

Against a voiceless world: Albert O. Hirschman's political economics as an alternative to public choice

Rafael Galvão de Almeida¹

Recibido: 07/11/2020 / Aceptado: 27/02/2021

Abstract: This article analyzes the contributions of Albert O. Hirschman to the field of political economy and his issues with public choice. Although he was not explicitly affiliated to any school of thought, Hirschman worked with both disciplines of economics and political science to understand questions such as “why do people vote and participate in politics?” He was disappointed with what mainstream economics provided and elaborated the exit-voice-loyalty (EVL) model to understand mechanisms of action in politics and the economy. His EVL model has been widely read, but it did not develop a paradigm around it and was ignored by economists due to its lack of formal models. His work was thus at odds with public choice theory. He also criticized the concept of free-riding and the application of rational choice theory to politics. Hirschman went on to work on a political economy of citizenship in his works (Hirschman, 1977, [1982] 2002, 1991), to find answers apart from rational choice theory, which he considered harmful to political participation.

Keywords: Albert Hirschman, public choice, political economics, citizenship

JEL Codes: B25, D7

[es] En contra de un mundo sin voz: la economía política de Albert O. Hirschman como alternativa a la teoría de la elección pública

Resumen: Este artículo analiza las contribuciones de Albert O. Hirschman al campo de la economía política y sus posiciones frente a la teoría de la elección pública. A pesar de no estar explícitamente afiliado a una escuela de pensamiento, Hirschman trabajó tanto con la economía como con la ciencia política para elucidar preguntas como “¿por qué las personas eligen votar y participar en la política?” Decepcionado con los aportes de la economía convencional, elaboró el modelo de salida-voz-lealtad (SVL) para comprender los mecanismos que regulan la acción en la política y la economía. A pesar de que sus contribuciones sobre el modelo SLV han sido ampliamente leídas, Hirschman no alcanzó a desarrollar un paradigma alrededor de este modelo, que terminó siendo ignorado por los economistas debido a la ausencia de modelos formales en él. Por lo tanto, su obra iba en contradirección de la teoría de la elección pública. Hirschman también fue crítico del concepto de *free-riding* y de la aplicación de la teoría de la elección racional a la política. En obras posteriores, Hirschman (1977, [1982] 2002, 1991) continuó realizando aportes a una economía política de la ciudadanía, con el fin de proveer respuestas alternativas a las de la teoría de la elección racional, que consideraba perjudicial para la participación política.

Términos claves: Albert Hirschman, elección pública, economía política, ciudadanía

Códigos JEL: B25, D7

Resumo: Esse artigo analisa as contribuições de Albert Hirschman para o campo da economia política e a sua controvérsia com a escolha pública. Apesar de ele não estar explicitamente afiliado a nenhuma escola de pensamento, Hirschman trabalhou tanto com economia e ciência política para compreender questões do tipo “porque as pessoas votam e participam da política?”. Ele se desapontou com o que a economia *mainstream* ofereceria e elaborou o modelo de voz-saída-lealdade (VSL), para entender os mecanismos de ação na política e na economia. Seu modelo VSL foi bastante lido, apesar de não desenvolver modelos formais. Seu trabalho discordava da teoria da escolha pública; ele criticou o conceito de *free-riding* e a aplicação da teoria da escolha racional à política. Hirschman trabalhou com a economia política da cidadania em seus trabalhos no fim da sua carreira (Hirschman, 1977, [1982] 2002, 1991), a fim de providenciar respostas a questões de economia política longe da teoria da escolha racional, considerando-a prejudicial para a participação política.

Palavras-chave: Albert Hirschman, escolha pública, economia política, cidadania

Códigos JEL: B25, D7

Sumario: 1. Introduction. 2. Voice and Exit: a review. 3. Relevant critiques of Hirschman's EVL model. 4. Hirschman's alternative project of political economics for citizenship. 5. Conclusion. Bibliography.

Cómo citar: Galvão de Almeida, R. (2021): “Against a voiceless world: Albert O. Hirschman's political economics as an alternative to public choice” en *Iberian Journal of the History of Economic Thought* 8(1), 13-22.

¹ The Federal University of Minas Gerais, CEDEPLAR
E-mail: rga1605@gmail.com

I would like to thank Carlos Eduardo Suprinyak, Alexandre Mendes Cunha, Andres Guiot, and two anonymous referees for their comments. I would also thank Sarah Patton and Diana Sykes from the Hoover Institution for providing the Tullock-Hirschman correspondence.

ORCID: <https://orcid.org/0000-0002-3582-9906>

1. Introduction

The 1960s saw mainstream economic theory being criticized for ignoring issues of political economy, i.e. the relationship between economics and politics (Heilbroner, 1970). Economists affiliated to the Union for Radical Political Economics (URPE) and the Public Choice Society (PCS) challenged the orthodox economic assumptions on politics. Both associations would welcome interdisciplinary research between economics and other social disciplines (Amadae, 2003; Mata, 2009). This critique also attracted scholars that were not explicitly affiliated to any association or school of thought.

One of them was Albert Otto Hirschman (1915-2012). Just as disappointed with orthodox economics as the members of URPE and PCS, he had a project that associated the “political dimensions of economic phenomena” to be intimately related to the “terms of development sequences in which political and economic forces interact”, interfering directly in the “processes of social change” (Hirschman, 1971, 1). He labeled his approach “political economy”, “political economics” or “politics *cum* economics” (*ibid.*, 7), though the term that is usually associated with it is “political economics” (Guiot, 2017)².

Hirschman’s most important framework of political economics was the exit-voice-loyalty (EVL) model (Hirschman, 1970). He suggested the mechanisms of exit and voice as a way of synthesizing how collective action could take place within economic and political realms. This would become an important part of his project of political economics. The model remained an important contribution to political economy due to the wideness of its audience, even though it failed to produce a paradigm and to decisively influence the economic profession³.

His approach stood between the URPE⁴ and PCS alternatives, occupying a similar academic niche. While Grofman (2002, 31-32), a former president of PCS, considered the EVL model important to public choice in general, Hirschman had an antagonistic relationship with public choice itself, as shown from his writings and interviews.

Initially, Hirschman had an interest in public choice. In correspondence with Gordon Tullock, which extended from November 1961 to February 1962 (Hirschman, 1961a,b, 1962; Tullock, 1961a,b, 1962), he had interest in the latter’s work and wrote

that they were exploring similar issues (Hirschman, 1962). Tullock lent him his own mimeographed copy of *Calculus of Consent* and appreciated Hirschman’s interest, but remarked: “I think you are probably right about the interrelationship between our projects. In general, however, we are interested in studying how institutions work to find out if the institutions can be improved. The ultimate objective *differs* from yours” (Tullock, 1962, emphasis added). Tullock and Hirschman would interact again in the future, but with worse results, as we will see below.

This article explores the conflict between Hirschman and public choice theory and its influence in the development of Hirschman’s ideas. The article is divided in four sections, besides this introduction: in Section 2, I review Hirschman’s concepts of voice, exit and loyalty; in Section 3 I present critical reviews to his model relevant to changes in his thought; in Section 4 I discuss Hirschman’s project of an alternative political economics, focused on political participation; and I conclude in Section 5, by showing how distant Hirschman became from orthodox economics.

2. Voice and Exit: a review

Hirschman was interested in political economy ever since the beginning of his career. In *National power and the structure of foreign trade* ([1945] 1980), a book based on his PhD dissertation at the University of Trieste, he analyzed the influence of international trade in the power relationships between nations. In *Strategy of economic development* (Hirschman, 1958), he reminds the reader that “economic development has often been a by-product of the quest for *political* and military power” (*ibid.*, 10, emphasis added). Political economics, in his own words, was considered a “no man’s land” in the 1960s (Swedberg, 1990, 155). It was with the EVL model, however, that he would “definitely” tackle politics and economics.

Hirschman’s concern over the relevance of collective action to economic policy is linked to his skepticism towards the orthodox development policies prescribed by the World Bank and similar institutions. He recalls that, back in the 1950s, economists saw themselves as “revolutionaries” that wanted to restart the countries they were assigned to from the

² Hirschman opposed using the term “new political economy” to refer to his approach because he considered mainstream economics coopted the term, and it was just an economic analysis of politics, not a truly integrated way to think about social science (Hirschman, 1971, 3). For a more “conventional” political economics, which Hirschman would consider an example of this difference, see the equally titled *Political Economics* (Persson, Tabellini, 2000).

³ Commenting on Hirschman (1958), Paul Krugman (1994) wrote that “it is a rich book, full of stimulating ideas. Its most important message at that time, however, was a rejection of the drive toward rigor. In effect, Hirschman said that both the theorist and the practical policymaker could and should ignore the pressures to produce buttoned-down, mathematically consistent analyses, and adopt instead a sort of muscular pragmatism in grappling with the problem of development. Along with some others, notably Myrdal, Hirschman did not wait for intellectual exile: he proudly gathered up his followers and led them into the wilderness himself. Unfortunately, they perished there.”

⁴ Hirschman himself did not have relevant contact with radical political economics and its scholars. In his review of Adelman (2013) for the *Review of Radical Political Economics*, Perelman (2015, 324) wrote that Hirschman was neither a socialist nor favored governments, though he was sympathetic to left liberal causes. He concluded that Hirschman’s work “should be of great interest to radicals today.”

scratch, under the auspices of the truth revealed by economic theory (Hirschman, 1984a, 94)⁵. They had failed to incorporate political economy in their models. He had been introduced to issues of collective decision making/public choice while as an advisor in Colombia (Álvarez, Guiot and Hurtado, 2019). He concluded that, if economists in developed countries tended to ignore political economy, the situation was even worse in underdeveloped countries (Hirschman, 1971, 255). His experience with the failure of the Nigerian railroad transport system would act as a catalyzer of his ideas⁶ – an episode in which competition among trains and trucks made the consumers abandon train transport, thus contributing to its decadence (Hirschman, 1970, vii).

The construction of the Bornu railway extension was financed by the World Bank. Hirschman was one of the economists who analyzed the project (Hirschman, 1969, 146-155). He considered it a failure for many reasons, but the most important one was the division of authority. The distribution of management positions in the railroad needed to balance the many ethnic groups of the Nigerian state, to be a symbol of national integration. Despite this official rhetoric, Nigerian historian Tokunbo Aderemi Ayoola wrote that the Bornu extension was a means for the British to protect their interests after the eventual Nigerian independence, in an alliance with the Northern elites; it had poor economic planning since its inception (Ayoola, 2006, 2018). Contrariwise, railroads became a *locus* to insufflate ethnical rivalries, favoritism, and inefficiency. Trucks, however, did not have these problems in the same scale and were better adapted to the Nigerian ethnic problem through service specialization (with companies that directed their services to specific ethnic groups). According to Adelman, the Nigerian failure affected Hirschman profoundly because, months after evaluating the project, the Biafra Civil War started, and he was terrified by the possibility that the failure of Bornu might have contributed to one of the most horrific civil wars of the time⁷. For him, “economists needed to grapple with the unintended consequences of their thought” (Adelman, 2013, 422).

In his view, economics alone could not explain the failure of the Nigerian railroad system. To tackle the issues of how political and economic influences mingle with each other, he developed in the book *Exit, Voice and Loyalty* a triad of concepts to shed light on the subject. “Voice” was the name given to the active mechanism, which included speaking against perceived injustices, contesting decisions, organizing

protests and strikes, among others; “exit” was how he named the passive mechanism – defection, changing products and leaving places; while “loyalty” was the force that deterred exit, thus allowing the voice mechanism to be explored (*ibid.*, 438).

In economics, the competition mechanism is a manifestation of exit: when the price of a product increases, consumers migrate to cheaper ones. In contrast, voice is more analyzed in political science: to remain inside an arrangement and try to influence the situation to return to a better level. Examples of economic application of voice are consumers who send letters to the producer to complain about a reduction in quality, instead of automatically shifting to another product.

As said before, competition provides a basic example of how economists tend to favor exit mechanisms. If something is not palatable to consumers, they change to another product, without any need to explain their reasons to producers. It is an impersonal process. Hirschman, however, argued there are situations in which exit may turn the situation worse. The example of the Bornu railway shows how competition, along with the incompetence of railroad managers, can induce the clients who value quality most to leave and let the railroads and their remaining users in a worse situation:

Exit did not have its usual attention-focusing effect because the loss of revenue was not a matter of the utmost gravity for management, while voice did not work if the most aroused and therefore the potentially most vocal customers were the first ones to abandon the railroads for the trucks. (Hirschman, 1970, 45).

Hirschman identified an underlying presumption among economists: “competition is the all-powerful social institution bringing pressures for efficiency” (Hirschman, 1984a, 99); the efficiency of the market will lead the economy into a superior position in the production possibility frontier, by eliminating the less able and rewarding the best. Hirschman tried to understand why this is not always the case.

In the Nigerian example, the managers of the railroads used their economic power to improve the economic position of their families and clans instead of the nation in general – a clear problem of public choice/collective decision-making (Hirschman, 1969, 147)–. Those who control a market niche will take measures to preserve said niche and its rents. In the case of the Nigerian railroads, the exit of the best consumers made the service even worse, but it did

⁵ He coined the term “visiting-economist syndrome” (Hirschman, 1984a, 93) to criticize this attitude from economists, usually from central countries, who are sent to peripheral countries with a lot of knowledge of economic theory, but ignorant of said countries actual problems and real needs. See Bianchi (2011).

⁶ See Adelman (2013) chapter 14, for more influences. I chose to focus on the Bornu terminal due to its scale, influence in Hirschman’s career, and because its collective action problem is more prominent.

⁷ According to Jerome Agu Nwadike (2010, 8-9), a former Biafran soldier, the former British colonial power divided the 250 ethnic groups in the Nigerian territory into three regions: North, South, and East. The area around the Bornu railway also contained most military assets and other installations that concentrated the destination of most taxpayers’ money, and the North used it to establish military hegemony. This led to unrest in the Eastern region, where Biafra was located, and, eventually, civil war.

not hurt the rents of railroad owners, allowing their power to stay unharmed.

Hirschman mentioned other examples, such as American public schools (the exit of good students leads to drop in quality, but the schools do not usually close) and the indiscriminate selling of stocks in bear markets, considered a bad, but widespread management practice in the business literature (Hirschman, 1970, 46). If the first consumers to leave are the ones who value quality most, without them producers have incentives to become lazier and degenerate their products. The market may remove these producers, but if their cost of staying in the market is not large enough, they will remain for a time longer than expected by economic theory.

In contrast, voice differs from exit both in its active character and in its methods. It can be defined as any attempt to change a situation instead of defecting and can also be called “interest articulation” (*ibid.*, 40). Voice can be manifested by different methods, such as strikes, protests, complaints, among other forms of articulation around an objective. Thus, a client who writes a letter to a producer or workers who start a strike are articulating their interest because they do not want or cannot use exit.

Lastly, there is loyalty. Hirschman considered loyalty the factor that decreases the odds of exiting – in other words, the higher the loyalty, the more agents will try to use their voices, supposedly, with the intention of staying and improving the situation, instead of exiting (*ibid.*, 77). This would explain why consumers most invested in quality would not leave the moment the quality of a product dropped. They would likely leave after seeing their loyalty ignored or unrewarded.

Voice and exit represent different approaches and can be treated either as alternatives or complements to each other. One possibility is to frame the problem in terms of cost-benefit analysis: if consumers are likely to be loyal to a brand, they will tend to exert their voice in the hopes of improving the product. Hirschman, however, feared that the emphasis of economists on exit implied a negligence of voice. Due to his own experience, Hirschman was more concerned with this case, especially since the economic method was starting to spread to other fields⁸.

In later years, Hirschman came to see voice and exit as complementary (e.g., Hirschman, 1993). In fact, interpreting voice and exit as cancelling each

other is currently considered a wrongful interpretation of his work –as Dowding and John (2012, 131) wrote, “people weigh up the relative benefits and time horizons of voice and exit, trading one for the other both immediately and over time. For Hirschman, it is the trade-off and how loyalty affects it that is important. In many applications of Hirschman’s framework, the trade-off is forgotten as social scientists only consider exit or voice independently.”

3. Relevant critiques of Hirschman’s EVL model

At the time of its publication, Adelman (2013, 440) wrote that Hirschman (1970) was an “immediate sensation” due to the amplitude of issues it covered, its accessible language, and for capturing the *zeitgeist* of the time⁹. The acceptance, however, was not unanimous. The focus of this section is on the most important negative reviews of the book, related to the rational choice theory debate.

Edward Kane, then book review editor of the *Journal of Finance*, wanted to introduce its readers to discussions in political economy and contacted Gordon Tullock to review a couple of books, including Hirschman (1970). In the letter, dated 11 June 1970, accompanying his review, Tullock (1970a) wrote that “as you can see, I didn’t like the book”. To him, the simplest explanation to the case of Nigerian railroads would be that if there were no trucks in Nigeria, the railroad would just continue to extract money from taxpayers and refuse to improve its service. In other words, voice would accomplish little if there was a monopoly. He concluded the book had little value to tackle the issues it raised (Tullock, 1970b, 1195).

The review created a qualm between Hirschman and public choice. Mancur Olson, who had previously praised Hirschman’s work¹⁰, intervened with a letter to Hirschman apologizing for the tone of Tullock’s review (Adelman, 2013, 447). Olson was also the then-president of the Public Choice Society, and he advocated for the convergence between students of political economy, independent of their ideological preferences (Olson, Clague, 1971)¹¹. Thus, he was interested in building bridges.

Olson’s letter also touched on the “ideological gap” separating Tullock and Hirschman. Olson explained that Tullock was on “the far right of the old classical liberal or *laissez-faire* conservative tradi-

⁸ Hirschman was suspicious of “economics imperialism”. In an interview in the 1980s (Swedberg, 1990, 158-160), he said that he was “hostile to that approach” because of its reductionism and because the most important political actions go against the rational choice of not participating. Not only that, but he also claimed that economics is guided by excessive parsimony, not allowing it to examine higher complexity phenomena, thus making economics potentially harmful when exported to other disciplines (Hirschman, 1984b).

⁹ As of May 2021, the number of citations in Google Scholar to Hirschman (1970) surpasses 28 thousand. For a single work possessing this number of citations, it is safe to say that it was read by and influenced a good number of scientists and researchers.

¹⁰ Olson wrote in an article reviewing *Journey Towards Progress* along with other books that Hirschman’s work was the best of all the reviewed books (Olson, 1965b). However, his review missed the point by focusing solely on the descriptions of Latin American institutions instead of policy recommendations – if we compare Hirschman’s work to a painting, Olson praised it more for its frame than the painting.

¹¹ In *The Logic of Collective Action*, Olson gave an interdisciplinary tone to the book, with quotations of authors from social psychology (Festinger), sociology (Weber), and even praising Marx upon saying that he “developed an interesting and provocative economic theory of the state at a time when most other economists had not even begun to consider the question” (Olson, 1965a, 102).

tion, and you are surely not on that side” (Adelman, 2013, 447)¹². Olson’s choice of words might imply that Tullock took issue with Hirschman for not adopting a free-market approach to the voice and exit problem – in other words, that the review was more *ideological* than technical–. Olson also argued that not having Hirschman as part of the Public Choice Society was like Robert Solow having nothing to do with the Econometric Society (*ibid.*, 448). Hirschman thanked the letter but announced he would not take part in the activities of PCS anymore.

The harshest criticism, however, came from a long review by Brian Barry (1974). He recognized that Hirschman had good points, but there were problems with his analysis. He dismissed the novelty of Hirschman’s approach, mentioning that the problem had already been studied by Olson and Anthony Downs. Barry also cited many problems of his model, such as “loyalty” being an equation filler and that Hirschman chose to ignore economic logic and formal models (*ibid.*, 86). The lack of formal modelling would become a problem for many researchers¹³.

In the end, many parts of his model, including the very concepts of “voice” and “exit”, were ambiguous and unclear. “Much of the work in comparative politics uses the EVL framework merely to give a label to some of the processes under discussion and none tests Hirschman’s purported interactions” (Dowding et al., 2000, 478). The massive number of citations observed in Note 9 may thus mean there are as many interpretations of EVL as there are citations to it, hindering the creation a paradigm.

For a conventional economist, the EVL model might have been interesting “literary” analysis, but of little serviceability since it did not have any *formal* empirically testable model. In contrast, the EVL model is considered similar to the Tiebout model of electoral migrations (Tiebout, 1956), which was a formal, though incipient model preceding Hirschman’s “exit” mechanism. Inspired by the Tiebout model, some rational choice theorists saw the formalization of the EVL model as a challenge. Keith Dowding and Peter John, for example, argued that one of the main flaws of Hirschman’s model is that, despite considering the *intention* of change, it did not consider the *action* of change (Dowding, John, 1996). They developed a formal EVL model, to attract the economists’ attention (Dowding, John, 2012). Hirschman’s own work, however, went in another direction.

4. Hirschman’s alternative project of political economics for citizenship

In Adelman’s words, “by 1978, the spirit of ‘68, which had been so decisive for *Exit, Voice and Loyalty*, was looked upon as a rash, aberrant, quixotic outburst” (2013, 534). While Hirschman was widely read by social scientists, he had failed to attract the economists’ attention (Swedberg, 1990, 158). His distancing from economics is reflected by him joining the School of Social Science at Princeton’s Institute of Advanced Studies, a place he considered “isolated” from economics (*ibid.*, 157). In his late career, he considered himself a full dissident, that “moved far away from economics” (Hirschman, 1995, 83). In an interview from 1985, he claimed that his greatest enemy was the “orthodoxy”, “to always repeat the same recipe, the same therapy, to cure different types of disease; to not admit the complexity, wanting to reduce it at any cost” (Hirschman, 2000 [1985], 96, translated) –and this implied the economic orthodoxy–.

While one might consider these episodes involving public choice scholars to be minor, private manuscripts show that Hirschman held a bitter resentment against Olson¹⁴. In a non-published manuscript written in the 1970s (“Olson and the collective action”, *apud* Adelman, 2013, 553ff), Hirschman scrutinized Olson’s work: he criticized him for ignoring entrepreneurship, leadership, public service and, most important, he disliked the model of economic agent adopted by Olson – the purely self-interested man, who was nothing but a slave of his desires and external incentives. For him, Olson was wrong, and public choice did not explain collective action (Hirschman, 2000 [1985], 93), calling it “nonsensical” and “absurd” (Swedberg, 1990, 159). The tone might be a reason why “Olson and the collective action” never left his archives, neither it is mentioned in any of his interviews. Its core ideas, however, would guide Hirschman in developing an alternative political economics, grounded on a view of economics as a social and moral science, instead of rational choice theory represented by Downs and Olson¹⁵.

The books linked to his political economics project are *The Passions and the Interests* (1977), *Shifting Involvements* (1982) and *The Rhetoric of Reaction* (1991), written during his time at the Institute of Advanced Studies. The interdisciplinary envi-

¹² His concerns about Tullock’s intransigent free-market ideology were already present in his review of *The calculus of consent* (Olson, 1962).

¹³ Barry was himself a critic of the public choice movement too: “...it is obviously important to establish that the ‘economic’ assumptions are not universally and immutably true [...] we have found to be, roughly, that the theory falls down when it is applied to people for whom participation is not a cost, and these, at any rate in our sort of society, are predominantly middle class people” (Barry, 1978 [1970], 178). Hirschman conceded Barry had important points, including that he should pay closer attention to the economic side of equation (cf. Swedberg, 1990, 159) and this stimulated further critique of Olson in future works (Hirschman, 2002 [1982], 78).

¹⁴ In an interview, when asked who his “enemies” were, he counted Olson as one of them (Hirschman, 2000 [1985], 93).

¹⁵ Andrés Guiot (personal correspondence) suggested that his use of the term “political economics” in *Bias for Hope* indicated he might have public choice in mind. Hirschman mentioned Olson and Downs by name as examples of theorists working on the intersection between politics and economics, but he does not use the term “public choice” to refer to them, preferring “political economics” (Hirschman, 1971, 7). Hirschman, however, was capable of “doing” political economics in the orthodox way, as the chapter 9 of *Bias for Hope* uses the “apparatus in indifference and transformation curves to explain the behavior of an underdeveloped country” in accepting international aid (*ibid.*, 3).

ronment of the institute reinforced his view that the social sciences should cooperate more to enlighten the process behind economic development (Guiot, 2017).

Hirschman chose to start his project from a basic economic concept: interests. *The Passions and the Interests* was a book of intellectual history that illustrated how earlier debates were still relevant. He wished both defenders and critics of capitalism “could improve upon their arguments through knowledge of the episode in intellectual history that has been recounted here” (Hirschman, 1977, 135). He noted that early writers (starting with Augustine of Hippo) proposed curbing human passions by pitting them against each other (such as laziness against greed). After the 15th century, “interests” came to be substitutes for this balancing function. Interests “comprised the totality of human aspirations but denoted an element of reflection and calculation with respect to the manner in which these aspirations were to be pursued.” (*ibid.*, 32).

“Interests” started to be used as tools for the improvement of statecraft, as a vital factor in the analysis of human relations. They had the benefit of being a seemingly “neutral” concept to analyze men as they were. Montesquieu declared the *doux commerce* doctrine, in which the pursuit of the profit interest through commerce would make the violence of wars too costly and create more opportunities to obtain wealth. Along these lines, the concept of interest mutated towards the current economic self-interest. However, reliance on interests might have deleterious effects in society, something already pointed by authors such as Adam Ferguson and Alexis de Tocqueville:

While not invoking the fallacy of composition, they put forward a rather similar point: if not everyone is playing the “innocent” game of making money, the total absorption in it of most citizens leaves the few who play for the higher stakes of power freer than before to pursue their ambition. In this way social arrangements that substitute the interests for the passions as the guiding principle of human action for the many can have the side effect of killing the civic spirit and of thereby opening the door to tyranny. (*ibid.*, 125)

In other words, “liberty is never in greater danger than it is when we measure national felicity by the blessings which a prince may bestow, or by the mere tranquility which may attend on equitable administration” (Ferguson, 1995 [1767], 255)

An increase in wealth may not necessarily increase political freedom, but rather the opposite if people value their wealth more than their freedom, and if they are willing to accept tyrants if they preserve their wealth. Thus, history provided a warning

against taking for granted the supposed positive correlation between political and economic freedom.

Shifting Involvements, on the other hand, was an attempt to tackle policy consequences. The “spirit of 1968”, which had once challenged Olson’s paradox on the impossibility of collective action, had dimmed quickly (Hirschman, 2002 [1982], 78). To understand this, Hirschman suggested that disappointment played an important role. As he put it, “acts of consumption, as well as acts of participation in public affairs, which are undertaken because they are expected to yield satisfaction, also yield disappointment and dissatisfaction” (*ibid.*, 10). The phenomenon of disappointment creates a cycle that alternates between periods of private interest and public action, depending on the level of disappointment. Disappointment with accumulated private goods may lead to an increase in people’s desire for change, for example¹⁶.

In this sense, disappointment recovers the concept of loyalty in EVL. One reason why loyalty was important was because people may not use exit as the first option. They may try to bargain with hopes for a return to quality, but if it does not happen, they become disappointed. This disappointment can lead people to either retreat to private life or mobilize themselves to create alternatives. Among entrepreneurs, where disappointment is common, Williamson et al (2020, 23) wrote that “while disappointment is a negative emotion that is experienced as unpleasant, learning from the discrepancy that disappointment signals can enable adaptation and protect against other negative affective and depressive experiences.” Thus, in Hirschman’s thought, disappointment might be the seeds of change, both at individual and social levels.

Hirschman’s criticism of free riding posed an important point in the book. According to Olson (1965a), unless the group has an incentive structure, a rational participant will not contribute to it. In contrast, Hirschman argued that “far from shirking and attempting to get a free ride, a truly maximizing individual will attempt to be as activist as he can manage, within the limits set by his other essential activities and objectives” (Hirschman, 2002 [1982], 86). Hirschman was dissatisfied with it, because it diminished the relevance of political participation and practice of citizenship at best or eliminated them at worst. Action would be exchanged for the passivity of the market, creating a “voiceless world” where people would “vote with their dollars”. Against this, Hirschman sought to demonstrate that “[political] participation is not a cost but a benefit” (Hirschman, 1971, 7) and the idea of voting with their dollars had no credence because consumers could be easily manipulated by corporations (Hirschman, 2002 [1982], 10). The tools of economics were not enough to un-

¹⁶ Hirschman wrote that “people who have experienced a great deal of disappointment in their search for happiness through private consumption [...] are infinitely more ‘ripe’ for collective action than a group that is just setting out on that search” (Hirschman, 2002 [1982], 85). Recent research has argued that crying is more common in developed countries because poverty frowns upon crying, with Adam Smith being one of the first scholars who noticed it (Paganelli, 2017). Disappointment might follow a similar logic.

derstand why people participate in politics. Unlike Anthony Downs, for example, who considered that political parties were useful to “offer citizens a full range of ready-made and firm opinions on all issues of the day” – a source of free-riding – Hirschman observed something that rational choice theory did not capture. For him, there is something leading people to join politics because they believe in the political values in question or have a sense of political duty. In this sense, “there is no such thing as a free ride” (Hirschman, 1995, 80).

For Hirschman, there are benefits from public engagement that cannot be captured by mere cost-benefit analysis and free-riding will be spurned. In times of change, free riding will be a socially deplorable action, contrary to what Olson proposed. As Dowding and John (2012, 16) wrote, “Hirschman sees people engaging in collective action for expressive reasons – that is for fun and because they care about public issues despite potential costs¹⁷.” However, public participation might decay with higher incomes, with the citizen retreating into private life, due to disappointment and comforts, as it happened with the “spirit of 1968”, until the cycle repeats again (*ibid.*, 125).

In the last book of the trilogy, *The Rhetoric of Reaction*, we can see again a veiled critique of rational choice theory. The book was funded by a grant from the Ford Foundation to study new conservative movements. The book was a tract “against the then aggressive and would-be triumphant neoconservative positions on social and economic policymaking” (Hirschman, 1995, 87). Again, he intended to improve the general debate, just as *The Passions and the Interests*¹⁸.

He identified three theses adopted by conservative rhetoric: the perversity thesis (any social change perversely exacerbates the problem it was supposed to solve), the futility thesis (social transformations are pointless, futile) and the jeopardy thesis (even if the change has potential, the costs and dangers are too great, and they can jeopardize hard-earned conquests). Hirschman used them to criticize mainstream economics and its conservatism.

Hirschman considered economists to be one of the most intransigent groups of social scientists (cf. Hirschman, 1991; see his comments on “orthodoxy” above). Even when they subscribe to “progressive” positions, nominally rejecting conservative ones – such as Olson claiming to be a Democrat in his correspondence with Hirschman (Adelman, 2013, 447)

– economists would still *enable* reactionary and intransigent positions due to their reliance on economic theory itself. The idea of self-regulating markets enables the perversity effect to discourage reforms that would benefit the population (Hirschman, 1991, 73). This effect, however, can create a perverse effect of its own, by encouraging the population to take a passive stance to changes, becoming more and more risk-averse and tolerant of authoritarianism, under the belief that the market will deliver a better alternative. Ultimately, far from being the dynamic engine of capitalism, the self-regulating market can be one of the most conservative institutions of a society, an engine of mediocrity.

Economists also enable the futility and jeopardy effects by denying that policies, such as fiscal or monetary policy, have any effect on society. Economists adopting rational expectations and public choice criticized Keynesian policies because they nullified their own intentions, rendering them “inoperative, otiose – futile” (Hirschman, 1991, 74). Any attempt to change will be rendered pointless because agents will exploit loopholes that will deny the intended results. And even if they do make a change, will it be worthy? Hirschman cited the example of British history in the 19th century, where due to the existence of a “cult of the British constitution” (*ibid.*, 90), many reforms were opposed on the grounds that they could undo what had been achieved.

One of the most important consequences he feared was the loss of public spirit. He blamed the analysis of Gaetano Mosca, Vilfredo Pareto, and other Italian economists, who had earlier studied collective decision making¹⁹, for the rise of fascism in Italy; their analysis weakened the faith in democratic institutions (Hirschman, 1991, 78). If democratic institutions are not to be trusted, especially with the looming threat of communism and without a real liberal alternative, fascism became a relevant option. The fascist rhetoric of a corrupt and selfish elite would not be out of place in Mosca and Pareto’s works²⁰. Fascists were more competent in articulating themselves than their political competitors. In other words, they were better at using voice, a sign that voice itself can produce populism and worse.

In sum, throughout his project of political economics, conventional economists might consider that Hirschman failed to produce formal models (e.g., Krugman, 1994), but this was never his objective. He did not consider formal modelling to be a particularly

¹⁷ Other authors, however, criticized Hirschman. Moore (1995, 431) argued that Hirschman’s solution is “degenerative” and untestable because “it works during some periods but during other periods, a different-and weakly specified-altruistic model explains people’s behavior.”

¹⁸ In fact, his main issue is not with conservatism or progressivism *per se* (the sixth chapter is dedicated to criticizing leftists and progressive ideas within the framework of the book), but rather with intransigence. The Brazilian translation of the book is literally titled *The Rhetoric of Intransigence* (Hirschman, 1992 [1991]), which is arguably a more accurate title.

¹⁹ Public choice scholars consider them their precursors (cf. Medema, 2009).

²⁰ Nelson (1991, 22, emphasis added), writing on Mussolini’s rhetorical strategy, observed that the Black Shirts were “antisocialist and *antigovernment* yet extremely nationalist” and they propagated Mussolini’s strategy of manufactured political confrontation. The role of Pareto, Mosca and others in the fascist movement is a controversial topic and Buzaglo (2018) considers that their theories did exclude popular participation from politics – just as Hirschman feared. However, Piano (2019) argued that this is a misrepresentation of their thought caused by failure of communication, both from themselves and their interpreters, and that their pessimism serves to motivate vigilance of elites.

good strategy for intersecting the social sciences and admitted that his philosophy of “trespassing” was 80% art and 20% science (Swedberg, 1990, 157). Instead, he tried to elaborate a macro-theory of political participation and citizenship to understand questions such as why people vote and why people participate in politics. Economic theory alone cannot explain these questions and he feared the answers provided by rational choice could be harmful to political action and the integration of the individual in the society.

5. Conclusion

Hirschman’s work was characterized by “freedom from disciplinary boundaries” (Ferraton, Frobert, 2014). Throughout his career, he remained primarily a dissident economist who wanted to improve the social sciences through alliances with other disciplines (Hirschman, 2000 [1985]) – even if he lamented having little success in influencing other economists (Swedberg, 1990).

Just like members of URPE and PCS, he attempted to integrate the social sciences into a holistic approach. His non-compliance with orthodox economics, however, ensured that his ideas on political econ-

omy/economics did not penetrate the mainstream of the economics profession, even if he is recognized by many as a great thinker (Dowding et al, 2000). *The Economist* (2012), for instance, regarded him as one scholar who, without a doubt, deserved the Nobel memorial prize.

Even though well-known public choice scholars consider him an important contributor to their tradition (e.g., Grofman, 2002; Mueller, 2003), Hirschman firmly believed his work was at odds with public choice²¹. Therefore, one might find ironic that his work has been adapted and expanded by authors associated with it (e.g., Dowding, John, 2012). Even so, his career illustrates how political economy means different things to different people, even if they share similar problems and even results.

Hirschman’s values were different from a good number of public choice scholars, especially the ones from the Virginia tradition²². He feared that a *laissez-faire* economic attitude would lead to a loss of citizen spirit in society²³, a voiceless world. His work on political economics could also be considered as a work on the political economy of citizenship, an integral part of economic development that might not be properly captured by GDP only.

Bibliography

- Adelman, Jeremy. 2013. *Worldly philosopher: the odyssey of Albert Hirschman*. Princeton: Princeton University Press.
- Álvarez, Andrés, Andres Guiot and Jimena Hurtado. 2019. Lauchlin Currie and Albert O. Hirschman on development as a problem of decision making. *Æconomia*, 9(2), 209-235.
- Amadae, Sonja M. 2003. *Rationalizing capitalist democracy: the Cold War origins of rational choice liberalism*. Chicago: Chicago University Press.
- Ayoola, Tokunbo Aderemi. 2006. The political economy of railway construction in Nigeria: the Bornu railway extension. *Lagos Historical Review*, 6, 148-170.
- 2018. Background to the construction of the Bornu Railway Extension in Nigeria, 1954-1964. *Historical Research Letter*, 47, 14-24.
- Barry, Brian. 1974. Review article: ‘Exit, voice, and loyalty’. *British Journal of Political Science*, 4(1), 79-107.
- [1970] 1978. *Sociologists, economists and democracy*. 2nd edition. Chicago: University of Chicago Press.
- Bianchi, Ana Maria. Visiting-economists through Hirschman’s eyes. *European Journal of the History of Economic Thought*, 18(2), 217-242.
- Brennan, Geoffrey and James M. Buchanan. 1988. Is Public Choice immoral? The case for the “Nobel” lie. *Virginia Law Review*, 74(2), 179-189.
- Buzaglo, Jorge. 2018. From Pareto economics, to Pareto politics, to fascism: a Rochambeau model of elite circulation. *Real-World Economics Review*, 85, 97-122.
- Dowding, Keith and Peter John. 1996. Exiting behavior under Tiebout’s conditions: towards a predictive model. *Public Choice*, 88, 393-406.
- 2012. *Exit, voices and social investments: citizen’s reactions to public services*. Cambridge: Cambridge University Press.

²¹ Grofman (2002, 41) admitted that “from a sociological point of view, Hirschman really cannot be labeled part of Public Choice”, but still considers him important for public choice, without elaborating further. Mueller (2003, 182) only acknowledged his paternity of the EVL model, without discussing them further. It seems they are doing the same thing Olson (1965b) did: praising Hirschman’s work more for the frame than the painting.

²² In his critique of Olson and Clague (1971), Tillman (1975) pointed to the incompatibility of values between public choice theorists and radical economists: Olson and his associates wanted to preserve and improve the capitalist order (and in Virginia tradition’s case, adopt a *laissez-faire*), while radical economists wanted to find an alternative to it. Olson and Clague’s convergence thesis was stillborn.

²³ This concern is present in some public choice authors. Downs (1962), after reviewing criticisms of *An economic theory of democracy*, admitted that a “public interest” might exist, but it is irrelevant. Buchanan and Brennan (1988) wonder if public choice could have a damaging effect on public spirit, and this could be avoided by having public choice focusing on the analysis of rules of collective decision.

- Dowding, Keith, Peter John, Thanos Mergoupis and Mark Van Aught. 2000. Exit, voice and loyalty: analytic and empirical developments. *European Journal of Political Research*, 37, 469-495.
- Downs, Anthony. 1962. The public interest: its meaning in a democracy. *Social Research*, 29(1), 1-36.
- Ferraton, Cyrille and Ludovic Frobert. 2014. A self-subversive temperament: a portrait of Albert Hirschman. *Books & Ideas*, 23 Jul. 2014. Available at < <https://booksandideas.net/A-Self-Subversive-Temperament.html>>. Access: Jul. 3, 2019.
- Ferguson, Adam. [1767] 1995. *An essay on the history of civil society*. Edited by Fania Oz-Salzberger. Cambridge: Cambridge University Press.
- Grofman, Bernard. 2004. Reflections on Public Choice. *Public Choice*, 118(1/2), 31-51.
- Guiot, Andrés. 2017. *Political economics and possibilism: towards an open notion of development*. Documentos CEDE. Bogotá: Universidad de los Andes, n. 45.
- Heilbroner, Robert L. 1970. On the possibility of a political economics. *Journal of Economic Issues*, 4(4), 1-22.
- Hirschman, Albert O. 1958. *The strategy of economic development*. New Haven: Yale University Press.
- 1961a. Letter to Gordon Tullock, November 17, 1961a. Box 95, Folder 11. Gordon Tullock Papers. California: Hoover Institution Archives.
- 1961b. Letter to Gordon Tullock, December 27, 1961b. Box 95, Folder 11. Gordon Tullock Papers. California: Hoover Institution Archives.
- 1962. Letter to Gordon Tullock, February 1, 1962, Box 95, Folder 11. Gordon Tullock Papers. California: Hoover Institution Archives.
- 1969. *Projetos de desenvolvimento*. Rio de Janeiro: Zahar, 1969.
- 1970. *Voice, exit and loyalty: responses to decline in firms, organizations and States*. Cambridge: Harvard University Press.
- 1971. *A bias for hope*. New Haven: Yale University Press.
- 1977. *The passions and interests: political arguments for capitalism before its triumph*. Princeton: Princeton University Press.
- [1945] 1980. *National power and the structure of foreign trade*. Berkeley: University of California Press.
- 1984a. A Dissenter's Confession: 'The Strategy of Economic Development' Revisited. In Gerald M. Meier and Dudley Seers (eds), *Pioneers in Development*. London: Oxford University Press, 87-111.
- 1984b. Against parsimony: three easy ways of complicating some categories of economic discourse. *Bulletin of the American Academy of Arts and Sciences*, 37(8), 11-28.
- 1991. *The rhetoric of reaction: perversity, futility, jeopardy*. Cambridge: Harvard University Press.
- [1991] 1992. *A retórica da intransigência*. São Paulo: Companhia das Letras.
- 1993. Exit, voice and the fate of the German Democratic Republic: an essay in conceptual history. *World Politics*, 45(2), 173-202.
- 1995. *A propensity of self-subversion*. Harvard: Harvard University Press.
- [1985] 2000. *A moral secreta do economista*. São Paulo: Editora UNESP.
- [1982] 2002. *Shifting involvements*. Princeton: Princeton University Press.
- John, Peter and Keith Dowding. 2016. Spanning exit and voice: Albert Hirschman's contribution to political science. *Research in the History of Economic Thought and Methodology*, 34B, 175-196.
- Krugman, Paul. 1994. The fall and rise of development economics. In Lloyd Rodwin and Donald A. Schön (eds). *Rethinking the development experience: essays provoked by the work of Albert Hirschman*. Washington: Brookings Institution. Available at <<http://web.mit.edu/krugman/www/dishpan.html>>. Access: Jul. 10, 2020.
- Mata, Tiago. 2009. Migrations and boundary work: Harvard, radical economists, and the Committee on Political Discrimination. *Science in Context*, 22(1), 115-143.
- Medema, Steven G. 2009. *The hesitating hand: taming self-interest in the history of economic ideas*. Princeton: Princeton University Press.
- Moore, Will H. 1995. Rational rebels: overcoming the free-rider problem. *Political Quarterly*, 48(2), 417-454.
- Mueller, Dennis C. 2003. *Public Choice III*. Cambridge: Cambridge University Press.
- Nelson, Elizabeth Jean. 1991. "Nothing ever goes well enough": Mussolini and the rhetoric of perpetual struggle. *Communication Studies*, 42(1), 22-42.
- Nwadike, John Agu. 2010. *A Biafran soldier's survival from the jaws of death*. Bloomington: Xlibris.
- Olson, Mancur. 1962. Review of "The Calculus of Consent", by James M. Buchanan and Gordon Tullock. *American Economic Review*, 52, 1217-1218.
- 1965a. *The logic of collective action: public goods and the theory of groups*. Cambridge: Harvard University Press.
- 1965b. Some social and political implications of economic development. *World Politics*, 17(3), 525-544.
- Olson, Mancur and Christopher K. Clague. 1971. Dissent in economics: the convergence of extremes. *Social Research*, 38(4), 751-776.
- Paganelli, Maria Pia. 2017. Boys do cry: Adam Smith on wealth and expressing emotions. *Journal of Scottish Philosophy*, 15(1), 1-8.

- Perelman, Mark. 2015. Review of *Worldly Philosopher: The Odyssey of Albert Hirschman*. *Review of Radical Political Economics*, 47(2), 322-325.
- Persson, Torsten and Guido Tabellini. 2000. *Political economics*. Cambridge: MIT Press.
- Piano, Natasha. 2019. Revisiting democratic elitism: The Italian school of elitism, American political science, and the problem of plutocracy. *Journal of Politics*, 81(2), 524-538.
- Swedberg, Richard. 1990. *Economics and sociology: redefining their boundaries*. Princeton: Princeton University Press, 1990.
- The Economist. 2012. "Exit Albert Hirschman". December 22, 2012. Available at <<https://www.economist.com/business/2012/12/22/exit-albert-hirschman>>. Access: Sep. 29, 2019.
- Tiebout, Charles M. 1956. A pure theory of local expenditures. *Journal of Political Economy*, 64(5), 416-424.
- Tillman, Robert. 1976. The New Left and the Libertarian Right: notes for a reappraisal of the convergence thesis. *Nebraska Journal of Economics and Business*, 15(4), 21-36.
- Tullock, Gordon. 1961a Letter to Albert Hirschman, November 20, 1961. Box 95, Folder 11. Gordon Tullock Papers. California: Hoover Institution Archives.
- 1961b. Letter to Albert Hirschman, December 12, 1961. Box 95, Folder 11. Gordon Tullock Papers. California: Hoover Institution Archives.
- 1962. Letter to Albert Hirschman, February 8, 1962. Box 95, Folder 11. Gordon Tullock Papers. California: Hoover Institution Archives.
- 1970a. Letter to Edward J. Kane, June 11, 1970. Box 116, Folder 3. Gordon Tullock Papers. California: Hoover Institution Archives.
- 1970b. Review of "Exit, voice and loyalty". *Journal of Finance*, 25(5), 1194-1195.
- Williamson, Amanda Jasmine, Andreana Drencheva and Martina Battisti. 2020. Entrepreneurial disappointment: let down and breaking down, a machine-learning study. *Entrepreneurship Theory and Practice*. <https://doi.org/10.1177/1042258720964447>