin of our big cities. It is possible that a more satisfactory approximation of the neo-laissez-faire economist's political dream is found in the societies of the forest people in Central Brazil and Central Africa; in historical perspective, of course, theirs has not been a perfect solution either, since they have turned out to be no match for the perhaps less efficient, but more powerful societies—exitless and endowed with a centralized political organization—that arose elsewhere.

## II. MOVABLE PROPERTY AND ITS EXIT AS A RESTRAINT ON THE STATE

The European state system of the 17th and 18th centuries is precisely that sort of society in one of its purest forms. To a considerable extent, the absolutist state arose as a result of a laborious and eventually successful fight for the formation and territorial unification of a geographical unit. Particularly on the European Continent, the state was, as Samuel Finer has remarked, "obsessed by the demon of exit," exit being taken here in the sense of territorial autonomy or secession.<sup>16</sup> It is ironic, then, and was so sensed by some 18th-century observers, that as soon as one form of exit had been brought under control, another raised its head because of the expansion of commerce and finance which was actively promoted by the absolutist state. With this expansion, a new form of wealth assumed increasing importance. It was named *movable* wealth, in contrast with the unmovable form—land and buildings—in which the bulk of assets had traditionally been held. Montesquieu defined it as "money, notes, bills of exchange, stocks of companies, ships, all commodities and merchandise"; he noted that this form of wealth could move about from one country to another.<sup>17</sup>

What was the reaction of the state and of enlightened opinion to the discovery of this new form of wealth and to the possibility of its exit? The fears and hopes aroused by the rise of movable capital in the 17th and 18th centuries offer many interesting parallels with similarly contradictory perceptions caused quite recently by the rise of the multinational corporation.<sup>18</sup> A comparative study cannot be undertaken here,

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1962), chap. 6; Charles M. Tiebout, "A Pure Theory of Local Expenditures," *Journal of Political Economy*, Vol. 64 (October 1956), 416-24.

<sup>16</sup> See Finer (fn. 2), 115

<sup>17</sup> Montesquieu, *Esprit des lois*, XX, chap. 23.

<sup>18</sup> See Hirschman, *The Passions and the Interests: Political Arguments for Capitalism*

but a brief survey of reactions to the earlier phenomenon will perhaps be suggestive.

Initially, there was a lag in the perception of the new form of wealth, and particularly of its possible importance for politics. The case of James Harrington is striking. He is justly famous for his theory relating political forms and stability to the concentration and distribution of property. Nevertheless, at a time when the major mercantilist tracts about trade and bullion were being written, his principal work, *Oceana* (1656), focused exclusively on landed property and its distribution as a determinant of politics. Criticized on this score by some of his contemporaries, he later justified his position by pointing, with an elaborate metaphor drawn from falconry, to the superior ability of "Mony" to take to flight:

Tho Riches in general have Wings and be apt to bate; yet those in Land are the most hooded, and ty'd to the Perch, whereas those in Mony have the least hold, and are the swiftest of flight. . . . a Bank never paid an Army; or paying an Army soon became no Bank. But where a Prince or a Nobility has an Estate in Land, the Revenue whereof will defray this Charge, there their Men are planted, have Toes that are Roots, and Arms that bring forth what Fruits you please.<sup>19</sup>

Here was an eloquent defense of the model used by Harrington. But the very "flightiness" of money which he stressed for this purpose raised questions about favorable or unfavorable *political* consequences that were to be expected as movable property became a substantial proportion of a country's total wealth.

One century later a debate along such lines was in full swing. It was not ever fully joined: those who looked at the new phenomenon with hope or alarm, respectively, usually dealt with different varieties of movable property. For example, one of the strongest denunciations of the new form of wealth was issued by David Hume as he focused on the public debt. In one of his later "conservative" essays, he predicted that "a grievous despotism must infallibly prevail" were England to allow the public debt to expand indefinitely; he castigated the holders of the debt, the "stockholders . . . who have no connexions with the state, who can enjoy their revenue in any part of the globe in which they chuse to reside. . . ."<sup>20</sup>

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*before Its Triumph* (Princeton: Princeton University Press 1977), 95, and Part Two, *passim*.

<sup>19</sup> See "The Prerogative of Popular Government," in James Harrington, *Oceana and Other Works*, ed. John Toland (3d ed.; London: A. Millar 1747), 243.

<sup>20</sup> From essay, "Of Public Credit" in Hume, *Writings on Economics*, ed. E. Rotwein (Madison: University of Wisconsin Press 1970), 98-99. For a number of telling 18th-

Exit of the “stockholders,” or “stockjobbers” as they were also called in a pejorative vein, is here judged as an act of disloyalty and near-betrayal, without any redeeming features. But this passage stands quite alone in Hume’s writings; he had only praise for the new forms of mobile wealth generated by trade and industry—as did some of his friends and contemporaries, such as Adam Smith and Montesquieu. Actually, the latter discovered grounds for hailing the newly emerging forms of property, not in spite but *because* of their capacity for self-expatriation. This is a rather unexpected argument that is worth reviewing in some detail.

Always on the lookout for ways in which the overweening power of the sovereign could be checked, Montesquieu saw much promise in the invention and expanding use of the bill of exchange.

. . . through this means commerce could elude violence, and maintain itself everywhere; for the richest trader had only invisible wealth which could be sent everywhere without leaving any trace. . . .

Since that time, the rulers have been compelled to govern with greater wisdom than they themselves might have intended; for, owing to these events, the great and sudden arbitrary actions of the sovereign (*les grands coups d'autorité*) have been proven to be ineffective and . . . only good government brings prosperity [to the prince].<sup>21</sup>

Thus, the fact that, with the bill of exchange, a large portion of wealth had become mobile and elusive and was capable of both hiding and expatriation is here celebrated as a restraint on the *grands coups d'autorité* of the prince and as a positive contribution to good government.<sup>22</sup>

The new inability of political authority to seize the citizens’ wealth at will also struck others as making a fundamental difference to the way in which government was likely to be carried on; the argument was formulated in a general way (that is, not just with regard to the bill of exchange) by Sir James Steuart: As private wealth expands, it “avoids

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century quotes denouncing the new world of stockjobbers and finance, see Isaac Kramnick, *Bolingbroke and His Circle: The Politics of Nostalgia in the Age of Walpole* (Cambridge: Harvard University Press 1968), 47-48, 71-76, 220, 246.

<sup>21</sup> Montesquieu (fn. 17), XXI, chap. 20.

<sup>22</sup> Later in the century, Turgot based very similar hopes on the emigration of *persons*. Commenting on Richard Price’s *Observations on the Importance of the American Revolution* he wrote: “The asylum which [the American people] opens to the oppressed of all nations must console the earth. The ease with which it will now be possible to take advantage of this situation, and thus to escape from the consequences of a bad government, will oblige the European Governments to be just and enlightened.” (Letter to Price of March 22, 1778, in *Oeuvres*, Paris: Delance 1810, IX, 389.) Turgot here argues about the state losing citizens as though it were a firm impelled by the exit of customers to improve its performance. The actual political effects of emigration on the sending country and their considerable diversity are explored in the next section.

[the statesman's] grasp when he attempts to seize it. This makes his government more complex and more difficult to be carried on; *he must now avail himself of art and address* as well as of power and authority."<sup>23</sup>

Capital flight—the possible exit of capital (and of the capitalists)—was perceived as a salutary restraint on arbitrary government by both Montesquieu and Sir James Steuart, who put forward several far more sanguine speculations about the likely political effects of economic expansion. Although Adam Smith differed with them in these respects,<sup>24</sup> he went along to the extent of arguing that the mobility and elusiveness of “capital stock” make it impossible for taxation to be as “vexatious” as it might otherwise be:

There are . . . two different circumstances which render the interest of money a much less proper subject of direct taxation than the rent of land.

First, the quantity and value of the land which any man possesses can never be a secret, and can always be ascertained with great exactness. But the whole amount of the capital stock which he possesses is almost always a secret, and can scarce ever be ascertained with tolerable exactness. . . . An inquisition into every man's private circumstances . . . would be a source of such continual and endless vexation as no people could support.

Secondly, land is a subject which cannot be removed, whereas stock easily may. The proprietor of land is necessarily a citizen of the particular country in which his estate lies. The proprietor of stock is properly a citizen of the world, and is not necessarily attached to any particular country. *He would be apt to abandon the country in which he was exposed to a vexatious inquisition, in order to be assessed to a burdensome tax, and would remove his stock to some other country where he could either carry on his business, or enjoy his fortune more at his ease.* By removing his stock he would put an end to all the industry which it had maintained in the country which he left. Stock cultivates land; stock employs labour. A tax which tended to drive away stock from any particular country, would so far tend to dry up every source of revenue, both to the sovereign and to the society. . . .

The nations; accordingly, who have attempted to tax the revenue arising from stock, instead of any severe inquisition of this kind, have been obliged to content themselves with some very loose . . . estimation.<sup>25</sup>

It would almost seem, then, as though everything were for the best: on the one hand, the dangerous exit in the form of secession had been

<sup>23</sup> Steuart, *Inquiry into the Principles of Political Oeconomy* (1767), I, ed. A. S. Skinner (Chicago: University of Chicago Press 1966), 181; emphasis added.

<sup>24</sup> Hirschman (fn. 18), 100-113.

<sup>25</sup> Smith, *The Wealth of Nations*, Modern Library ed., 800; see also pp. 345 and 858 for related passages; emphasis added.

more or less successfully exorcised by the power of the 17th- and 18th-century state; on the other, according to the converging testimony of Montesquieu, Sir James Steuart, and Adam Smith, that power was curbed by a new and beneficial variety of exit that surfaced as a result of economic expansion: the ability of capital and capitalists to “remove their stock” or, in modern terms, to “vote with their feet” for the best available “business climate.”

It is useful to recall these early perceptions, if only to marvel at the distance by which they are separated from contemporary ones. Today the international mobility of capital is infinitely greater (within the capitalist world) than at the time of Montesquieu and Adam Smith. There are numerous varieties of such mobility: transnational corporations can move subsidiaries from one country, considered unsafe, to another; more threateningly, mobility can take the form of international banks refusing to “roll over” their loans to a country that is considered to be “out of line.” Still, the principal weapon is wielded by the country’s own citizens—particularly of course by the more opulent ones among them—as they engage in capital flight on a massive scale whenever they feel threatened by domestic developments.

Occasionally these various exits do occur, according to the 18th-century script, in response to the arbitrary and capricious actions of the sovereign. But a much less favorable interpretation may be in order: exit of capital often takes place in countries intending to introduce some taxation that would curb excessive privileges of the rich or some social reforms designed to distribute the fruits of economic growth more equitably. Under these conditions, capital flight and its threat are meant to parry, fight off, and perhaps veto such reforms; whatever the outcome, they are sure to make reform more costly and difficult. It looks, therefore, as though the availability of the kind of exit that was hailed by Montesquieu and Adam Smith were today a serious menace: it damages the capability of capitalism to reform itself.

Actually, this situation does not affect all countries equally. Capital flight is obviously much less of a weapon in the largest and most powerful countries where the owners of capital feel that there is no place else to go. Here it can be expected that voice will be activated by the impossibility of exit. Capitalists will make elaborate attempts to influence public opinion and public policy. An ideology in defense of capitalism will arise. At the same time, concessions are likely to be forthcoming where reforms of the system are obviously needed and are essential to the demonstration that the capitalist system can itself evolve and ameliorate the problems it creates. Purely on the basis of the differential

availability of exit for capital and capitalists, one might therefore expect that the largest and most central countries of the capitalist system would be, at one and the same time, the ideological bulwarks of the system and its most active problem-solvers; the more peripheral states, on the other hand, might be in the grip of an anticapitalist ideology, and would at the same time exhibit unconscionable extremes of wealth and poverty. This “prediction,” based on a most parsimonious exit-voice model, is surprisingly correct in a number of respects. The combination of an attitude of “standing up for capitalism” with attempts to remedy the system’s worst evils is exemplified by both Victorian England and the United States of the 20th century; in many less developed countries, on the other hand, the absence of any strong ideological support for capitalism coexists rather oddly with extraordinary difficulties faced time and again by attempts at effective reform. Here is perhaps a key to the old puzzle why anticapitalist revolutions have consistently broken out at the periphery rather than at the center of the capitalist system.

Fortunately, the model does not explain everything. In particular, it does not deal satisfactorily with an important group of small countries. A few additional factors must therefore be introduced.

### III. EXIT AS A THREAT TO THE SMALL MODERN STATE AND SOME DEFENSIVE STRATEGIES

In the 18th century, as has just been noted, the potential exit of capital and of the capitalists was actively discussed in terms of its harmful or beneficial effects on the capital-losing state. This manner of looking at out-migration—so congenial to the exit-voice framework—almost disappeared in the 19th century, which witnessed human migration, mostly from Europe to America, on an unprecedented scale. Only recently have the economic and political effects of out-migration on sending (rather than receiving) states again attracted attention, primarily in conjunction with the so-called brain drain, a phenomenon that has more in common with capital flight than with mass migration.

The enormous out-migration from Europe during the 19th and early 20th centuries did not occasion much reflection about the feedback effect on the sending states and their political system because the outflow did not provoke any visible political problems or dangers. On the contrary—and this also explains why emigration, long prohibited during the mercantilist and absolutist eras, was so freely permitted—it *alleviated* a number of problems, economic as well as political. From

the social and economic points of view, the outflow dampened the rapid increase in population as well as the concomitant rural-urban migration, and in spite of its massive proportions, emigration never reached the point where it was perceived to interfere with the recruitment of labor for expanding domestic industry. From the point of view of the political managers, out-migration had similar and related beneficial effects. People who chose emigration were obviously dissatisfied in some way with the country and society they were leaving. With exit available as an outlet for the disaffected, they were less likely to resort to voice: the ships carrying the migrants contained many actual or potential anarchists and socialists, reformers and revolutionaries. The inverse relationship between emigration and the socialist vote has been statistically demonstrated for Italy, in a study for the decade preceding World War I.<sup>26</sup> Moreover, new immigrants tend to be, at least initially, relatively unvociferous members of society; mass migration thus reduced social protest in the European-American state system as a whole and not only in the sending countries.

But the containment of social protest was not the only political effect of out-migration. Throughout the 19th century and up to World War I, the right of suffrage and other civil rights were extended in many of the very European states from which large contingents of people were departing. In other words, exit and a certain kind of voice increased hand-in-hand, even though, at the same time, exit lowered the volume of another more militant kind of voice. These two developments may be causally connected: because a number of disaffected people had departed, it became comparatively safe to open up the system to a larger number of those who stayed on. In this manner, exit-emigration may have made it possible for democratization and liberalization to proceed in several European countries prior to World War I without political stability being seriously imperiled.<sup>27</sup>

Besides being intrinsically interesting, these connections could contribute to the understanding of contemporary attempts at democratization. Might it be said, for example, that the large-scale emigration of Greek, Portuguese, and Spanish workers to France and Germany dur-

<sup>26</sup> John S. MacDonald, "Agricultural Organization, Migration and Labour Militancy in Rural Italy," *Economic Historic Review*, 2d series, xvi (1963-1964), 61-75.

<sup>27</sup> I have looked in vain for any speculation along such lines in the notable monographic studies on European migrations to the United States published as *Dislocation and Emigration: The Social Background of American Immigration* in D. Fleming and B. Bailyn, eds., *Perspectives in American History*, VII (Harvard University 1974). Professor Bailyn tells me that in his current work on 17th- and 18th-century emigration to North America considerable attention is being given to the social and political context of emigration in the sending country.

ing the prosperous 60's and early 70's has made it easier for these countries to negotiate the difficult passage to a more democratic order than would have been the case otherwise?

In part, this topic has not received attention because the connection is rather remote and counterintuitive. That emigration of dissenters will strengthen an authoritarian regime in the short run is obvious; not content with allowing emigration, many such regimes have taken it upon themselves to deport or ban their political enemies—that is, they dealt with them in this particular manner during their more humane moments. But the likelihood that opening the gates and permitting out-migration may allow a regime to liberalize itself seems farfetched—except to those who have taken an advanced course in exit and voice.

Probably the main reason for the lack of interest in the political effects of emigration is that, as explained earlier, these effects had long been so positive. We do not investigate whatever seems to be going well no matter how poorly we understand the underlying process.

In recent years, however, emigration has not been wholly benign in its effects on the migrant-losing countries. This applies first of all to the brain drain: the size of the literature that has grown up around this topic strongly suggests that it is widely viewed as a problem. But even the 19th-century kind of emigration became a problem when it gave a repeat performance in the 20th, such as, for instance, the large-scale Irish emigration to England during the postwar period. The long decline of the Irish population, due to low birth rates and emigration, had come to a stop during the 25 years following Independence (1922), which coincided with the Depression and the Second World War. But after the war and particularly in the 50's, emigration, mostly from rural districts into urban Britain, surged once again and reached the highest levels in a century, in relation to the resident population (15 per mille per year in 1956-1961. This outflow aroused deep concern and became an important public and political issue that led to a decisive turn in economic policy. By the late 50's, the old description of emigration as a "safety valve" had been replaced by the image of a country suffering from hemophilia with "blood running out of its veins." The increasing concern that "Ireland was a dying country . . . led to calls for new economic policies, the adoption of various plans by the different political parties, the appearance of emigration as an issue in a parliamentary election for the first time, and finally the unopposed acceptance (in 1958) of a national economic plan designed to develop Ireland and prevent emigration."<sup>28</sup> The plan was successful in attracting foreign

<sup>28</sup> Nicholas R. Burnett, "Exit, Voice and Ireland, 1936-58," unpub. (1977), 15; also

capital and spurring industrialization, but it is an open question to what extent the considerable drop in emigration in the 60's was due to the plan's success or to the diminished absorptive capacity of the British economy which itself became increasingly troubled during that period.

With the Irish immigrants encountering a similar environment and a familiar language in England, Irish emigration came to assume unusually large proportions and was eventually perceived as a threat to Ireland's national existence. A similar situation arose in East Germany, which in the 1950's experienced a flood of (illegal) emigration toward West Germany. Beset with concerns rather similar to those of the Irish, the government of the D.D.R. did not bother to look around for ways of making itself more attractive to its citizens: in 1961 it simply closed its frontiers more effectively than before by building the Berlin Wall.

The reactions of the two countries that felt threatened by mass emigration were thus very different, in parallel to similarly different reactions of various European countries to the sudden availability of cheap wheat from North America and Russia in the 1870's.<sup>29</sup> East Germany adopted a primarily defensive strategy—comparable to the imposition of higher tariffs on wheat by France and Germany in the late 19th century; Ireland, on the other hand, attempted to meet the challenge of mass exit by changing the underlying conditions that had resulted in the outflow—and this “creative response” is similar to Denmark's policies of agricultural transformation.

Both Ireland and East Germany, however, had something in common: a new perception of exit as a threat. They reacted with considerable determination, as though they were fully persuaded, in line with the thesis of the first section of this essay, that the existence of the state is incompatible with the virtually costless availability of exit and with resort of citizens to it as a routine response to dissatisfaction.

No doubt, these two countries and their experiences in the 50's were special pathological cases. But for that very reason they are of interest as they reveal potential trouble spots in the present state system. With closer communication, easy circulation of capital, and unprecedented international mobility of high-level manpower, states are today exposed to more exit pressures than ever before. Small states are particularly vulnerable to these pressures: a large country can often rather easily

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Burnett's doctoral dissertation, “Emigration and Modern Ireland” (School of Advanced International Studies, Johns Hopkins University 1976).

<sup>29</sup> See Charles P. Kindleberger, “Group Behavior and International Trade,” *Journal of Political Economy*, Vol. 59 (February 1951), 30-46; and Peter A. Gourevitch, “International Trade, Domestic Coalitions, and Liberty: The Crisis of 1873-96,” *Journal of Interdisciplinary History*, VIII (Autumn 1977), 281-313.

accommodate an inflow of capital or manpower from a small country, while as an outflow these resources may represent a critical loss for the small country.

Why is it that there have not been more Irelands and East Germanys in the last 30 years or so? In part, no doubt, because *entry* has by no means been totally unregulated.<sup>30</sup> But in view of the considerable freedom of movement that has prevailed for capital and people (especially for trained personnel), it is likely that many states, and particularly small ones, have hit on various devices and strategies through which they have parried excessive tendencies toward exit. I shall briefly investigate how such strategies might work.

In the case of Ireland, the remedy for exit consisted of improved economic policy and conditions; indeed, countries worrying about exit do well to satisfy the basic economic aspirations of their citizens, particularly of the more mobile among them. But fortunately, individual economic welfare is not the only criterion on the basis of which the difficult and often agonizing decision to exit from one's own country is made.

What is needed in order to avoid excessive emigration and crippling brain drain is for a society to provide its members with *some* "attractions" that will reinforce their normal reluctance to leave. Besides an adequate supply of goods available for individual consumption, such attractions can also consist of what is known to economists as "public goods"; that is, goods that any member of a society can enjoy (consume) without thereby depriving others of their enjoyment (consumption) of these goods. A country's power and prestige, for example, are a public good that may be enjoyed by all of its citizens, including the most lowly and powerless. Along these lines it has lately been pointed out that social justice may be a public good: individuals may find it enjoyable to live in a society where income distribution is comparatively egalitarian.<sup>31</sup> Other public goods that come to mind include a long record for not becoming involved in international conflict or for guaranteeing human rights and democratic liberties. The latter two would make a country attractive to its citizens, especially in a world where destructive warfare frequently erupts and where many governments habitually suppress criticism and mistreat their political opponents.

<sup>30</sup> See Aristide R. Zolberg, "International Migration Policies in a Changing World System," to be published in William H. McNeill and Ruth S. Adams, eds., *Human Migration* (Bloomington: Indiana University Press 1978).

<sup>31</sup> Lester C. Thurow, "The Income Distribution as a Pure Public Good," *Quarterly Journal of Economics*, Vol. 85 (May 1971), 327-36; David Morawetz and others, "Income Distribution and Self-Rated Happiness: Some Empirical Evidence," *Economic Journal*, Vol. 87 (September 1977), 511-22.

The availability in a country of any one of these public goods serves to hold exit at bay and to increase loyalty.<sup>32</sup> It is possible to visualize a state system in which, in spite of close contact and free movement of people and capital, exit would never assume threatening proportions because each country would supply its citizens with a different assortment of public goods, with emphasis on one area (or a cluster) as a special attraction for its own citizens. Different countries would then “specialize” in power, wealth, growth, equity, peacefulness, the observance of human rights, and so on. Such specialization would certainly result in a more stable situation than if performance of nations were rated only along one dimension, such as per capita GNP; in the latter case, it would become possible to establish an unambiguous rating among countries, and exits toward the best performers would mount dangerously. Achievements along the various dimensions just mentioned are not easily combined into a unique preference scale or welfare function; it is likely, however, that if a country’s citizens were equipped with a modicum of loyalty to start with, they would value the particular area in which their country excels—whatever that may be—more highly than that of the others. An ethnocentric welfare function of this sort may therefore be a condition for a stable state system under modern circumstances of high potential mobility.

The foregoing “polyphonic” solution to the problem is perhaps too beautiful to be real. Among its difficulties is the obvious one that the pursuit of peace by one country may be incompatible with that of power by another. Then there is the fact that, frequently, “all good things go together”: one or a very few countries may be doing best, or are perceived to do so, along several important dimensions such as power, wealth, education, and general opportunity. A related problem is that a hegemonic country may impose its own preferences and welfare function upon public opinion around the world. As a result, especially in a world with intensive communication networks, citizens of non-hegemonic countries would tend to give a higher rating to the achievements of the leading country than to those of their own.

In the face of such difficulties, do smaller countries have a second line of defense? Is there, in other words, some further highly valued public good that a smaller country can provide for its more mobile citizens so that they will still think twice before emigrating? A remark by the American sociologist, Renée Fox, who has been studying Belgian society for many years, is illuminating in this regard. Explaining her long involvement with that country, she says that she originally found Belgium

<sup>32</sup> See Hirschman (fn. 1), chap. 7, particularly p. 78.

tempting because, among other things, she was led to believe that “a small country . . . would be simpler than a large country to comprehend in a sociological sense.” But that premise turned out to be totally untrue; many years later she exclaims, “if I were now asked to formulate a sociological hypothesis about the relationship between the size of a country and the complexity of its social system, I would be tempted to suggest that there is an inverse relationship between the two; that is, the smaller the country, the more complex its social system!”<sup>33</sup>

In conjunction with the concern over excessive exit, this remark raises the question whether complexity could perhaps be part of a country’s attraction for its citizens, as much as any positive achievement of the previously mentioned kind. For it is *understood* complexity insofar as the country’s citizens are concerned; *they* know how to navigate expertly, not only in their country’s language, but among its idiosyncratic ways, its conflicts and familiar frustrations.<sup>34</sup> When I first came to live in Colombia, explanations offered by Colombians of various to me puzzling situations would invariably start with the sentence “Es que ese es un país muy raro” (“you must realize that this is a very odd country”). Clearly, they took considerable pleasure in enlightening me about something *they* understood so well. *Understood complexity* may then be another public good a society can supply to its citizens, and that is perhaps a clue to Renée Fox’s paradox about small countries being more complex than large ones. With the latter having so much going for them, the smaller countries defend themselves against excessive exit through a plentiful supply of understood complexity; and, with respect to this particular asset, there is full assurance that “you can’t take it with you.”

<sup>33</sup> Fox, “An American Sociologist in the Land of Belgian Medical Research,” in Phillip E. Hammond, ed., *Sociologists at Work* (New York: Basic Books 1964), 349.

<sup>34</sup> On the difference between the “native’s” views of his society and the outside observer’s, see Clifford Geertz, “On the Nature of Anthropological Understanding,” *American Scientist*, Vol. 63 (January-February 1975), 47-53.