

How do we explain the apparent predominance of *exit* over *voice* as social responses to the hardships of systemic change in CEE?

I. Introduction

Despite fears that the hardships associated with post-Communist Central and Eastern Europe could precipitate upheaval with the potential to derail reforms, citizens have responded to hardship overwhelmingly with apparent patience rather than protest. To account for widespread withdrawal from post-Communist political life, I employ Hirschman's conception of *exit* and *voice* as transmission mechanisms of dissatisfaction from consumers back to suppliers. Extrapolating Hirschman's framework to the political sphere, I will consider why we might expect voice responses and propose a classification of transition social responses based on their degree of re-enforcement and longevity. I then propose two paradigms to account for the predominance of individual exit responses despite falling economic and health standards and dissatisfaction with the short-term costs of economic reforms: (1) a *rational expectations* view that stresses the relative expected payoff from voice relative to the known costs of exit and (2) a *cultural and historical* view that emphasizes the legacy of socialism and fatalism over the course of economic reforms. While cultural and historical arguments may explain a general proclivity towards particular forms of social response, a rational calculus of costs and benefits helps to explain why despite a history of socialism and broad elite consensus about the direction of reforms protests have in fact occurred in the region.

II. Exit and voice in theoretical perspective

Originally conceived to evaluate consumer reaction to declining goods quality, Hirschman distinguishes two poles of reactions to dissatisfaction: *exit*, the discontinuation of the consumption of a particular good to consumption of a substitutable good produced by a rival firm, and *voice*, the "attempt... to change, rather than to escape from, an objectionable state of affairs." (Hirschman 30) Before proceeding to explanation for the apparent predominance of exit reactions, I will elaborate on how Hirschman's original theory of market feedback and stability can be applied to political reaction in Central and Eastern Europe and propose a classification system for specific social responses in the transition context.

Theoretical arguments for voice in the political realm

Hirschman's framework envisions consumers expressing dissatisfaction in perfectly competitive markets by switching among infinite perfect substitutes. In product markets, the cost to the consumer of such a switch tends towards the negligible while the specific motivations for disengagement hardly matter to the supplier; rather, while furthering her own self-interest, the

consumer unequivocally depresses sales figures (Hirschman 23). Dowding observes that exit strategies constitute a rather “crude” binary choice between full engagement and complete withdrawal (Dowding 3). Transplanted to the political sphere where the state monopolizes supply of governance, exit ceases to be a strong feedback mechanism of dissatisfaction as the motivations behind political disengagement are numerous and the costs to both the citizen and the state may be crippling high in terms of democratic consolidation. Thus, exit “should dominate in highly competitive [product] markets, whereas the more a market resembles a monopoly, the more voice would be expected.” (Fornell and Bookstein 4) Dowding asserts that participatory democracy relies on engagement to influence government quality, affirming that where “exit is the preferred *modus operandi* in economics, voice is the preferred means of communicating political demands.” (Dowding 4)

Manifestations of social response in the post-Communist transition context

I categorize social manifestations of discontent in the transition context along two dimensions: the degree of re-enforcement and the longevity of the manifestation. In this framework, exit responses represent a primarily *individual* form of disengagement from the prevailing political system; specific strategies range from the transitory (voter abstention, protest voting, capital flight or goods hoarding) to the permanent (emigration, alcoholism, or even suicide). Voice, conversely, denotes a socially re-enforced *collective* form of political expression through either transient upheaval such as riots and protests or permanent solace in organized crime or religion. Voice responses are socially re-enforced to the extent that derived benefits depend on requited participation.¹ Graphically, I can classify specific social response strategies along these two dimensions.

TABLE 1: DIMENSIONS OF SOCIAL RESPONSE: DEGREE OF RE-ENFORCEMENT AND LONGEVITY OF MANIFESTATION

	Individual (no re-enforcement)	Collective (social re-enforcement)
Permanence	Emigration Suicide Alcoholism	Organized crime Church
Transience	Abstention Protest voting Capital flight	Riots Protests Demonstrations

¹ We must distinguish between the political expression of disapproval with either those in power or their policies and explicit attempts to gain political power. While the formation of new political parties and electoral campaigns certainly constitute forms of engagement in the political system, voice responses must include those manifestations of discontent that seek only to show disapproval rather than promote a change in government make-up.

In this framework, we find that the only variation of social response to the hardships of transition consistently lacking in post-Communist polities has been collective, transient manifestations of discontent through riots, protests, and demonstrations.² Our discussion now turns to explanations for the absence of these voice responses.

III. Rational expectations arguments for exit

Borrowing on the collective action literature, this first view stresses that an individual's decision to either participate in a group manifestation of discontent (a riot, a protest, or an election) depends on her calculation of the (1) likelihood the voice will yield a desired result and (2) the benefits of successful voice relative to those of exit. Since exit constitutes a primarily individual strategy, its payoffs are independent of others' actions. However, with voice the expected benefits depend upon required collective action. The worst case scenario leaves the individual giving voice unilaterally (the sucker payoff on the wrong side of an Olsonian collective action problem) – not only is the probability the voice will be successful reduced but the individual has to bear all the associated costs. Thus one's decision to engage the system in part depends on perceptions that others will do the same.

TABLE 2: A SIMPLIFIED OLSONIAN COLLECTIVE ACTION MODEL OF PAYOFFS³ FROM EXIT AND VOICE

		Player 2	
		Voice	Exit
Player 1	Voice	$([\lambda p_s + (1-\lambda)p_u], [\lambda p_s + (1-\lambda)p_u])$	$(-2, 0)$
	Exit	$(0, -2)$	$(0, 0)$

In this framework, citizens will opt for exit over voice if the known benefits of exit exceed the expected payoffs of voice; that is, if (1) the voice isn't likely to be successful (λ is near 0), (2) the marginal costs of voice are high, or (3) the sunk costs in the political relationship are low.

Applying these theoretical arguments of CEE, citizens may be more likely to choose exit over voice if (1) government inefficacy makes the voice unlikely to be successful, (2) they will forego income and incur transportation expenses by participating, and (3) citizens have little political attachment to or economic dependency on the new regime. This predicts incidents of

² Greskovits contends that the absence of such vocal demonstrations on par with the "IMF riots" of Latin America in the 1980s does not imply the wholesale absence of permanent, collective voice responses but compels an examination of more subtle forms of discontent: protest voting, participation in religious and cultural organizations, or informal economic activity concerned less with circumventing the state than seizing economic opportunity.

³ The payoffs are ordinal in rank with mutual exit (0,0) representing the status quo. λ represents the probability that the mutual voice option will be successful, p_s represents the payoff of that success (assumed to be greater than 0), and p_u represents the payoff of an unsuccessful voice (assumed to range from 0 to -1, strictly worse than exit yet strictly better than unrequited voice given its shared costs).

voice will be low so long as people perceive the government as incapable of providing redress, have to take leave from either official or unofficial employment (including subsistence agriculture) to participate, live in rural areas away from centers of potential protest, and have little personal involvement with the state (as target of voice actions).

Evidence of rational expectations calculations

This theory anticipates that manifestations of voice will increase with perceptions of government efficacy, demographic concentration in urban areas, and economic reliance or dependence on the state as target of voice actions. What evidence from the region supports the relatively infrequent occurrence of voice responses? Successful demonstrations, protests, or riots to the extent they seek policy change must respond to perceptions of government effectiveness. Frequent public calls to shrink the fiscal capability of government took their toll on such perceptions in the early transition, though growing government capacity may explain a recent resurgence in organized labor protests after a decade of quiet. With regards to urbanization, a regional survey reveals that in Czechoslovakia, Romania, and Bulgaria just 8%, 9%, and 13% of the respective populations live in cities of over a million people. In Poland and Hungary, nearly 40% of the population at the start of transition lived in rural areas (Greskovits 76); thus, to participate in a protest or riot these rural populations would incur the expense (particularly the opportunity cost of foregone subsistence farming) of travel to a major city. Overcoming this geographical impediment would require organizational capacity that simply did not exist. Lastly, in the old system where the state held a near monopoly on employment opportunities and social service provision, the costs from exit could be quite high. The collapse of socialism immediately eliminated impediments to voice while reducing economic dependence on the state only at the speed of privatization or private sector development. Emerging private sector employment lessened the disutility of exit by lowering sunk costs in a relationship with the monolithic state.

IV. Cultural and historical arguments for exit

The rational choice model presents the decision to engage the political system or withdraw as a calculus independent of culture and history. A second paradigm remedies this deficiency by exploring the impact of (1) the legacy of socialism and (2) the fatalism of the market in the early transition in building proclivities towards exit rather than voice responses. While these cultural and historical arguments fill a necessary gap in the previous theory, they present the predominance of exit in strictly static terms. Despite weakened civil society intermediaries, relatively equitable income distribution, and elite consensus over the direction of economic reforms, protests have not been completely unknown.⁴ While culture and history certainly play a role in establishing proclivities towards disengagement and individual exit, a rational choice

⁴ Ekiert and Kubik identify 1476 distinct strikes in Poland from 1989-1993, though they admit the pervasiveness of labor unrest has been roughly consistent with Western European levels.

model can explain how these tendencies might be overcome in times of protest or re-enforced in times of patience.

The legacy of socialism

Championed by Béla Greskovits, the “legacy of socialism” argument stresses that “history conditions the relationship between economic hardship and the degree and form of citizen response.” (Greskovits 69) Comparing the surprisingly low level of collective protest in Central and Eastern Europe with the rioting of Latin America in the 1980s, European experience with socialism – the homogeneity of income distribution, the degree of urbanization, the destruction of civil society intermediaries to coordinate protests, the reliance on the state⁵ for social services and subsidies, and the proclivity to pursue informal economic activity – left its citizens more likely to disengage themselves from the system rather than seek coordinated redress of grievances. Organized manifestations of political dissatisfaction – “strikes, rallies, demonstrations, and (to a much lesser extent...) riots” (75) – demand coordinating agents exemplified by non-party intermediating institutions that socialism systematically weakened, tainted, or co-opted.

Greskovits distinguishes five categories of social response to hardship which I group into collective and individual responses: (1) riots and (2) strikes constitute collective responses while (3) hoarding and capital flight, (4) “informal-ism,” and (5) protest voting constitute individual responses (75-6). Whereas the high urban concentration of poorly-educated poor and low prevalence of unionization in Latin America inclined the region to riots during the 1980s, socialism eliminated such preconditions for collective voice in Central Europe. By flattening income distributions (to a top-to-bottom quintile ratio of 3:1) and lowering infant mortality (to 12/1000 in Czechoslovakia compared with 79/1000 in Peru), socialism precluded the development of a distinctly underprivileged urban class given to rioting (76). With respect to strikes, Greskovits finds unionization more prevalent in Central Europe, particularly in strategic heavy industry and transportation sectors that reflect close ties between Central European labor unions and the old communist party (78). Tainted by association with the communists, Central European labor unions (with the exception of Poland) rapidly lost organizational capacity despite high initial membership in the face of widespread desertion and disillusionment with rising unemployment. Socialism left Central Europe with a homogenous income distribution, tainted labor unions, and weakened civil society – a legacy more conducive to individual exit than coordinated voice.

⁵ Beyond economic reliance, Binns suggests that a legacy of violent state repression of group manifestations of discontent can alter the payoff structure associated with future voice actions both by decreasing the likelihood of success and further depressing the payoff of unsuccessful action. (Binns 2002)

Market fatalism

A broad consensus in the early transition period that economic reforms were purely technical and not to be sullied by political debate⁶ promised citizens eventual gains for accepting transient hardships.⁷ With little ideological debate among political elites over reform direction, voters had little electoral leverage to challenge austere reformers. Moreover, politicians (like World Bank advisors) had every electoral incentive to portray the social costs of transition as the inevitable result of legacy rather than inappropriate policies, further compounding the apparent futility in vocal discontent with the reform process. Lastly, early reformers implemented “poison pills” (such as future currency contracts in Estonia) specifically so reforms would be immune to public discontentment. Faced with electoral debates of competence rather than policy and concerted efforts to make reforms irreversible before popular angst could halt the process, dissatisfied citizens had little choice but to accept the “teleology of the market” on the hope that hardships would only be temporary.

V. Conclusion

Despite crashing output, deteriorating health, and near universal uncertainty about the future, citizens of Central and Eastern Europe has responded to hardship not as feared with riots and protests but largely with individual disengagement.⁸ Whereas the *rational expectations* story explains the predominance of exit in terms of the low expected benefits of voice given government weakness, the high marginal costs of participating in protests, and the low (and declining) sunk costs in relationships with the regime, a competing *cultural and historical* story contends that the legacy of socialism and perception that hardship was an inevitable outcome of marketization induced “political patience” despite social hardship. As with everything interesting in political economy, the predominance of exit over voice depends on the interaction of rational expectations about the benefits of voice against the background of history and culture – 50 years of socialism and a decade of narrow elite consensus about the direction of economic reforms and inevitability of accompanying hardships.

⁶ Emphasis on “a-politicizing” economic reforms can be found both in campaign rhetoric (such as Balcerowicz’s 1990 “left, right, but always straight ahead” campaign) and cabinet composition (“enclaves of excellence” designed to isolate foreign-educated technocrats from political discussions).

⁷ Greskovits cites Polish public opinion data from 1989 that most Poles “showed a willingness to accept hardships as the condition for a better future.” (Greskovits 108)

⁸ Yet policy-makers would err to mistake the absence of vocal resentment for overall contentment. As Greskovits and Innes argue, the sad reality that those most adversely affected by transition cannot shoulder the costs of voice compels an examination of subtler protest (such as protest voting). Quarterly survey data from Poland indicates two out of three Poles believe their country is heading in a generally bad direction; even more significantly, the share of those discontented with the direction of policies has risen consistently since 1997 (CBOS 2002).

VI. References

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