

Discuss Hirschman's Exit, Voice and Loyalty theory.

Exit, Voice, Loyalty Theory can be seen in the light of declining performance in economic, social and political systems. Individuals, business firms and organisations in general are subject to lapses from rational, efficient and law abiding virtuous or otherwise functional behavior.

Exit, Voice and Loyalty not only characterize firms producing saleable output for customers but also applicable to organisations such as voluntary associations, non-government organisations (NGOs), trade unions or political parties that provide service to their members without direct monetary counterpart. The performance of a firm or organisation is assumed to be subject to deterioration for reasons which may be neither so compelling nor so durable as to prevent a return to the previous performance levels.

Exit: According to Hirschman, exit takes place where a customer or client or a member of a firm or organisation, dissatisfied with the product or service of the firm or organisation, shifts to another firm or organisation. Exit mostly belongs to the realm of economics. Here the customer uses market to defend his welfare or to improve his position and sets in motion market forces which may produce or lead to recovery on the part of the firm that has declined in comparative performance. In economics, one either exits or does not exit. It is impersonal any confrontation between the customer and the firm is avoided and the success or failure of the organisation is communicated to it by a set of statistics. Here, the economist thinks that his mechanism of exit is far more efficient and is in fact the only way to be taken seriously.

"Exit" has often been branded as criminal for it has been labelled desertion, deflection and treason. The availability of 'exit' option and its frequent resort by the consumer are characteristic of normal competition. It is widely held to be uniquely powerful by inflicting revenue losses on the delinquent management or organisation.

Voice: Voice is defined as an attempt to change rather than escape from the objectionable state of affairs, whether through individual or collective petition to the management directly in-charge. Hirschman believes that once one has exited, he has lost the opportunity to use voice. But this view cannot apply in all cases. Voice is said to belong to the realm of politics. Choice is often between articulation and desertion - voice and exit. In fact, in political realm, exit has fared much worse than has voice in the realm of economics.

The decision to voice one's view and efforts to make them prevail are referred by Friedman as a reason to 'cumbrous' political channels. In human institutions, from the state to the family, voice, however cumbrous or ineffective, It is all that members normally have to work with. Voice is more messy concept because it can be graduated all the way from faint grumbling to

violent protest. It implies articulation of one's critical opinions rather than roundabout. Voice is political action par excellence. In economics, instead of taking the exit option, one can try protest, thereby force improved quality of product or service, upon delinquent management (of the firm or organisation). If the decline in the quality of products leads to voice rather than exit, then the effectiveness of voice will increase up to a certain point, with the volume of the voice.

But voice like exit can be overdone. According to Hirschman, voice has the function of alerting the management about its failings but it must also give it some time to respond to the pressures that have been brought to bear on it. The voice option is the only way in which dissatisfied customers or members can react when the exit option is unavailable.

Hirschman's category of voice is broad and allows for all variations of gradualism. While 'voice' can be graduated all the way from faint grumbling to violent protest, exit is a clear-cut dichotomous category "One either exits or one does not." **Thus operationally, exit is a dichotomous variable while voice is a continuous variable.**

Loyalty: Hirschman regards loyalty as a special attachment to an organisation. Loyalty encompasses a spectrum ranging from unconditional identification and enthusiastic support to passive acceptance, inertia or even submissive silence. However, it never received the same prominence as exit and voice in the academic career of the concept.

The presence of loyalty makes exit less likely and gives more scope to voice which increases with the degree of loyalty. In other words, loyalty holds exit at bay and activates voice. An individual can remain loyal without being influential himself with the expectation that someone will act or something will happen to improve matters.

Loyalty far from being irrational can serve the socially useful purpose of preventing deterioration from becoming cumulative, as it happens when there is no barrier to exit, in following ways:

- (i) It helps infant industry or firm or organisation to have a chance of becoming efficient or to recuperate from a lapse in efficiency.
- (ii) It also serves to stimulate voice in deteriorating organisation, which would have prematurely withered through free exit.
- (iii) Loyalty sometimes means strong but irrational attachment to the firm or organisation because it is so much like another one that is also available.
- (iv) A loyalist member will leave no stone unturned before he decides to withdraw or switch (exit). The effectiveness of voice is strengthened by the possibility of exit. Thus, for a loyalist exit is an instrument of last resort.

To conclude, it may be said that exit, voice, and loyalty theory explains many occurrences in our society on day to day basis. There is no area of household, economic and national life that is not characterised by the presence of one or all of the three concepts. The is relevant to social dynamics as it rightly tries to explain the phenomena.

Discuss the applicability of Hirschman's Exit, Voice and Loyalty theory in Household and in Economics.

Hirschman's Exit, Voice and Loyalty theory is applicable to household and economics.

Household: Hirschman observes that no matter how well the society's basic institutions are designed, failures of some actors are bound to happen. The family or household, being the society's basic social unit, is no exception and as such voicing, exit and loyalty are observable. The deterioration or decline in living conditions in the family (household) or relations between household members may force resort to any of the options.

Voice is more common than exit at the household level though the latter is used in extreme cases where the family is completely unable to restore things in order by protesting. Loyalty instead helps to postpone exit. Some couples take cultural factors into consideration as they contemplate any action such as separation divorce (exit) when there is decline in the state of things in the household. Moreover, exit is only used as a last resort though there is no ready alternative to move to in the case of a marriage where there are children. The economic burden of caring for children without the support of the other partner also discourages separation (exit) and activates voice option.

Economics: According to Hirschman, exit is very real in the realm of economics. Exit is typically the act of shifting to the product of a competing firm or leaving an organisation. In economics, one either exits or does not exit. Here the mechanism of exit is far more efficient and is in fact the only way to be taken seriously. However, voice is an act of complaining or protesting in order to obtain a change in behavior of the firm or organisation in the form of improvement in the quality of product or service.

A similar situation can be observed at the Stock Exchange market where the best informed stock holders shift (exit) for better-managed companies when stock prices deteriorate where they hold shares. The investors orient themselves toward exit than towards voice. The ready availability of alternative investment opportunities in the stock market makes any resort to voice rather than exit unthinkable for any except the most committed (loyal) stockholders.